



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 30TH MARCH 2017 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors S. R. Colella (Vice-Chairman), 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 8th December 2016 (Pages 1 - 20)
5. Standards Regime - Monitoring Officers' Report (Pages 21 - 24)
6. External Audit - Progress Report / Action Plan Update Report (Pages 25 - 44)
7. External Audit - Certification Work Report 2016/17 (Pages 45 - 50)
8. External Audit - Auditing Standards 2016/17 (Pages 51 - 80)
9. External Audit - Audit Plan March 2017 (Pages 81 - 104)
10. Internal Audit Monitoring Report (Pages 105 - 130)
11. Internal Audit - Audit Plan 2017/18 (Pages 131 - 140)
12. Financial Savings Monitoring Report for September to December 2016 (Pages 141 - 144)

13. Risk Champion - Update (Councillor Phil Thomas)
Written update to be tabled at the meeting.
14. Draft Audit, Standards and Governance Committee's Annual Report 2016/17
(Pages 145 - 156)
15. Work Programme (Pages 157 - 158)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

22nd March 2017

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

8TH DECEMBER 2016 AT 6.00 P.M.

PRESENT: Councillors B. T. Cooper (Chairman), R. L. Dent, J. M. L. A. Griffiths, S. R. Peters, S. P. Shannon and M. Thompson

Observers: Councillor G. N. Denaro

Officers: Mrs. C. Felton, Ms. S. Morgan, Mr. A. Bromage and Ms. A. Scarce

29/16 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies were received on behalf of Councillors S. R. Colella, C. J. Spencer P. L. Thomas and P. M. McDonald, with Councillor S. Shannon attending as a substitute for Councillor McDonald.

Parish Councillor C. Scurrrell also sent his apologies.

30/16 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

Mr R. Percival confirmed that in respect of Minute No. 38/16 the appointment of External Auditors for financial year 2018 onwards he had an interest and would leave the meeting for this item.

31/16 **MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 15th September 2016 were submitted.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 15th September 2016 be approved as a correct record.

32/16 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

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

- The Member to Member (both district councillors) complaint remained with Group Leaders for resolution.
- The complaint in respect of a Member's involvement in a planning decision – the Planning Committee's decision and the Member's involvement was appropriate and they had operated entirely within the rules.
- A general standards issue in respect of an interest not being correctly disclosed had been dealt with by the Monitoring Officer speaking the Member concerned and the relevant Group Leader. The Independent Person for Standards was advised and confirmed his agreement with the resolution proposed.
- A Member training event had been held in respect of Data Protection.

The Member Development Steering Group had been asked to investigate governance training arrangements and it was reported that the Group were grateful for the Committee's input and would investigate as appropriate. Members did question the additional cost that this may bring and it was confirmed that it was unlikely training from an external provider could be sourced without any charge and this was something which would be considered by the Member Development Steering Group in due course.

RESOLVED that the Monitoring Officer's report be noted.

33/16

PENSIONS - PRESENTATION

The Chairman welcomed Mr Ian Kirk, Principal, Mercer, the Council's pension actuaries and thanked him for taking the time to attend the meeting.

Mr Kirk provided Members with a number of documents (attached as appendices to these minutes) which cover a number of areas. This included detail around the funding of the pension scheme and where these sat within the accounting process, the main areas of consideration were the measurement date, methodology and assumptions together with experience, for example inflation and salary growth. The Pension Scheme accounting figures as at 31st March 2016 were also included together with the 2016 Actuarial Valuation Preliminary Results which detailed the agreed contribution plan results for 2013.

During the presentation of the documents Mr Kirk highlighted a number of areas, which were discussed with Members, including:

- A summary of the current position with a deficit of £32m being shown, taking into account assets and liabilities.
- The impact of current market conditions and key drivers.
- The prescribed methodology – an increase in yields resulted in the reduction in liabilities.

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- Since March 2016 yields had increased slightly, this was a positive sign, although it was noted that the markets continued to be sensitive.
- A full valuation of the scheme was carried out this year which would set the contribution requirement of the scheme. This produced a shortfall of just under £18m primarily.
- The need for a stable contribution with an 18 year recovery plan. This resulted in significant interest being paid over that period.
- The need to try and balance and stabilise the contributions, although it was acknowledge that this was difficult due to the budget constraints local government was facing and therefore an element of flexibility was also needed.
- Detailed asset breakdown and the different categories. Members questioned whether leaving the European Union could impact on some areas of investment.
- The impact on the scheme in various circumstances, such as a member of staff taking early retirement. It was explained that this was an entitlement and therefore assumptions were made to allow for it. In respect of redundancies then the fund would expect the employer to cover cost for any strain which was put on the scheme. These costs would be paid as the circumstances occurred.
- An increase in general life expectancy would also be taken into account as a matter of course.

Mr Kirk confirmed that currently there was little that the Council could do, but ensure that it continued to balance its own budget, which was more important, if it continued to be prudent then the current position would improve.

34/16

GRANT THORNTON ANNUAL AUDIT LETTER

Mr. R. Percival presented the Annual Audit Letter on behalf of Grant Thornton which detail their findings and recommendations as a result of the work undertaken as part of the final accounts for 2015/16. This included Financial Statements, Value for Money Judgement and Grants Claims.

An unqualified opinion on the Council's financial statements had been issued on 27th September 2016. Mr. Percival drew Members' attention to the following:

- The Action Plan attached to the report – there was continued progress in the financial statements production to ensure it meets the earlier closedown of the accounts.
- The reporting of the annual budget and medium term financial statement should continue to improve.
- The clarity and consistency of the in year budget reporting continues to improve.

Mr. Percival was satisfied that the Council had responded appropriately to the recommendations, but confirmed that Grant Thornton had not carried out any follow up work to date. Officers confirmed that a substantial amount of work had been carried out around the accounts timetable to ensuring everything was achievable in order to submit the accounts earlier. A four year budget was currently being worked on with the Corporate Management Team. The team was currently working on the Medium Term Financial Plan with Cabinet receiving a number of reports. An Overview and Scrutiny Board Finance and Budget Working Group had been set up and received regular reports and reported its findings back to Cabinet. The Chairman confirmed that he was a Member of that Group and believed its work was very effective.

RESOLVED that the Grant Thornton Annual Audit Letter 2015/16 be noted.

35/16

GRANT THORNTON - PROGRESS REPORT

Mr. R. Percival, Associate Director, Grant Thornton presented the report explaining that it was largely for information and the update reflected the current position in respect of the audit process. The following areas were highlighted:

- The opinion on the financial statements and VFM conclusion was issued on 27th September 2016.
- The housing benefit grant claim was certified on 28th November 2016.

Mr. Percival took the opportunity to inform Members that Ms. S. Joberns would be leaving Grant Thornton in the near future and be replaced by Mr. N. Priest would take over her duties on behalf of the Council.

RESOLVED that the Grant Thornton Update Report November 2016 be noted.

36/16

INTERNAL AUDIT MONITORING REPORT

Mr. A. Bromage, Head of Internal Audit Shared Service, presented the report and in so doing highlighted to Members that there were in fact two reports, the Internal Audit Monitoring Report and the 2017/18 Provisional Internal Audit Plan Report.

Internal Audit Monitoring Report

This was a routine report received at every meeting of the Audit, Standards and Governance Committee which provided an update on the actions and work carried out and gave a view of the audits which had been completed since the last meeting. There were three with reported assurance levels of moderate or above, with a number ongoing which would be reported in due course.

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The report also contained an overview of the delivery of the plan, includes days delivered so far and also the position in respect of forecasted days. Key performance indicators were also included and it was highlighted that service productivity was down due to the arrival of three new auditors in the first quarter and a further auditor late in quarter two, but were confident that it would pick up towards the end of the financial year. The report included an overview and assurance that work undertaken was being followed up and appropriate action taken where necessary.

Following presentation of the report a number of areas were raised by Members, including:

- Assurance that areas where controls needed to be strengthened were monitored to ensure these were put in place.
- Confirmation that the service would be delivered in respect of the productivity KPI.
- Concern as to whether a problem which was identified would be brought before the Committee, if it was not part of the planned work.

After further discussion it was

RESOLVED that the Internal Audit Monitoring Report be noted.

The 2017/18 Provisional Internal Audit Plan Report

The draft plan was for information and then Members would be asked to approve the final plan at its meeting in March 2017. The report contained details around the aims and objectives of the service. By bringing the provisional plan before the Committee Members were able to have a positive input into the audit work programme for 2017/18. The number of days has not been reduced this year, as had been the case in previous years, as it felt about right for coverage considering the size of the authority. Areas within the Council have been considered across service functions and outlined within the plan. The KPIs have been slightly amended to give better coverage and assurance moving forward and again will be reported on a regular basis throughout 2017/18.

Members raised a number of points within the report:

- The management of the risk and how this is identified.
- Areas for inclusion in 2017/18 and the allocation of days to those areas.
- The audit of Land Charges – due to the anticipated change in legislation, it will ensure everything is in place to ensure the changes run smoothly.
- The role and benefit of the KPIs.

RESOLVED that

a) The Audit Plan for 2017/18 be noted; and

b) The Key Performance Indicators be noted.

37/16

QUARTER 2 (JUNE TO SEPTEMBER 2016) FINANCIAL SAVINGS UPDATE REPORT

Officers explained that following a recommendation from the External Auditors, Grant Thornton, that the delivery of savings should be monitored more closely to ensure that the Council is meeting those savings in the way that was expected, the attached report has been designed to address this recommendation.

The report showed the savings which had been delivered from April to September 2016 and that all projected savings would be realised in line with the original estimated. In addition further savings/additional income had been made of £270k with full details being provided within the report.

RESOLVED that the financial position for savings as presented in the report for the period April to September 2016 be noted.

38/16

APPOINTMENT OF EXTERNAL AUDITORS FOR FINANCIAL YEAR 2018 ONWARDS

The Chairman confirmed to Members that the report before them made it clear as to the options available. Officers explained that this was the new process for appointing external auditors from 2018/19, when the contract with Grant Thornton ceased.

The recommendation from officers was to accept the offer from the Public Sector Audit Appointments (PSAA) to opt in to the sector led appointment of external auditors for five years commencing 1st April 2018. If Members decided not to take up this option then a tender process would have to take place which would involve the appointment of an independent panel, without officers or Member involvement, which could be a costly process with a similar outcome to that of the PSAA.

Following further discussion it was

RECOMMENDED that the Council accepts Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1st April 2018.

39/16

RISK MANAGEMENT GROUP MONITORING VERBAL UPDATE

Officers confirmed there would be a new Corporate Risk Register from March 2017 which would identify the risk exposure of the Council including the level of risk and reward.

40/16

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR PHIL THOMAS)

In the absence of the Risk Champion, Councillor P. L. Thomas, officers provided an updated which confirmed that he had met with both, John Godwin, Head of Leisure and Cultural Services, and Judith Willis, Head of Community Services and discussed their risk registers. He was satisfied that there were no unidentified risks at this stage and that identified risks were being mitigated appropriately.

It was noted that it had been minuted at the previous meeting that a more detailed written update be provided in respect of the Corporate Risk Register and the Chairman agreed to discuss this with the Risk Champion before the next meeting of the Committee.

RESOLVED that the Chairman speak to the Risk Champion to request the provision of a written update in respect of the Corporate Risk Register.

41/16

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the content of the Audit, Standards and Governance Committee's Work Programme.

RESOLVED that the Work Programme be noted subject to the inclusion of a written update being received at the March 2017 meeting of the Committee, in respect of the Corporate Risk Register.

The meeting closed at 7.18 p.m.

Chairman

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2016 ACTUARIAL VALUATION PRELIMINARY RESULTS

Worcestershire County Council Pension Fund - Bromsgrove District Council



	2013 Results - pre phasing	2013 Results - agreed contribution plan	Preliminary results at 31 March 2016
Deficit	£22,114,000	£22,114,000	£17,721,000
Funding Level	66%	66%	76%
Employer Future Service Rate (% pensionable pay p.a.)	13.1%	12.1%	14.4%
2017/18 Projected Payroll	£8,541,000	£8,541,000	£8,541,000
Remaining Recovery Period	18 years	18 years	18 years
Deficit Contributions:			
2016/17 (actual)	£1,053,000	£1,053,000	£1,053,000
2017/18	£1,096,000	£1,096,000	£1,023,000
2018/19	£1,141,000	£1,141,000	£1,061,000
2019/20	<u>£1,187,000</u>	<u>£1,187,000</u>	<u>£1,100,000</u>
Total paid over the 3 years	£3,424,000	£3,424,000	£3,184,000
Alternative payments each April			£3,117,000
Alternative 3 year prepayment in April 2017			£2,986,000
2017/18 Future Service Contributions	£1,119,000	£1,033,000	£1,230,000
2018/19 Future Service Contributions	£1,130,000	£1,078,000	£1,242,000
2019/20 Future Service Contributions	£1,141,000	£1,141,000	£1,255,000
Total 2017/18 Projected Contributions Payable	£2,215,000	£2,129,000	£2,253,000
Total 2018/19 Projected Contributions Payable	£2,271,000	£2,219,000	£2,303,000
Total 2019/20 Projected Contributions Payable	£2,328,000	£2,328,000	£2,355,000

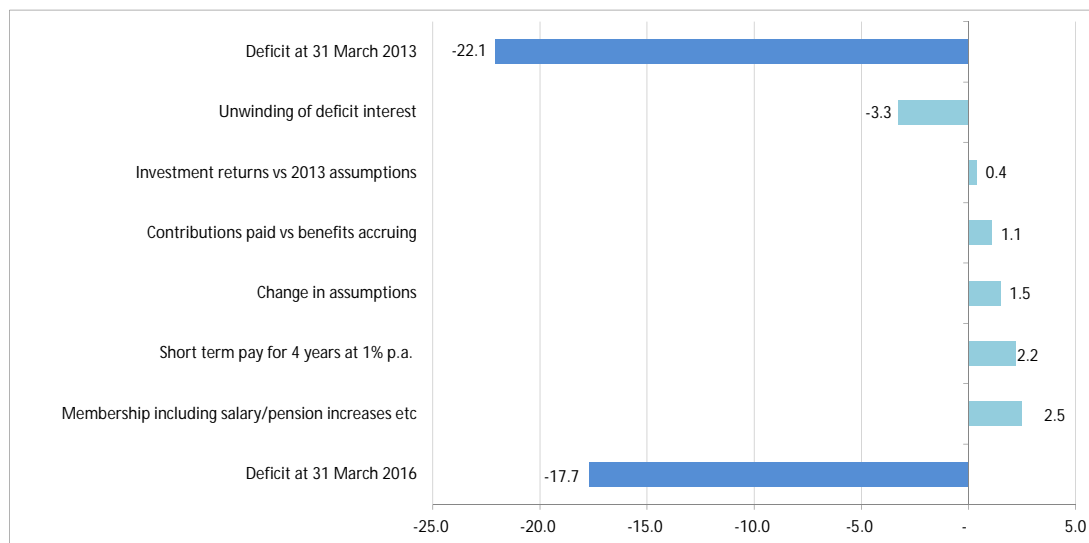
Notes

- Figures are preliminary only and subject to change once all employer results are finalised.
- 2013 agreed contribution plan includes phased future service contributions.

2016 ACTUARIAL VALUATION PRELIMINARY RESULTS

Worcestershire County Council Pension Fund - Bromsgrove District Council

ANALYSIS OF CHANGE IN FUNDING POSITION



ANALYSIS OF CHANGE IN FUTURE SERVICE RATE

	% of Pay
2013 Future service rate	13.1%
Change in profile of membership	0.3%
Change in financial and demographic assumptions	1.0%
2016 Future service rate	14.4%

KEY MEMBERSHIP EXPERIENCE - 2013 TO 2016

	Actual	Actual vs Expected
Pensioner Deaths	20	72%
Ill-health Retirements	1	46%

SUMMARY OF MEMBERSHIP DETAILS

	31 March 2013	31 March 2016
Number of Active members	239	346
Total Actual Salaries (£000s p.a.)	5,810	8,373
Average Age (weighted by CARE pay)	45.8	45.7
Average Employee Rate (% of pensionable pay)	6.8%	6.7%
Number of Deferred Pensioners	270	294
Total Deferred Pensions at Val Date (£000s p.a.)	652	698
Number of Current Pensioners and Dependents	359	381
Total Pensions Payable (£000s p.a.)	2,127	2,313

FUNDING VS ACCOUNTING



	FUNDING	ACCOUNTING
PURPOSE	To determine amount of contributions to be paid into the Fund each year.	Disclosure of pension costs in accounts.
MEASUREMENT DATE	31 March 2016 and every subsequent three years.	Every year at employer's year end.
Market Conditions	Takes account of market conditions at measurement date.	Takes account of market conditions at measurement date.
METHODOLOGY & ASSUMPTIONS	In line with Funding strategy set by Administering Authority on advice of Actuary. Complies with LGPS Regulations.	Prescribed by accounting standard but employer can set own assumptions within that.
Discount Rate	Reflects prudent assumed future investment returns based on Fund's long term investment strategy	Derived from high quality corporate bond yields-not influenced by Fund's investment strategy
Inflation assumption	Reflects market expectations for long term future price inflation.	Similar approach to funding
Other assumptions Salary Increases Life expectancy, etc	Set at each triennial valuation	Typically follows funding assumptions although some margins for prudence removed and employers may request their own
EXPERIENCE		
Investment performance	Actual investment returns allowed for.	Actual investment returns allowed for. Index returns used for periods where actual returns not available.
Other experience Inflation Salary growth Membership changes, etc.	All items of experience allowed for at each funding valuation.	Experience typically only allowed for in accounting year following completed triennial funding valuation.

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BROMSGROVE DISTRICT COUNCIL

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND LOCAL GOVERNMENT PENSION SCHEME

PENSION SCHEME ACCOUNTING FIGURES AS AT 31 MARCH 2016

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APRIL 2016



Agenda Item 4

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Mercer has prepared this schedule for the employer, to assist them with the preparation of its accounting figures and disclosures under International Accounting Standard 19. These figures may not be used or relied on by any other party or for any other purpose.

This schedule must be read in conjunction with the separate supplementary paper, advice on actuarial assumptions used, and the latest formal actuarial valuation report for the Fund.



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Worcestershire County Council Pension Fund - Bromsgrove District Council

1. Disclosure items - 12 month period ended 31 March 2016

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Balance sheet items as at 31 March 2016	£000s	Change in benefit obligation to 31 March 2016	<i>Unfunded Benefits</i> £000s	All Benefits £000s
Present value of funded benefit obligations	81,544	Benefit obligation at beginning of period	2,076	85,570
Present value of unfunded benefit obligations	1,933	Current service cost	-	1,902 (25.3% of pay plus interest)
Total present value of benefit obligations	83,477	Interest on pension liabilities	64	2,704
Fair value of plan assets	(49,142)	Member contributions	-	509
Unrecognised past service cost	0	Past service cost (gain)	-	0
Deficit/(surplus)	34,335	Remeasurements (liabilities)		
		Experience (gain)/loss	-	0 (0% of period end liabilities)
		(Gain)/loss on financial assumptions	(67)	(4,582) (5.5% of period end liabilities)
		(Gain)/loss on demographic assumptions	-	0 (0% of period end liabilities)
		Curtailments	-	0
		Settlements	-	0
		Benefits/transfers paid	(140)	(2,626)
		Business combinations	-	0
		Benefit obligation at end of period	1,933	83,477
		Change in plan assets during period to 31 March 2016		
		Fair value of plan assets at beginning of period	-	50,220
		Interest on plan assets	-	1,605
		Remeasurements (assets)	-	(2,524) (5.1% of period end assets)
		Administration expenses	-	(30)
		Business combinations	-	0
		Settlements	-	0
		Employer contributions	140	1,988
		Member contributions	-	509
		Benefits/transfers paid	(140)	(2,626)
		Fair value of plan assets at end of period	-	49,142
		Actual Return on plan assets		(920) (1.9% of period end assets)

Balance sheet items as at 31 March 2016	£000s
Present value of funded benefit obligations	81,544
Present value of unfunded benefit obligations	1,933
Total present value of benefit obligations	83,477
Fair value of plan assets	(49,142)
Unrecognised past service cost	0
Deficit/(surplus)	34,335

Components of pension cost for period to 31 March 2016	£000s
Current service cost	1,902
Net interest cost	1,099
Administration expenses	30
Past service cost (gain)	0
Effect of curtailments	0
Effect of settlements	0
Effect of asset ceiling	0
Total pension cost recognised in I&E	3,031

Statement of other comprehensive income	£000s	(%)
Remeasurements (liabilities & assets)	(2,058)	
Effect of asset ceiling	0	
Total remeasurements included in SOCI	(2,058)	(2.5% of period end liabilities)

Employer number 2

Worcestershire County Council Pension Fund - Bromsgrove District Council

2. Data used in calculations

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Investment return data

Supplied	0.9662 (i.e.-3.38%)	31 March 2015 to 31 December 2015 as supplied by the Fund.
Adjustment 1	1.016 (i.e. 1.6%)	31 December 2015 to 31 March 2016 estimated based on market indices.
Adjustment 2	N/A	N/A
Final return applied	-1.83%	Net of investment expenses
Expenses	£30,000	Administration expenses deducted from year end assets

Whole fund asset details (£m)

- Last actuarial valuation	1,721	31 March 2013
- Start of period	1,987	31 March 2015
- End of period	1,949	31 March 2016

Provided for disclosure purposes only - not used in calculations

Employer data

	Data supplied	Revised	Notes
Balance sheet items:			
31 March 2015 assets	£50,220,000		
31 March 2015 liabilities	£85,570,000		
Materiality limit as advised by employer	Not provided		Please see supplementary paper.
Cashflows:			
Pensionable pay	£7,409,925		
Employer normal contributions	£1,848,322		
Employer other contributions	N/A		
Employee contributions	£508,867		
Transfer values received	£3,291		
Retirement lump sums paid	£169,331		
Pensions paid	£2,256,177		
Lump sum death benefits paid	N/A		
Payments on account of leavers	£63,295		
Recharged benefits (£ for £ basis)	£140,114		
Additional pension costs:			
Early retirement - redundancy	N/A		
Early retirement - non-redundancy	N/A		
Augmentation - redundancy	N/A		
Augmentation - non-redundancy	N/A		
Membership numbers as at 31 March 2016:			
Actives	321		
Deferreds	276		
Pensioners	380		
Spouses / dependants	0		

Particular events relevant to this employer of which we have been notified:

None

Worcestershire County Council Pension Fund - Bromsgrove District Council

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3. Assumptions

Duration information as at the end of the accounting period

Estimated Macaulay duration of liabilities (at later of 31 March 2013 & admission date): 18 years
 Duration profile used to determine assumptions: Very Mature

Financial assumptions	Beginning of period (p.a.)	End of period (p.a.)
- CPI inflation	2.0%	2.0%
- Increase in salaries	3.5%*	3.5%*
- Increase in pensions	2.0%	2.0%
- Discount rate	3.2%	3.5%

*An adjustment has been made for short term pay restraint in line with the latest actuarial valuation

Post retirement mortality assumptions (normal health)

- Non-retired members	S1PA CMI_2012_[1.5%] (94% males, 94% females)	S1PA CMI_2012_[1.5%] (94% males, 94% females)
- Retired members	S1PA CMI_2012_[1.5%] (94% males, 94% females)	S1PA CMI_2012_[1.5%] (94% males, 94% females)

Life expectancy of a male (female)

- future pensioner age 65 in 20 years' time	25.6 (28.1) years	25.8 (28.2) years
- current pensioner age 65	23.4 (25.8) years	23.5 (25.9) years

4. Budgeting figures for 2016/17

A - Projected pension cost	£000s	£000s	£000s
<i>Estimated pay:</i>	7,410		
<i>Service Cost (% of pay):</i>	22.9%		
Implied Service Cost including interest:		1,725	
Net interest cost		1,166	
Administration expenses		30	
Total pension cost recognised in I&E			2,921

B - Projected employer contributions

Normal contributions		1,919	
£ for £ recharges		140	
Total employer contributions next year			2,059

C - Current deficit/(surplus)

34,335

D - Projected deficit/(surplus) next year

35,197

This is calculated as C + A - B



Worcestershire County Council Pension Fund - Bromsgrove District Council

5. Sensitivity analysis as at 31 March 2016

Disclosure item	Central	Sensitivity 1 <i>+ 0.1% p.a. discount rate</i>	Sensitivity 2 <i>+ 0.1% p.a. inflation</i>	Sensitivity 3 <i>+ 0.1% p.a. pay growth</i>	Sensitivity 4 <i>1 year increase in life expectancy</i>
	£000s	£000s	£000s	£000s	£000s
Liabilities	83,477	82,003	84,977	83,778	85,108
Assets	(49,142)	(49,142)	(49,142)	(49,142)	(49,142)
Deficit/(Surplus)	34,335	32,861	35,835	34,636	35,966
Projected Service Cost for next year	1,725	1,670	1,783	1,725	1,763
Projected Net Interest Cost for next year	1,166	1,146	1,221	1,179	1,225

Worcestershire County Council Pension Fund - Bromsgrove District Council

6. Detailed asset breakdown

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Asset category	Sub-category	Quoted (Y/N)	31 March 2015 £000s	31 March 2016 £000s
Equities:	UK quoted	Y	11,149	361
	Overseas quoted	Y	19,234	16,783
	PIV - UK Managed Funds	N	5,122	13,761
	PIV - UK Managed Funds - (Overseas equities)	N	10,245	9,776
	PIV - Overseas Managed Funds	N	402	362
Bonds:	UK Corporate	Y	352	204
	Overseas Corporate	Y	2,913	2,808
Property:	European Property Funds	N	0	1,538
	UK Property Debt	N	0	575
	Overseas Property Debt	N	0	110
Alternatives:	UK Infrastructure	N	0	1,823
Cash:	Cash instruments	Y	251	272
	Cash accounts	Y	50	265
	Net current assets	N	502	504
Total:			50,220	49,142

Accounting Q & A contacts

Our supplementary paper FAQs which will answer many queries arising as part of the audit process, and auditors should be referred to this in the first instance. But if you need further help then please get in touch with our accounting Q & A contacts (below).

Note that additional charges may be incurred for further work in relation to these disclosures, depending on the scope and complexity required.



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LGPS employers - further support and advice

Mercer provide actuarial services to numerous LGPS Funds and employers such as Universities, Colleges, Contractors, Housing Associations and Charities.

Our LGPS practice includes over 50 specialists, with 21 qualified actuaries, two qualified Pensions Management Institute members, three qualified Chartered Insurance Institute members and one qualified lawyer. The team provides actuarial advice all core actuarial service requirements and independent advice to employers.

We are able to provide support to Funds and employers across the following areas:

- *Funding Requirements, including assumptions and contribution requirements*
- *Accounting disclosures, including assumptions setting*
- *Governance advice in relation to LGPS regulations, administration processes/practices and legislation*
- *Financial risk management and cost mitigation, including investment strategy and de-risking*
- *Planning for termination and managing exit payments*
- *Liability management exercises*
- *Talent management and HR support*
- *Pension tax advice*

Our independent specialists would be happy to help if you require assistance in any of these areas. Contact **Clive Lewis** (0151 242 7297, clive.lewis@mercer.com) or your usual Mercer contact.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

30th March 2017

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 8th December 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 relevant 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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

30th March 2017

allegations can be made. The Relevant Authorities (Disclosable Pecuniary 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 No new Member complaints have been received since the last meeting of the Committee.
- 3.4 The ongoing Member to Member (both district councillors) complaint which was reported on at the December meeting has now been withdrawn.

Member training

- 3.5 Personal Health and Safety training for Councillors was held in February and whilst well received was poorly attended.
- 3.6 Future training plans include workshops about housing services and further data protection opportunities.

Parish Councils' matters

- 3.7 On Thursday 16th March the Monitoring Officer undertook training at Wythall Parish Council on dispensations.
- 3.8 The Monitoring Officer has also been working with Stoke Parish Council and Catshill and North Marlbrook Parish Council on Governance arrangements.
- 3.9 Following the recent meetings of the Bromsgrove Area Committee of the Worcestershire County Association of Local Councils (CALC), Mr Chris Scurrrell of Belbroughton and Fairfield Parish Council remains the Parish Councils' Representative on the Committee (non-voting co-opted member). The second Parish Councils' Representative and Deputy Parish Councils' Representative positions currently remain vacant.

Customer / Equalities and Diversity Implications

- 3.10 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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

30th March 2017

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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Email: d.parkerjones@bromsgroveandredditch.gov.uk
Tel: 01527 881411

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 30th MARCH 2017

GRANT THORNTON UPDATE – MARCH 2017

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

1. SUMMARY OF PROPOSALS

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

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

- 3.1 There are no financial implications

Legal Implications

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

Service / Operational Implications

- 3.3 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. There are no concerns raised by the auditors in their initial work. There is a focus on ensuring the Council is making progress to close the accounts a month earlier in 2018. The timetable for 2016/17 closedown aims to meet this deadline to enable any issues to be addressed prior to the formal change next year. In addition the appendix includes updates on National issues that are relevant to Local Government at the current time and various Grant Thornton Publications that are available.

- 3.4 Officers are continuing to work with the auditors to ensure the Council meets its statutory financial obligations.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 30th MARCH 2017

Customer / Equalities and Diversity Implications

3.5 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Progress report Grant Thornton Report

6. KEY

N/a

AUTHOR OF REPORT

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

Audit, Standards and Governance Committee Bromsgrove District Council Progress Report and Update Year ended 31 March 2017

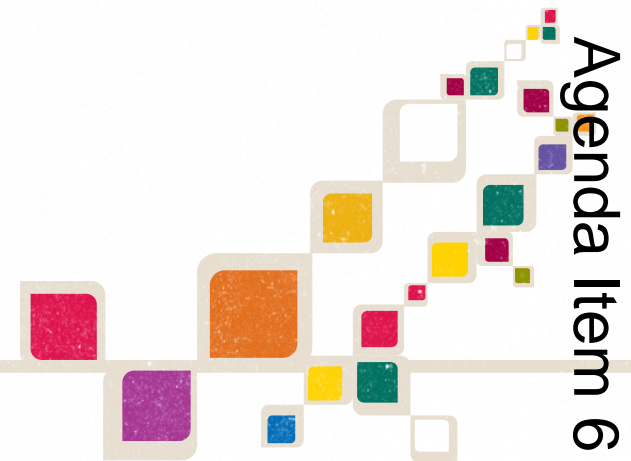
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March 2017

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



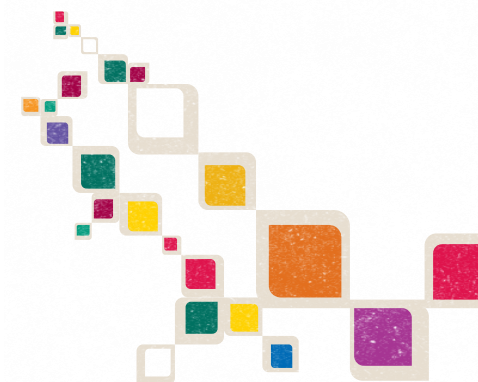
Introduction

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

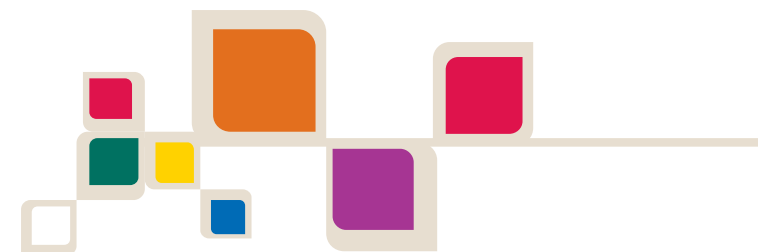
Members of the Audit, Standards and Governance Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

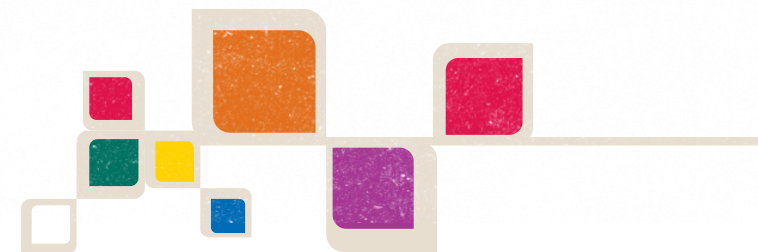


Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016.</p>	April 2016	Yes	We issued our fee letter on 4 April 2016. This included the scale fee of £48,680 set by PSAA. This is the same fee as 2015/16.
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.</p>	March 2017	Yes	We will present our Audit Plan to the Audit, Standards and Governance Committee meeting on 30 March. This will explain the scope of our audit, the risks we have identified and our planned response to those risks.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	March / April 2017	No	We are carrying joint interim visits covering both the Bromsgrove DC and Redditch BC audits deploying one audit team. We have carried out some initial planning work in January, and will complete our interim audit work in March and April.

Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> audit of the 2016/17 financial statements proposed opinion on the Council's accounts proposed Value for Money conclusion review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. 	July / August 2017	No	<p>We are working with officers to identify any improvements and efficiencies that can be made to support the accounts being audited and signed off by 31 July 2018.</p> <p>We will undertake our audit work from mid July to mid August, and have agreed the dates of our visit with Officers.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> Informed decision making Sustainable resource deployment Working with partners and other third parties. 	January to March 2017	No	<p>We issued a qualified VfM Conclusion in 2015/16 due to weaknesses in financial reporting and financial planning. We also concluded that there was a failure in governance arrangements.</p> <p>Our 2016/17 VfM work will focus on the improvements made in financial reporting and planning. We will also consider the effectiveness of performance management.</p> <p>We will complete our VfM Conclusion work by 31 March.</p>
<p>Other areas of work</p> <p>Meetings with Members, Officers and others.</p>	Ongoing	N/A	<p>We continue to have regular meetings with the Chief Executive and Director of Finance and Performance.</p>

Technical Matters

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Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.

Update to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued an update to the Local Authority Accounting Code for 2016/17. The main changes include:

- Confirmation of the postponement of the measurement requirements for the Highways Network Asset and that all references to this in the 2016/17 Code shall not apply.
- Updates regarding the disclosure requirements for notes to the Housing Revenue Account Statements. There are a number of changes to the disclosure requirements as a result of the issue of the Housing Revenue Account (Accounting Practices) Directions 2016.

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Public finances in practice

ICAEW publications

Public finances are under strain in many European countries and this has an impact on the ability of Governments to deliver shared goals of stable and sustainable growth.

The Institute Of Chartered Accountants In England and Wales (ICAEW) has recently published a report '*public finances in practice*' which captures the insights of senior finance professionals in ten different EU states.

Although the report is focussed on national governments, the findings are relevant for any public sector organisation.

The report recognises that better public financial management is a key enabler of a sustainable economic future. It notes that the improvement of public financial management cannot be achieved through improved standards alone and that organisations need to take some action themselves across three broad themes:

Structure

- There is a need to clearly define roles and responsibilities within finance teams. This enables the setting and review of objectives, reduces inefficiencies and improves accountability.
- Clarity of roles also helps to create a strong culture of responsibility and ownership, which helps to foster a wider organisational culture of good financial management.
- Effective financial management requires effective scrutiny, via robust internal control systems and independent external audit.
- To maintain effective scrutiny, proper questioning of the annual budget and review of performance against budget should occur.

- Transparency can be improved by providing the right sort of data in an understandable way, organisations should explore innovative ways to present information in a more intelligible way to improve transparency.

Processes and Systems

- Access to high quality financial information is key. Data should be timely, well controlled and IT systems should be utilised to gather it effectively.
- Data should be used in a way that it can show the real-time financial position of the organisation.
- Such information should be used to its full potential, and gathered so it can be presented in a user-friendly way. The way information is presented is more important than the quantity of data.

People

- Recruitment and retention of high quality finance professionals is a key challenge. Organisations should consider altering recruitment processes, offering flexible working arrangements and providing clear direction on career progression to assist with this challenge.
- Whilst senior individuals often have the necessary skills, below this level skills and qualifications can vary quite considerably.
- There is also a need to encourage finance professionals to think more broadly, to enable them to consider the bigger picture of how finance fits within service delivery and safeguarding of the financial position.



Sector issues and developments

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Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published.

http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

Paul Dossett Head of Local Government in Grant Thornton LLP has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

National developments

"Social care precept changes will not help those living in more deprived areas"

"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

For local authorities, the government:

- is offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure;
- will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
- is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now.

National developments

Challenge questions:

- Have you been briefed on the White Paper and the implications for your statutory housing function?
- Is the Council planning to respond to the consultation?

Consultation on the White Paper began on 7 February 2017. The consultation will run for 12 weeks and will close on 2 May 2017.

The White Paper is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type .

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members.

Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

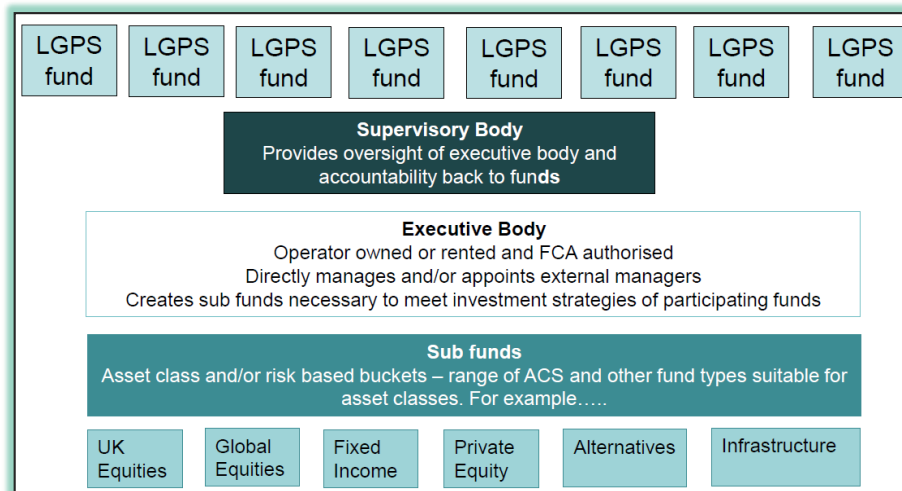
CIPFA in the recent article [Clear pools: the future of the LGPS](#) highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool

Grant Thornton

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Agenda Item 6



Apprentice Levy - Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class 1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times £5,000,000 = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy?

Off-payroll working and salary sacrifice in the public sector

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “consistency, certainty and simplicity”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager.

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

Grant Thornton update

Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Income generation

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020. With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency of service delivery. This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation.

Our new research on income generation which includes our CFO Insights too suggests that:

- ❖ councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- ❖ the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.

- ❖ stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

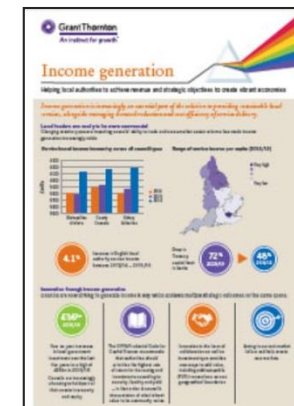
Our report helps local authorities maximise their ability to generate income by providing:

- Case study examples
- Local authority spend analysis
- Examples of innovative financial mechanism
- Critical success factors to consider.

Grant Thornton publications

Challenge question:

- Have you read our income generation report?
- Is your council actively exploring options to generate income?



Our Income generation report was published on Thursday 2 March, hard copies are available from your team and via link:

<http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate>

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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AUDIT STANDARDS & GOVERNANCE COMMITTEE 30th MARCH 2017

GRANT THORNTON – CERTIFICATION WORK REPORT 2015/16

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Grant Certification Letter for 2015/16 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the letter 2015/16**

3. KEY ISSUES

Financial Implications

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

Legal Implications

- 3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council.

Service / Operational Implications

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.

- 3.4 The auditors have certified the Housing Benefit Claim for 2015/16 relating to over £16m of expenditure. Following the recommendations proposed from 2014/15 an action plan was prepared and this has delivered improvements in the processing for 2015/16. As a result there are no significant issues arising from Grant Thornton work that required highlighting. The results on their certification work is detailed in Appendix 1..

AUDIT STANDARDS & GOVERNANCE COMMITTEE 30th MARCH 2017

Customer / Equalities and Diversity Implications

3.5 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Certification Letter 2015/16

6. BACKGROUND PAPERS

Individual internal audit reports.

AUTHOR OF REPORT

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An instinct for growth™

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16 January 2017

Dear Jayne

Certification work for Bromsgrove District Council for year ended 31 March 2016

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £16.6 million. Further details of the claims certified are set out in Appendix A.

There are no significant issues arising from our certification work which we wish to highlight for your attention. The type and number of errors identified are in line with what we would expect to see at a local authority processing a large number of complex transactions. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims for audit certification.

The indicative fee for 2015/16 for the Council is based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 is £8,760. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	16,639,048	No	N/A	Yes	Please see comments below.

We had to undertake additional work to ascertain whether errors found in the 14/15 claim had been repeated in 2015/16. This involved testing 40 cases relating to the classification of errors shown within cell 113. This testing did not identify any errors. We also tested 40 cases within cell 103 to ensure the LHA rate had been correctly input. Three errors were identified from this testing.

As required by the Department for Work & Pensions (DWP), we undertook the detailed testing of cases to identify whether the claimants were entitled to housing benefit and whether they were being paid the correct amount. Our testing identified two errors:

- One case where the incorrect amount of Disability Living Allowance had been input, (this did not affect subsidy paid therefore additional testing was not required).
- One case where there was a misclassification of expenditure within overpayment cells.

As a result of the overpayment error above we carried out testing of another 40 cases. 7 errors were identified.

In total we tested 160 cases, identifying 12 errors (8% failure rate). In 14/15 we tested 180 individual cases and identified 11 errors (6% error rate) These errors are not inconsistent with other councils.

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2014/15 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	11,685	10,060	8,760	8,760	0	N/A
Total	11,685	10,060	8,760	8,760		

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 30th MARCH 2017

GRANT THORNTON – AUDITING STANDARDS 2016/17

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

1. SUMMARY OF PROPOSALS

- 1.1 To present Members with the Auditing Standards report for 2016/17 from the Councils External Auditors Grant Thornton.

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

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

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 30th MARCH 2017

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

Customer / Equalities and Diversity Implications

3.4 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Grant Thornton Auditing Standards Report 2016/17

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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Auditing Standards – Communication with the Audit, Standards and
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Bromsgrove District Council

Audit year 2016/17

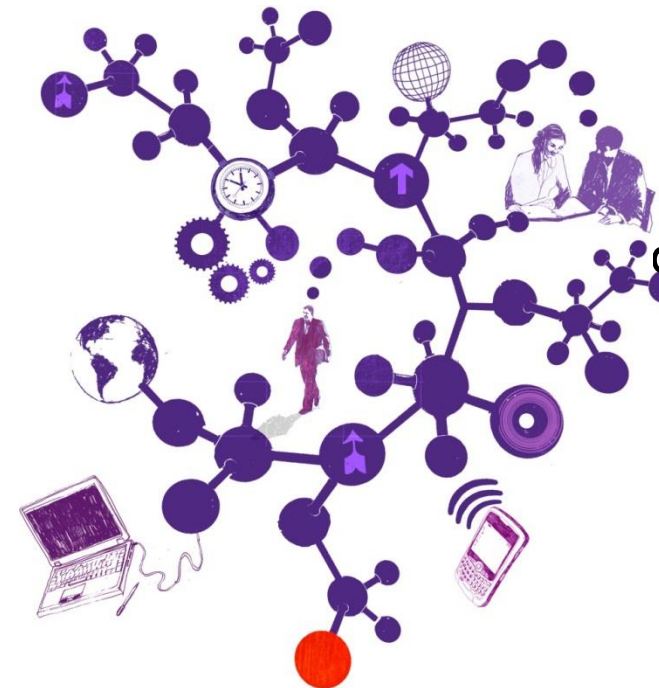
March 2017

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Agenda Item 8

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

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Introduction

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

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

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

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

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

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

Fraud Risk Assessment

The ISAs define fraud as:

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

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

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

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

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

Fraud Risk Assessment cont..

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

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

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

Table 1 Fraud Risk Assessment

Question	Management response
<p>1. What is officers' assessment of the risk of material misstatement in the financial statements due to fraud? Is this consistent with the feedback from your risk management processes?</p> <p>Page 59</p>	<p>Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas and work on Council Tax and Housing Benefit fraud.</p> <p>There is on-going communication between external audit and responsible officers on emerging technical issues. Officers also attend technical updates. Financial monitoring reports also highlight areas of variance within the capital and revenue budgets and this assists management in identifying areas of material misstatement within the accounts.</p> <p>Management considers there is a low risk of material misstatement in the financial statements due to fraud.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>2 Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2016? If so how does the Audit, Standards and Governance Committee respond to these?</p> <p>Page 60</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> ▪ Council Tax ▪ Benefit Fraud ▪ Single person discount <p>However, there is a dedicated benefits investigation team which investigates any fraud and have undertaken a number of successful reviews and prosecutions during 2016/17.</p> <p>The Audit, Standards and Governance Committee receives any adhoc fraud reports. There are no material instances of fraud that have been identified during the year.</p> <p>There are no material instances of fraud that have been identified during the year.</p> <p>The Audit, Standards and Governance Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</p>

Table 1 Fraud Risk Assessment cont.

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

Table 1 Fraud Risk Assessment cont.

Question	Management response
<p>5 How do you encourage, and communicate to, employees about your views on business practices and ethical behaviour? How do you encourage staff to report their concerns about fraud?</p> <ul style="list-style-type: none"> ▪ What concerns are staff expected to report about fraud? 	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow. These policies have been reviewed and will be presented to Members during early 2017/18.</p> <p>Employees are aware of the anti-fraud and corruption strategy, details are available on the website.</p>
<p>6 From a fraud and corruption perspective, what are considered to be high-risk posts:</p> <ul style="list-style-type: none"> ▪ How are the risks relating to these posts identified, assessed and managed? 	<p>There are not any significantly high-risk posts identified.</p>
<p>7 Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> ▪ How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>2016/17 financial statements disclosure of related party transactions does not identify potential fraud risk. Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>
<p>8 What arrangements are in place to report fraud issues to the Audit, Standards and Governance Committee?</p> <p>How does the Audit, Standards and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Internal Audit provide the Audit, Standards and Governance Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken. Any adhoc investigations are reported to the Audit, Standards and Governance Committee.</p> <p>The Corporate risk register is reviewed by the Committee and the Member risk champion reports to the Committee at each meeting on updates from managers in relation to departmental registers.</p>

Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2016? If so, how does the Audit, Standards and Governance Committee respond to these?	We are not aware of any whistleblowing reports. If there was such a report then members would consider the appropriate course of action.

Law and Regulation

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

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

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

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

Table 2 : Law and Regulation

Question	Management response
<p>1 How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>The Monitoring Officer will advise the Council's Management team and Councillors as appropriate.</p> <p>The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.</p>
<p>2 How is the Audit, Standards and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to the Audit, Standards and Governance Committee.</p>
<p>3 Have there been any instances of non-compliance with law and regulation since 1 April 2016 with any on-going impact on the 2016/17 financial statements?</p>	<p>No.</p>
<p>4 Is there any actual or potential litigation or claims that would affect the 2016/17 financial statements?</p>	<p>None.</p>
<p>5 What arrangements does the Council have in place to identify, evaluate and account for litigation and claims?</p>	<p>The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.</p>
<p>6 Have there been any reports from other regulatory bodies, such as HM Revenue and Customs which indicate non-compliance?</p>	<p>No.</p>

Going Concern

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

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

Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	The Director of Finance and Corporate Resources (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
2 Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan is based on delivering the key priorities of the Council and all income and expenditure is set on the basis of ensuring the purposes are met.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The Financial Plan considered the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review and other changes to local government finance including Business Rate reforms.
4 Have there been any significant issues raised with the Audit, Standards and Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control)	The Value for Money Opinion for 2015/16 showed weaknesses in the reporting to members. Improvements have been made to the reports during 2016/17 to address the issues raised and make them more transparent.
5 Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?	No.

Table 3 : Going Concern cont.

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

Accounting Estimates

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

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

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

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

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

Table 4: Accounting Estimates

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

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Related Parties

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

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

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

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

Table 5: Related Parties

Question	Management response
<p>1 Who are the Council's related parties?</p> <p style="text-align: center;">Page 72</p>	<p>The Council discloses its related parties under the following headings:</p> <ol style="list-style-type: none"> 1. Government – Central Government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities. 2. Pension Fund – this party is subject to common control by Central Government. 3. Precepts & Levies – these parties are subject to common control by Central Government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy. 4. Assisted Organisations – the provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied. 5. Members and Officers – certain Members and Officers may have controlling influence or related interests with other of the Council's related party organisations, such that they may be in a position to significantly influence the policies of the Council.

Table 5: Related Parties cont....

Question	Management response
<p>2 What are the controls in place to identify, account for, and disclose, related party transactions and relationship?</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 73</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> ▪ Maintenance of a register of interests for Members, and a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions. ▪ Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. ▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history. ▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation. ▪ Review of year end debtor and creditor positions in relation to the related parties identified. ▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant and equipment valuations Page 74	The Council has a contract with Place Partnership Ltd to manage its asset base, including undertaking annual valuations. The Valuer is a RICS/CIB Member) and reviews are made inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Technical Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	Yes, the Place Partnership valuer	Valuations are made in line with RICS guidance – reliance on expert.	No
Estimated remaining useful lives of PPE	The following asset categories have general asset lives: <ul style="list-style-type: none"> ▪ Buildings 50 years ▪ Equipment/vehicles 5 years ▪ Plant 12 years ▪ Infrastructure 40 years 	Consistent asset lives applied to each asset category.	Yes, the Place Partnership valuer	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction material used. This life would be recorded in accordance with the local qualified RICS or CIB Member.	No

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation Page 75	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	No	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> ▪ Assets acquired in the first half of a financial year and depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. ▪ Assets that are not fully constructed are not depreciated until they are brought into use. 	No
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable	Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.	Place Partnership Valuer	Valuations are made in line with RICS guidance – reliance on expert.	No

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments cont..	amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.				
Non adjusting events – events after the BS date.	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is an unadjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect.	Heads of Services notify the s151 Officer.	This would be considered on individual circumstances.	This would be considered on individual circumstances.	N/A

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Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Overhead allocation	The Finance Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable.	No
Measurement of Financial Instruments	Council values financial instruments at fair value based on the advice of their internal treasury consultants and other finance professions.	Take advice from finance professionals.	Yes	Take advice from finance professionals.	No
Bad Debt Provision	A provision is estimated using a proportion basis of an aged debt listing.	An aged debt listing is provided routinely and finance calculate the provision.	No	Consistent proportion used across aged debt as per the Code.	No

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Agenda Item 8

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities Page 78	<p>Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p>	<p>Charged in the year that the Council becomes aware of the obligation.</p>	<p>No</p>	<p>Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.</p>	<p>No</p>

Appendix 1 Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a Change in accounting method in year?
Accruals Page 79	Financial Services collate accruals of Expenditure and Income in conjunction with the service managers. Activity is accounted for in the financial year it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No

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Agenda Item 9

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE 30th MARCH 2016

GRANT THORNTON AUDIT PLAN 2016/17

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

1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2016/17. A copy of this document is attached to this report as Appendix A..

2. RECOMMENDATIONS

- 2.1 **Members are asked to note and agree the 2016/17 Audit Opinion Plan**

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £56k. This includes £8k in relation to the audit of the Housing Benefit Grant Claim as reported to this meeting.

Legal Implications

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

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2016/17 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2016/17 and any risks that have will require additional review and consideration.
- 3.4 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the future. This assessment results in the External Audit consideration of

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE 30th MARCH 2016

the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.

- 3.5 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place.
- 3.6 There are a number of specific areas that will be analysed in greater detail when the accounts are being audited these include:
- Code of Practice changes to the accounts
 - Implementation of the new revenues system
- 3.7 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency. This will include an assessment of the recommendations in relation to the reporting of financial information and monitoring to members and the delivery of savings and additional income.

Customer / Equalities and Diversity Implications

- 3.8 None as a direct result of this report

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 – Annual Audit Plan 2016/17

AUTHOR OF REPORT

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The Audit Plan for Bromsgrove District Council

Year ended 31 March 2017

17 March 2017

2017
17
03

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Dear Members of the Audit, Standards and Governance Committee
Audit Plan for Bromsgrove District Council for the year ending 31 March 2017

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

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

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

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

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Richard Percival

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Key challenges

The Council Plan 2017 - 2020

The Council has set out its key priorities for the next four years in line with its six strategic priorities. These priorities include:

- Encouraging inward investment and business growth
- Supporting communities during changes to welfare and benefits
- Supporting the provision of affordable housing
- Promoting independence and reducing social isolation

Delivering the Plan's priorities will need the Council to adopt innovative approaches with its partners.

Local Plan

The draft Local Plan identifies 7,000 homes to find in longer term, plus potential overspill from Birmingham. Managing the delivering the Local Plan and enhancing the transport infrastructure is a key challenge for the Council.

Working with partners

Bromsgrove DC is not a constituent member of the West Midlands combined authority and the devolved Worcestershire plan was not agreed. The Council has developed numerous relationships with public sector partners and businesses. Managing effective relationships with many partners and seeking the right opportunities is a continuing challenge for the Council.

Financial planning

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. The reduction in new homes bonus income (to be redirected into social care) and the move towards 100% retention of business rates are recognised as on-going risks to the Council.

The Council's Medium Term Financial Plan (MTFP) forecasts the General Fund reserve will be £3.5m at 1 April 2017. Delivery of the four year MTFP to 2020/21 includes £0.74m of General Fund balances being utilised. This will maintain £2.8m of General Fund for future use. To achieve this the MTFP includes the following annual efficiencies and savings:

2017/18 £1.11m

2018/19 £0.63m

2019/20 £0.18m

Delivery of the savings and efficiencies in 2017/18 is a key challenge for the Council.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

Our response

- We are planning to complete all our substantive audit work on your financial statements by 18 August 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will review the Council's progress in achieving the required savings and efficiencies as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole is determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £839,000 (being 2% of gross expenditure). In the previous year, we determined materiality to be £672,000 (being 1.5% of gross expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £41,000.

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

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to the public interest in these disclosures. Individual misstatements will also be evaluated with reference to how material they are to the other party.	£20,000 but individual issues will be evaluated with reference to the other party as well.
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Bromsgrove District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Bromsgrove District Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Bromsgrove District Council.</p>
Management override of controls	<p>Under ISA 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Review of the journal entry process. <p>Work planned:</p> <ul style="list-style-type: none"> • Further review of accounting estimates, judgments and decisions made by management. • Selection of unusual journal entries for testing back to supporting documentation. • Review of unusual significant transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p>CIES Disclosure Reconfiguration ('Telling the story')</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> We will document and evaluate the process for the recording of the required financial reporting changes to the 2016/17 financial statements. We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.
<p>Implementation of new revenues system (covering Housing Benefits, Council Tax and Business Rates)</p>	<p>The council has introduced a new revenues system in November 2016 (Civica Open revenues). This includes Housing Benefits, Council tax and Business rates modules.</p> <p>As this is occurring part way through the year all of the transactions from the old system will need to be accurately transferred to the new system to ensure that the information on which the accounts are based is complete and reflects the entire financial year.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> We will confirm that balances have been transferred completely and accurately to the new system. We will review the project plan for the system implementation. We will review control accounts for the relevant accounts affected by the system change. We will complete tests of data transfer.

Significant risks identified (continued)

Significant risk	Description	Audit procedures
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. • We will seek assurance from the external auditor of the Worcestershire County Council Pension Fund (WCCPF) regarding the relevant controls and processes in place at the WMPF in order that we can rely on the outputs from the WCCPF.

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Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough of your controls in place over operating expenditure. <p>Further work planned:</p> <ul style="list-style-type: none"> Review the completeness of subsidiary interfaces and control account reconciliations. Obtain an understanding of the accruals process and test a sample of accruals (and other creditors balances). Cut off testing of a sample of payments after the year end.
Employee remuneration	Employee remuneration accruals are understated.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough of your controls in place over payroll expenditure. Review the completeness of the payroll reconciliation between the subsidiary system and the ledger. Completed to Month 9. Trend analysis of monthly payroll runs to Month 9. Testing of employee deductions to Month 9. <p>Further work planned:</p> <ul style="list-style-type: none"> Review of the year-end reconciliation of your payroll system to the general ledger. Update the trend analysis of the monthly payroll runs for the year. Update employee deductions testing for the year.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA 315)

Other risks identified (continued)

Other material balances and transactions

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

- Intangible assets
- Assets held for sale
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Bromsgrove Arts Development Trust (Artrix)	Yes	Targeted	Valuation of Artrix building	<p>Reliance on an expert in relation to the Artrix valuation.</p> <p>Confirmation from Bromsgrove Arts Development Trustees in relation to income and expenditure transactions.</p>

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A targeted response is defined as follows –

The group audit team has identified one or more potential risks of material misstatement and has determined that the audit procedures at the component level are needed to respond to the risk(s).

The group audit team selects this approach whenever sufficient appropriate audit evidence for the audit of the group can be obtained by performing audit procedures that respond to the identified risk(s)

Audit procedures being targeted by either an accounting balance, class of transactions or disclosures.

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

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

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

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

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

Reporting

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

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Value for money (continued)

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

Significant risk	Link to sub-criteria	Work proposed to address
<p>In year reporting to Members We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes. We have identified the following risks for in year reporting to Members.</p> <ul style="list-style-type: none"> Is the current and forecast financial position clearly identified? Is the delivery of savings to date and the risks to their achievement reported? <p>Are changes from the start point budget tracked through, and is the impact on balances and reserves clear? Are budget variances identified and the reasons for the variance and mitigating actions explained in sufficient detail?</p>	<p>Informed decision making – “Reliable and timely financial reporting that supports the delivery of strategic priorities”.</p>	<p>We will:</p> <ol style="list-style-type: none"> Review the financial monitoring reports to determine whether any changes to the original budget are adequately explained to Members; Review reporting to Members to determine whether the impact on reserves and balances is clear; Review how the Council is monitoring the delivery of the Council Plan; Monitor how the Council is implementing the "Cabinet Response to the Overview & Scrutiny Board Finance & Budget Working Group".
<p>Financial sustainability We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. We have identified the following risks.</p> <ul style="list-style-type: none"> How robust is the MTFP and how well developed are savings plans? How is the performance dashboard for Members being implemented? 	<p>Sustainable resource deployment – “Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions”.</p> <p>Informed decision making – “Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management”.</p>	<p>We will:</p> <ol style="list-style-type: none"> Review how the Council is monitoring delivery of the Efficiency Plan; Examine how robust the MTFP is by testing a sample of individual schemes to determine whether they are worked through appropriately and realistic; Consider progress on the review of the management structure; Review how the performance dashboard for Members is being implemented.

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Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State

We certify completion of our audit.

Results of interim audit work

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

	Work performed	Conclusion
Internal audit <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 98</div>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>We have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

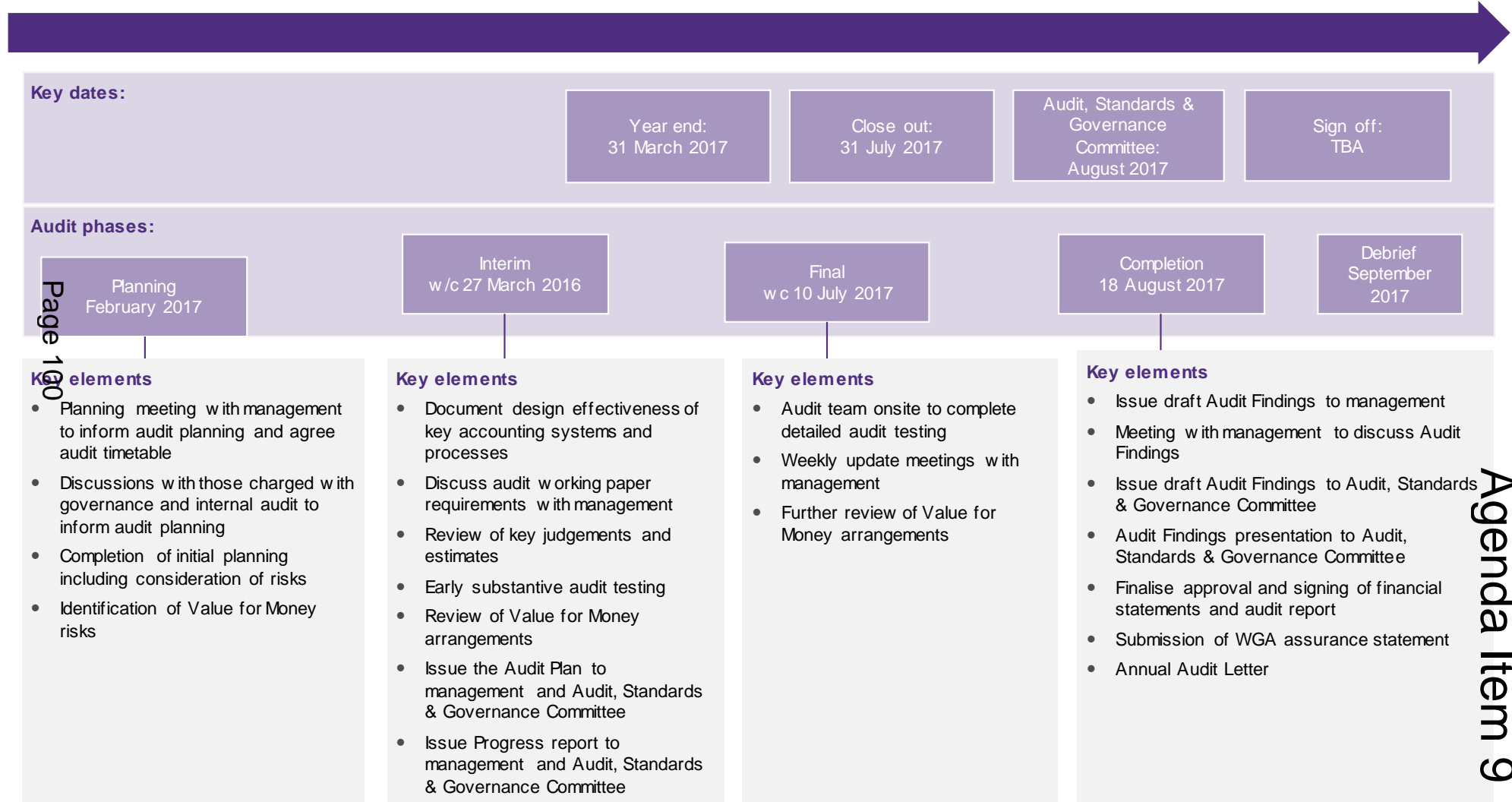
Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. These are as follows:</p> <ul style="list-style-type: none"> - Operating expenditure - Payroll <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>We have not identified any weaknesses relating to the Council's journal entry policies and procedures.</p> <p>Detailed testing will be carried out at our next visit in March along with further testing as part of year end procedures.</p>
Early substantive testing	<p>We have completed early substantive testing for the payroll system. We have tested 9 months of the sample.</p>	<p>We have not identified any issues with the testing completed to date. We are waiting for one line manager response which confirms the existence of employees. This is currently being pursued.</p>

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The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	48,680
Grant Certification (Housing Benefit Subsidy indicative fee)	7,545
Total audit fees (excluding VAT)	56,225

Our fee assumptions include:

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

Grant certification

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

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

Independence and non-audit services

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No audit related and non-audit services were identified for the Council for 2016/17.

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

As an auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

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

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

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

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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

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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

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 28th February 2017 against the performance indicators agreed for the service.

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AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (8th December 2016):

3.5 2016/17 AUDIT SUMMARY UPDATES AS AT 28th FEBRUARY 2017:

Human Resources Training & Development

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

- Some services are in the process of piloting a skills matrix approach and have produced skills and knowledge profiles for posts within their area. However, there is currently no corporate level skills matrix.
- The Organisational Development Manager's Forum Sub Group is currently considering methods of linkage between skills gap identification processes and the recruitment and selection procedures to facilitate the recruitment of the skills not currently available within the workforce, or the redeployment of existing staff with the required skills if appropriate.
- Processes are in place for the evaluation of the benefits of training through the completion of course evaluation forms.
- Arrangements are in place for the induction of newly elected Members;
- Processes are in place to identify Member training and development needs on an on-going basis.
- A Member Development Plan has been developed and includes areas of training and briefings for Members including any mandatory training requirements.

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

- Learning and Development strategy.
- Corporate induction procedure.
- Identification of training needs and evaluation of performance of employees.
- Corporate training plan for 2016-17.
- Accuracy of training records held at service and corporate level.
- Training records relating to mandatory training.
- Provision of refresher training.

Type of audit: Full System

Assurance: Moderate

Report issued: 30th December 2016

Debtors

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

- There has been strong movement forward in cleansing from the migration of systems
- Suspense account is being monitored and cleared on a regular basis
- The general provision of invoicing and reclaiming debt is working well.
- Write offs are being raised and authorised appropriately.

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- Stop lists are being regularly monitored and reported back to the appropriate services
- Suppressions are being monitored
- There is regular and timely reporting back to the services.

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

- Ensuring notes are entered on the system to back up and give transactions meaning
- More descriptive recording of monitoring information

Type of audit: Full System

Assurance: Significant

Report issued: 13th December 2016

Treasury Management

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

- Treasury Management is undertaken in line with Statutory and internal procedures;
- All monies not immediately required by the Council are invested prudently.
- Interest is being received on a timely basis.

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

- The audit trail for all transactions is not always complete in regards to internal transactions.
- Transactions are not always recorded on the General Ledger on a timely basis.
- Formalising the quarterly reconciliation.
- Use of transaction document, specifically the confirmation box and if the document is still fit for purpose.

There were no 'high' or 'medium' priority recommendations.

Type of audit: Full System

Assurance: Significant

Report issued: 13th December 2016

Cash Receipting/Collection

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

- Customers were receiving an efficient transaction and a receipt at the end of their transaction.
- Procedures and practises are generally followed with regard to the safety and security of cash

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- Cash and cheques being credited timely to the bank
- The cash receipting suspense account is being reviewed regularly and cleared where possible.
- Procedural controls were followed with regards to collection of cash by G4S
- Systems access reflect the position and requirements of the cashier for service delivery
- Monitoring was being carried out by the Team Leader.

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

- Ensuring cash bags are sealed for every till and the end of every day
- Complete cash up is done at the end of the days takings

Type of audit: Full System

Assurance: Significant

Report issued: 3rd January 2017

Insurance

A comparative review was completed to provide Management with an insight of insurance procedures among partner Councils, therefore no audit opinion has been provided. Benchmarking of insurance procedures was completed using statements to outline the process of insurance claim management.

Audit testing showed that Insurance claim procedures in the main were similar across the Council's with differences occurring due to the nature and number of claims each Council manage. One significant difference between Council's was found in Redditch Borough Council where an annual Admin and Claim Handling Fee is currently paid. Investigation identified that the Admin and Claim Handling Fee is included within the premium where the excess is £10,000 or below whereas anything above £10,000 would incur an Admin and Claim Handling Fee. In addition, due to the excess being above £10,000, Redditch Borough Council pay claims directly to the claimant unlike the others who are invoiced by Zurich Municipal whom pay the claims on the Councils' behalf.

Type of audit: Comparative Full System Audit

Assurance: N/A

Report issued: 17th February 2017

General Ledger, Budget Control & Bank Reconciliations

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

- Reconciliations generally are being carried out in a timely manner and any issues are being investigated and rectified;
- Bank reconciliation administration is printed and authorised on a monthly basis;
- VAT returns are accurately being carried out and done monthly as required;

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- Third party payments are inline with statutory requirements and balance with the ledger;
- There is a clear process of journals through the system which gives an audit trail and there is separation of responsibility;
- There is cultural view within the team to move forward and improve how things are done;
- Budgets are being monitored by the accountants and investigated where there are issues;
- Reports and information is being sent out and provided for the services and individual managers;
- Suspense account is monitored and clear.

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

- The virement process needs to be formalised.
- Ownership of Budgets by Managers

Type of audit: Full System
Assurance: Significant
Report issued: 6th March 2017

2015/16

Payroll

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

- Records and documents are protected against loss or unauthorised access.
- Reconciliations

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

- Assessment of risks

There is a sound system of control in place but at the time of the audit and during the audit there was system upgrade issues and turnover of staff in relation to the Payroll Managers Post therefore a 'moderate' assurance was applied overall.

Type of audit: Full System
Assurance: Moderate
Report issued: 30th January 2017

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Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
<u>2016/17</u>	
Human Resources Training and Development	Moderate
Debtors	Significant
Treasury Management	Significant
Cash Receipting/Collection	Significant
Insurance	Critical review
General Ledger, Budget Control & Bank Reconciliations	Significant
<u>2015/16</u>	
Payroll	Moderate

3.6 2016/17 AUDITS ONGOING AS AT 28th FEBRUARY 2017

Audits completed to draft report stage included:

- Bereavement Services
- Creditors

Audits continuing through fieldwork and clearance included:

- Procurement & Post Contract Appraisals
- Worcestershire Regulatory Services (based around flow of cheques and on payments)
- Dash Board and Performance Indicators
- Benefits
- NDR
- Council Tax
- Risk Management

The above reviews relating to Revenues and Benefits have included testing in regard to the new revenues and benefits system.

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.

Two audits from 2015/16 are progressing through the final management clearance stages include System Administration and Website Security and will be reported in summary form when finalised.

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3.7 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 28th February 2017 a total of 218 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.

3.8 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 over view.
- 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 reported. The initiative is overseen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this 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.

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

3.9 **Monitoring**

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.

3.10 **Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

4. **RISK MANAGEMENT**

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

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

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

5. **APPENDICES**

Appendix	1 ~ Internal Audit Plan delivery 2016/17
Appendix	2 ~ Key performance indicators 2016/17
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

6. **BACKGROUND PAPERS**

Individual internal audit reports held by Internal Audit.

7. **KEY**

N/a

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AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2016/17 1st April 2016 to 28th February 2017

Audit Area	2016/17 Total Planned Days	Forecasted days to the 31 st March 2017	Actual Days Used to the 28 th February 2017
Core Financial Systems (see note 1 & 4)	71	85	82
Corporate Audits	5	5	5
Other Systems Audits (see note 2 & 4)	118	124	103
TOTAL	194	214	190
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	5	5	4
Annual Plans and Reports	8	8	5
Audit Committee support	8	8	4
Other chargeable (see note 3)	0	0	0
TOTAL	36	36	28
TOTAL (see note 4)	230	250	218

Notes:

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end.

Note 2: A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters.

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

Note 4: As previously reported as part of the performance indicators Service productivity has been down due to several factors for the financial year to date. It is starting to show signs of recovery after the arrival of three new auditors in the first quarter along with a further auditor towards the end of quarter 2. Expectation is that productivity will continue to increase as they become more familiar with Partner and Service requirements but the result of the reduced productivity is that audits have taken longer to deliver resulting in an increase in the required days, as indicated above, to deliver the plan.

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APPENDIX 2

KEY PERFORMANCE INDICATORS 2016/17

Key Performance Indicators (KPIs) for 01st April 2016 to 28th February 2017.

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 28th February 2017)	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'	Upward	2 (2x 'good')	4 excellent (8 issued with 4 returned)	Quarterly
2	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered = 21	Target = 14 (minimum) Reports Delivered = 9x Finals 2x Draft	Quarterly
3	Percentage of plan delivered	100% of the agreed annual plan	98%	95%	Quarterly
4	Service Productivity	Positive direction year on year (Annual target 74%)	81%	*59% (*as at 31 st December 2016)	Quarterly

*Service productivity is starting to show signs of recovery after the arrival of three new auditors in the first quarter along with a further auditor towards the end of Q2. Expectation is that productivity will continue to increase as they become more familiar with Partner and Service requirements.

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

Definition of Audit Opinion Levels of Assurance

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Definition of Priority of Recommendations

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Human Resources Training & Development					
Assurance: Moderate					
1	High	<p>Employee Mandatory Training</p> <p>Mandatory training courses have been identified but testing of training records relating to two such courses, safeguarding and data protection found that for a sample of 25 current employees only 28% (7) were recorded as having completed safeguarding awareness training in the last three years; and 60% (15) were recorded as having undertaken data protection mandatory training in the same period.</p> <p>Refresher Training –</p> <p>There are no formal procedures in place to regularly identify those employees who require refresher training for mandatory courses such as health & safety, safeguarding and data protection.</p>	<p>There is the potential that staff are unaware of their role in meeting statutory duties and therefore an increased risk that these duties are not met.</p> <p>Non compliance with health and safety, data protection, safeguarding and other key policies could have significant implications for staff and / or the public and lead to reputational damage and potentially financial penalties being imposed on the Council.</p>	<p>To revisit the electronic training and policy acceptance software to deliver and record the acceptance of policies and the undertaking of required training. A system of policy awareness and training sessions to be delivered to non office based employees in support of the e-learning system.</p> <p>A monitoring process to be initiated to report on take up levels of e-courses and other sessions and refresher training to be provided on a regular basis.</p>	<p>The implementation of Chris 21 / HR21 as a Management / Recording system for training will provide accurate data on mandatory courses that have been undertaken.</p> <p>Responsible Manager: Human Resources & Development Manager</p> <p>Key Officer: Training & Development Adviser and Human Resources & Development Officer</p> <p>Implementation date: 31st March 2017</p>
2	Medium	<p>Purpose</p> <p>There are no current formal documented objectives for learning and development providing clear direction on the aims and procedures for training and development across services.</p> <p>Determination of approach</p>	<p>There is no clear direction and joined up approach to training and development across the council leading to an increased risk of gaps, duplication/waste and inconsistency in the delivery of development</p>	<p>Determination of the elements that are required to meet the training and development needs of services to be undertaken. Such elements to include skills gap analysis, training plans, Performance Development Reviews, skills matrices etc.</p> <p>The best framework for ensuring that these elements are joined up in terms of delivery,</p>	<p>A skills matrix and Systems Performance Framework have been agreed and are being rolled out over the forthcoming months. In addition an Appraisal will be introduced. Training and Development Plans will be submitted before the new financial year to enable a corporate training plan to be established.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>There have been a number of organisational changes within the Council and Human Resources are reviewing training and development in light of the changes made.</p> <p>The Organisational Development Manager's Forum Sub Group is considering how the skills matrix approach can be developed to feed into corporate skills gap analysis, training needs analysis, service and corporate training plans, current one to one status meetings, recruitment and selection procedures and to a revised Performance Development Review system.</p>	<p>programmes potentially leading to an increased risk that employees do not have the required skills to deliver the strategic purposes of the authorities.</p>	<p>recording and analysis, whether this is via centralised or devolved framework, to then be determined.</p> <p>Clear responsibility and accountability for each element of the process to be assigned.</p> <p>The most appropriate forum to make such determination having regard to membership, mandate, timescales, reporting and recording of meetings and tracking of required actions to be agreed upon.</p>	<p>A formal Action Plan has been developed and agreed.</p> <p>Responsible Manager: Human Resources & Development Manager</p> <p>Key Officer: Training & Development Adviser and Human Resources & Development Officer</p> <p>Implementation date: 31st December 2016</p>
3	Medium	<p>Employee Induction</p> <p>Induction procedures are not formally documented.</p> <p>Tested found that there was a record of signed attendance sheets for health & safety induction training for 3/10 Bromsgrove District Council in our sample of new starters selected by Internal Audit. There was record of only 3/10 Bromsgrove District Council induction checklists having been completed and four of these (two from each authority) were not fully completed in terms of being signed and dated by both the employees and the training officer.</p> <p>7/10 Bromsgrove District Council new starters in the sample were not included on the delegates listing for Health & Safety induction which is the main record of Health & Safety induction training.</p>	<p>Employees are not aware of key council policies including those relating to health and safety. This increases the potential risk of non compliance with these policies and could lead to breaches of statutory duty and / or to injury to council staff.</p> <p>The above increasing the risk of injury and possible death of employees and / or members of the public and associated reputational damage and possible litigation costs to the Councils.</p>	<p>A consistent programme for the induction of new employees including required mandatory training to be established.</p> <p>New employees' progress in the induction process to be monitored and any exceptions reported to the appropriate line manager. Monitoring to be undertaken to ensure that staff have completed their induction programme including the undertaking of any relevant mandatory training.</p>	<p>Work has been undertaken to develop Corporate & Local Inductions, consisting of a combination of on-line and face to face approach.</p> <p>Induction to be included in development Chris 21 / HR21 / Netconsent projects.</p> <p>Responsible Manager: Human Resources & Development Manager</p> <p>Key Officer: Training & Development Adviser and Human Resources & Development Officer</p> <p>Implementation date: 31st March 2017</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
4	Medium	<p>Identifying Training Needs</p> <p>There is currently no formal consistent corporate Performance Development Review process operated by the Shared Service. Training needs analyses from those Performance Development Reviews that are undertaken are not currently being notified to Human Resources to feed into the Corporate Training Programme. A Performance Framework was in the process of being developed and trailed within services at the time of the review.</p> <p>Services develop their own service level training plans but these are not consistently forwarded to Human Resources</p> <p>Organisational Development currently meets with Heads of Service to identify any corporate training needs. However, due to a lack of response to this approach Human Resources has set up a Training Needs Survey page on the ORB for services to access and complete with training requirements.</p>	<p>Without a formal process for the monitoring of performance and the identification of training needs there is the potential for increased risk that individual performance, training and support issues are not addressed and that service training requirements are not appropriately identified and assessed.</p> <p>The above leading to an increased risk that employees do not have the required skills to meet the strategic purposes of the authorities.</p>	<p>The determination of the elements that are required to meet training and development needs to have regard to the identification of corporate training needs and how these can best be met. (please see recommendation at 1 above)</p>	<p>The Skills Matrix will enable each employee to be assessed against the skills required for their role and identify any training needs that may be required.</p> <p>Chris 21 / HR21 as a Management / Recording system will be used to record training required and undertaken.</p> <p>Responsible Manager: Human Resources & Development Manager</p> <p>Key Officer: Training & Development Adviser and Human Resources & Development Officer</p> <p>Implementation date: 31st March 2017</p>
Audit: Debtors					
Assurance: Significant					
1	Medium	<p>System Notes</p> <p>Testing has found that notes are not always being applied where there should be reasoning given to the transaction</p> <p>2 out of 10 testing on Refunds for Bromsgrove had no notes on the</p>	<p>There is potential for the misuse of the system thus compromising the data integrity, and credible audit trail as to why a refund or credit has been carried out</p>	<p>Re-emphasise that notes are applied in all circumstances to all processes of refunds and credits to provide clarity and transparency.</p>	<p>Responsible Manager: Income Team Leader</p> <p>Implementation date: December 2016</p> <p>This has already been reiterated to staff and this will be followed up through Team Meetings.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>system to explain the reason for the refund.</p> <p>2 out of 10 on credit notes/reversals for Bromsgrove had no notes to explain.</p>	<p>leading to potential challenge and a lack of confidence and transparency in the system.</p>		
Audit: Cash Receipting & Collection					
Assurance: Significant					
1	Medium	<p><u>Bagging up of Cash and Cheques</u> At Parkside Cash Office security bags are not sealed on a daily basis and remain unsealed until the day of collection. The same bags are therefore used for multiple days' collection of cash and cheques and remain unsealed in the safe overnight.</p> <p><u>Cash Limits</u> During Audit testing it was observed that 3 days takings were included within a single security bag for collection by the cash collection contractor. This could lead to amounts being collected over the £20,000 limit set by the contractor.</p> <p><u>Parkside Cashing Up</u> The till is being reopened after cashing up before 5pm, so further transactions are being taken that day. This leads to the day's transaction record on the CIVICA financials not to correspond to the actual days takings. Any money taken after cashing up is kept separately overnight.</p>	<p>Inadequate audit trail for daily cash and cheques collected leading to a lack of accountability and heightened suspicion in terms of any monies mislaid or lost between collections.</p> <p>Risk of breaching the insurance base the cash collection contractor can carry between the location and collection van leading to possible uninsured financial loss to the Council and breach of contract.</p> <p>Compromised balancing of financial systems to the actual amounts banked on days when cash is taken post cashing up potentially leading to an increased risk of irregularity in amounts collected and banked not being identified and investigated.</p>	<p>Each till and each day to have its own individual security bag sealed at the end of cashing up for that day.</p> <p>The cashing up process is not to be fully committed until the till is closed for the day.</p>	<p>Responsible Manager: Customer Support Manager</p> <p>Implementation date: 15th January 2017</p> <p>Procedure for change to cash bags to be adopted as in Redditch.</p> <p>All staff to be advised of change – Senior Customer Support Officer</p> <p>Management regular check's to be in put in place – Senior Customer Support Officer</p> <p>New procedure to be put in place – Senior Customer Support Officer. By January 15th</p> <p>All staff to be advised of the change and manager checks to be carried out weekly - Senior Customer Support Officer. By 15th January 2017</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
			Further potential risk of uncashed up money being left in the till overnight not within a sealed bag in the safe potentially leading to increased risk of financial loss.		
Audit: General Ledger, Budget Control & Bank Reconciliations					
Assurance: Significant					
1	Medium	<p><u>Virements</u></p> <p>The administration and posting of virements is inconsistent and unsupported by reasoning in a majority of cases e.g. no descriptive narrative, or no supporting documentation. There is also very little trace of who has authorised the virement.</p>	<p>Inconsistent process across the department, potential risk to virements being carried out without clear authorisation and reasoning leading to potential complication and misuse of budgets and potentially reputational damage</p>	<p>To undertake a review of the whole process of virements and issue guidance that is clear for all relevant officers to follow.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: 31.8.17</p> <p>There is a new set of Financial Regulations due to be presented to Members during early 2017/18. Full training on these will be given to Finance staff and Budgets Managers to ensure the process is clear.</p> <p>The General Ledger will be used for final authorisation with Business Support Accountants ensuring the appropriate paperwork has been completed in advance.</p>
2	Medium	<p><u>Budget Monitoring</u></p> <p>Budget holders are still heavily reliant on the finance officer to update figures with manual changes during quarterly review meetings. This is a very time consuming process for the</p>	<p>Time taken up by finance team when they could be doing other finance tasks. Risk of not enough</p>	<p>The implementation of the collaborative planning system for budget monitoring to be used as a platform to clearly outline the expectations and roles and responsibilities of Accountancy and the budget holders in relation to budget monitoring.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Implementation date:</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		accountants to get the figures right for the quarterly budget monitoring process.	responsibility being taken by the Managers to ensure strict monitoring leading to possible wastage of budget expenditure and miscoding of items causing more work for the finance team and possible inaccuracies for end of year.		30/9/2017 (quarter 2 monitoring) As part of Collaborative Planning all budget holders are receiving full training on using the system and budget monitoring.
Audit: 2015/16 Payroll					
Assurance: Moderate					
1	Medium	<p>Assessing of Risks</p> <p>The Payroll section has experienced a high turnover of Managers over the last 12 months along with issues regarding the upgrade of the system.</p> <p>However there is a risk relating to this recorded on the 4risk system but only as a low risk.</p>	Potential for reputation damage and financial loss if an accurate payroll run cannot be undertaken to meet payroll deadlines.	<p>The risks associated with the payroll section staff turnover and the reliability of the payroll system be reassessed and updated on the 4risk system along with any associated mitigation and action plans.</p> <p>The risk assessment to consider the robustness of any business continuity plans.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>30th April 2017</p>
end					

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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 recommendations have been implemented with the one remaining monitored and current progress reported for information;
- 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;
- the 2016/17 recommendations have scheduled follow up in 2017.

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							
Corporate Fraud	10th December 2014	Executive Director (Finance and Resources) and Head of Legal, Equalities and Democratic Services	Moderate	2 'medium' priority recommendations in relation to Corporate Anti Fraud Awareness, Corporate Fraud Strategy Policy and Protocol	The follow up in March 2016 found that the 2 'medium' priority recommendations were in progress awaiting approval of draft policies.	A follow up was undertaken in Dec 2016 finding the 2 medium priority recommendations remained in progress. The Anti fraud and corruption policy was due approval by committee after this follow up had occurred. The final recommendation can be implemented after approval as it refers to "reviewing the policy in a timely manner". A follow up will take place in three months time.	Further follow up March 2017
2014-15 Audits							
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress.	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and	A follow up in September found there was one recommendation outstanding relating to the Equality and

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					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.	Diversity training. All the others have been satisfied. A further follow up will take place in 3 months time. Follow Up 14 February 2017: Discussion with E&D Manager - induction progress is still in progress. Quotes from contractors for in house training are currently being received. Follow up to take place in June when more progress made.
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 February 2017 and is awaiting management response.	
2015-16 Audits							
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	A follow up was undertaken in June 2016 and found that one recommendation was implemented and one was outstanding relating to member allowances. This will be followed up in 6 months time.	A follow up was undertaken in February 2017, it found the one outstanding recommendation relating to broadband allowances has been implemented. There will be no further follow ups.	
Corporate Governance – AGS	22th February 2016	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of	A follow up took in September 2016 and found 3 recommendations were in progress these related to the	Follow up undertaken February 2017. Due to change of Financial Service Manager, the	1st June 2017

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				AGS, review of terminology and circulation of document	circulation of the AGS, action plan and the responsibility for compilation of the AGS. 1 recommendation was still to be actioned relating to a review of the AGS. A follow up will take place in four months time.	interim manager will pick up AGS as part of job. Further follow up June 2017.	
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 Contribution areas, Central Finance Spreadsheet, Withdrawn Planning Applications, Online Publication and Retention and Income Management	The follow up in September 2016 found that the service is progressing with the challenges. The follow up confirmed out of the nine challenges made Management have actioned five of them and have/are giving due consideration to the remaining ones relating to the contributions formula being updated, process to monitor amount of developers per project and uploading of S106 agreements. Further follow up planned in 6 months time.	Further follow up March 2017	
CCTV	31th March 2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Follow up in September 2016 found two of the challenges have been actioned but there is more progress to be made relating to access rights to CCTV and a new anti-social behaviour policy. A further follow up will take place in April 2017	Further follow up Apr 2017	
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	A follow up undertaken in October 2016 found that the service have a clear direction of travel in relation to the challenges made however one challenge relating to	A follow up undertaken in January 2017 found that the service have a clear direction of travel in relation to the challenges made	1st April 2017

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

					reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.	however one challenge relating to reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.		
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.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation. A further follow up will take place in 6 months time.	Further follow up June 2017		
Regulatory Services	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.	A follow up took place in December, it found that 2 challenges had been actioned, 4 considered and 1 considered however still awaiting further action. Audit is happy with the direction of travel the service is making, a further follow up will take place in 6 months time.	Further follow up June 2017		
2016-17 Audits								
Housing - Statutory Duties	09/11/16	Community Services	Moderate	4 medium priority recommendations were made relating to contractual arrangements with the housing trust, license conditions,	May-17			

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

				inspection visits and File accessibility.			
Customer Services	28th September 2016	Customer Services	Significant	2 medium priority recommendations were made in relation to training records and health and safety training and the formally documenting the minutes of meetings	Apr-17		
Freedom of Information	24th October 2016	Business Transformation	Significant	One medium and one low priority recommendation was made. The medium recommendation related to training on data protection. A follow up will take place in 6 months time.	Apr-17		
Human Resources Training and Development	30th December 2016	Human Resources Manager	Moderate	Business Transformation This audit report made 1 high priority recommendation relating to employee mandatory and refresher training, and 3 medium priority recommendations relating to purpose of training, employee induction and identifying training needs. A follow up will take place in 4 months time.	Apr-17		
Cash Collection	3rd January 2017	Executive Director (Finance and Resources)	Significant	The report found 1 medium priority issue relating to the bagging up of cash and cheques, cash limits and Parkside Cashing up. A follow up will take place within 6 months time.	Jul-17		

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Insurance	13th January 2017	Corporate	Critical Friend	This audit gave 3 recommendations to all 5 authorities, these related to, documentation of claims, insurance risk on risk register and admin and claim handling fee. This will be follow up in 6 months time.	Aug 17		
end							

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

THE 2017/18 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF 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 Bromsgrove District Council Internal Audit Operational Plan for 2017/18
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2017/18

2. RECOMMENDATIONS

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

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**Date: 30th MARCH 2017**

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

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

Service / Operational Implications**Internal Audit Aims and Objectives**

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

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

Formulation of Annual Plan

The Internal Audit Plan for 2017/18, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purpose, risk priorities and the results of an independent risk assessment by Internal Audit using an internal audit universe. Discussions with the s151 Officer and Corporate Management Team(CMT) will be taking place to further refine the plan to ensure the key risks are adequately covered.

BROMSGROVE DISTRICT COUNCIL**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE****Date: 30th MARCH 2017**

By bringing a provisional plan of work before the Audit, Standards and Governance Committee on 8th December 2016 which had been formulated with the aim to ensure Bromsgrove District Council meets its strategic purposes it allowed Members to have a positive input into the audit work programme for 2017/18 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer. To give an indication as to when the audit work will take place the quarters have been identified, however, these may be subject to review and change depending on on-going discussions with the Corporate Management Team.

Resource Allocation

The Internal Audit Plan for 2017/18 has been based upon a resource allocation of 230 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Head of Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 230 day allocation is based on transactional type system audits and remains the same number of days as being delivered during 2016/17.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Bromsgrove and Redditch the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days the reviews will continue to be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver. All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

The Internal Audit Plan for 2017/18 is set out at Appendix 1.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2017/18 will be closely monitored by the Head of Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**Date: 30th MARCH 2017**

from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

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

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

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

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

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

5. APPENDICES

Appendix 1 ~ Internal Audit Plan 2017/18

Appendix 2 ~ Key performance indicators 2017/18

6. BACKGROUND PAPERS

None

7. KEY

N/a

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

AUTHOR OF REPORT

Name: Andy Bromage
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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

APPENDIX 1

INTERNAL AUDIT PLAN FOR BROMSGROVE DISTRICT COUNCIL 2017/18

Audit Area	Actual Days 2016/17	Planned Days 2017/18	Difference = + or -	Proposed 1/4 for delivery
Core Financial Systems				
Benefits	15	15	0	Q3
NDR	12	12	0	Q3
Council Tax	12	12	0	Q3
Cash, General Ledger, Budget Control & Bank Reconciliations	10	10	0	Q3
Treasury Management	7	7	0	Q3
Creditors	8	8	0	Q3
Debtors	7	7	0	Q3
Asset Management	0	0	0	
Sub Total	71	71	0	
			0	
Corporate			0	
Risk Management	5	5	0	Q4
Sub Total	5	5	0	
			0	
Other Systems Audits			0	
Human resources	10	0	-10	
Parkside	9	0	-9	
Customer Services	9	0	-9	
Bereavement Services	8	0	-8	
Insurance	5	0	-5	
			0	
Worcestershire Regulatory Services	14	14	0	Q4

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

Audit Area		Actual Days 2016/17	Planned Days 2017/18	Difference = + or -	Proposed 1/4 for delivery
Planning & Regeneration			9	9	Q1
<i>Land Charges</i>					
Housing		10	11	1	Q1
<i>Statutory Compliance (Hsg)</i>					
Community Services			9	9	Q2
<i>Disabled Facility Grants (DFG's)</i>					
Environmental			12	12	Q1
<i>Waste Management</i>					
Legal Equalities and Democratic			9	9	Q2
<i>Elections</i>					
ICT		8	8	0	Q4
Leisure & Culture#			0		
Sub Total		73	72	-1	
Completion of Prior Year's work		8	8	0	
Statement of Internal Control		3	3	0	
Follow Up on recommendations		10	10	0	
Fraud and Special Investigations		12	12	0	
Advisory / Consultancy / Contingency		12	13	1	
Sub Total		45	46	1	
		194	194	0	
Audit Management Meetings		15	15		
Corporate Meetings / Reading		5	5		
Annual Plans and Reports		8	8		
Audit Committee support		8	8		
		36	36	0	
Overall Total		230	230	0	

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

Explanatory Notes:

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

No budget has been allocated to Leisure and Culture for 2017/18 in the Bromsgrove Plan due to the amount of work that has been recently undertaken in this Service area. The risk profile will be monitored to ensure any material movement is identified and appropriate action taken.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 30th MARCH 2017

APPENDIX 2

Performance against Key Performance Indicators 2017-2018

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4 to KPI 6. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement	2017/18 Position (as at XXXXXXXX)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

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

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APRIL – DECEMBER FINANCIAL SAVINGS MONITORING REPORT 2016/17

Relevant Portfolio Holder	Councillor Brian Cooper
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 – December 2016.

2. RECOMMENDATIONS

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

3. KEY ISSUES

- 3.1 This report provides a statement to show the savings for April 2016 – December 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 – December 2016 savings to budgets have been delivered. It is anticipated that all projected savings will be realised in line with original estimates.
- 3.5 In addition further savings / additional income have been made of £264k which include; planning application and lifeline income, vacant posts and general efficiencies on service costs. It is anticipated that these additional savings will realise £314k by the end of 2016/17

3.6 Legal Implications

None as a direct result of this report.

3.7 Service/Operational Implications

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

4. Customer / Equalities and Diversity Implications

None, as a direct result of this report.

5. RISK MANAGEMENT

Effective financial management is included in the Corporate Risk Register.

6. APPENDICES

Appendix 1 – Saving monitoring 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 12

SAVINGS & ADDITIONAL INCOME - 2016/17

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 and a further £16k is projected to be achieved by the end of 2016/17 from additional efficiencies
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. In addition it is anticipated that a further £100k be delivered from additional income, vacant posts and other efficiencies
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. A further £74k is expected from managing vacant posts and additional contract income
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. In addition a further £11k is anticipated from additional income and efficiencies by the end of 2016/17
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.
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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Bromsgrove District Council



Audit, Standards and
Governance Committee

ANNUAL REPORT

2016 / 2017



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External Auditors

Statement of Accounts

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Committee

MEMBERSHIP



Steve Colella



Brian Cooper (until March 2017)



Rita Dent



June Griffiths (from Sept 2016)



Peter McDonald



Stephen Peters

Agenda Item 14



Roger Smith (until Sept 2016)



Caroline Spencer



Phil Thomas



Michael Thompson

INTRODUCTION

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2016/17.

The ultimate responsibility for Audit rests with the Portfolio Holder with responsibility for Finance and the Section 151 Officer. The Portfolio Holder is expected to attend each meeting in line with the Constitution.

During the year the Committee has considered reports on the following subjects:

- Monitoring Officers Report – which details complaints and training which has taken place during the period between meetings.
- Dispensation Reports
- Updates from the external auditors, Grant Thornton in respect of their work.
- Updates on the work of the Internal Audit Team.
- Section 11 Plan Monitoring.
- Quarterly Financial Savings Monitoring Update Reports.
- Corporate Risk Register
- The Risk Champion's Update Report.
- Statement of Accounts.
- Treasury Management Strategy
- A Presentation from the Pensions Actuary

Further information about some of the key responsibilities of the Committee are outlined in detail within this report.

THE ROLE OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Scope and Responsibility

The Audit, Standards and Governance Committee provides independent assurance to the Council in respect of:

- The effectiveness of the Council's governance arrangements
- The Annual Governance Statement
- The Review of the Annual Statement of Accounts
- Risk Management Framework and strategies
- The effectiveness of the Council's financial and non-financial performance
- Anti-Fraud arrangements
- Whistle-blowing strategies
- Internal and external audit activity
- Democratic governance

The Committee is also responsible for the Council's Standards Regime which covers both District and Parish Councils. Areas encompassed within the Standards Regime include:

- Promoting High Standards of Conduct by Councillors and co-opted members of Council bodies.
- Assisting Councillors and co-opted members to observe the Members' Code of Conduct.
- Advising and training Members and co-opted members in respect of the Code of Conduct.
- Formulating advice to members and officers in declarations of gifts and hospitality.
- Granting dispensations to Councillors and co-opted members from requirements relating to interests as set out in the Code of Conduct.
- Considering an reports from the Monitoring Officer following investigation into a complaint about elected Members.

Meetings of the Board

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings. During the municipal year 2016/2017 meetings were held in June, September, December 2016 and March 2017. The Audit, Standards and Governance Committee work programme was reviewed at each meeting with items included as and when considered and agreed by the Committee.

STANDARDS REGIME

There are two main areas which are considered regularly in terms of the Committee's responsibility for Standards.

Monitoring Officer's Report

This covers Member Training, Member Complaints and Parish Council matters.

Dispensation Report

At the start of the year the Committee granted a number of Members' dispensations to discuss matters in which they had an interest.

Parish Council Involvement

At the start of the year there was a standing item on the agenda which enabled the Committee to consider any matters of interest raised by the co-opted Parish Council representative on the Committee, Parish Councillor Chris Scurrall.

At the June 2016 meeting of the Committee Members noted that no updates had been received from the Parish Council representative for some time. The Committee was advised that this was not unexpected as it was anticipated that the Parish Council representative would rarely have the need to provide an update to the Committee. In this context Members agreed that this should no longer be a standing item though updates from the Parish Council representative could be added any time to an agenda if required.

Investigations and enquiries

This year there have been no investigations about Members which required a Hearings Sub-Committee to be convened.

INTERNAL AUDIT REPORT

During the year the Committee has received update reports in respect of Internal Audits of the following areas:

- Section 106 Funding Agreements
- Community Services – CCTV
- Environmental Income Streams
- Worcestershire Regulatory Services
- Council Tax
- NNDR
- Benefits
- Creditors and Debtors
- Cash Ledger and Bank Reconciliation
- Housing Statutory Duties 2016/17
- Customer Services 2016/17
- Freedom of Information Requests 2016/17

In June 2016 the Committee considered the Internal Audit report for 2015/16. Members were interested to learn about the findings of the Internal Audit process and the outcomes from this during the year.

The Annual Report 2016/17 is due to be considered by the Committee at its meeting on 30th March 2017.

EXTERNAL AUDITORS

During the year the Committee received reports from the current External Auditors, Grant Thornton on the following subjects:

- Auditing Standards 2015/16
- Audit Findings Report
- Annual Audit Letter
- Certification Work Report 2016/17
- Audit Plan
- Progress Reports

The Progress Reports were considered at each meeting of the Committee and covered a range of issues including the following:

- Value for money
- Significant Risks
- The Changing Face of Corporate Reporting
- Financial Statements
- Housing Benefits
- National issues facing Local Government
- Publications from Grant Thornton on a number of subjects

At its December 2016 meeting the Committee considered a report in respect of appointing the external auditor to the Council for the 2018/19 accounts and beyond, as the current arrangements only covered up to and including 2017/18 audits. The auditors were working under a contract originally let by the Audit Commission and the contract was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

STATEMENT OF ACCOUNTS

This year for the first time, the Audit, Standards and Governance Committee, as opposed to Cabinet considered the Statement of Accounts.

Members were pleased to learn that the Financial Statements had been audited by Grant Thornton and improvements had been made to the accounts, working papers and quality of information made available during the audit. This was a significant improvement on the closedown on 2014/15 accounts.

The external auditors had issued an unqualified judgement on the accuracy of the accounts. Grant Thornton were satisfied that, on the basis of materiality, the Council's accounts were accurate

FUTURE WORK OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

In 2017/18 it is suggested that the Committee may wish to explore the following:

- A new approach to considering the subject of benefits – this is due to the responsibility for benefits investigations being transferred to the DWP from the Council. In future Officers are suggesting that an annual round up of other data relating to benefits and revenues after the end of the financial year.
- The Statement of Accounts – for 2018/19 these will have to be determined a month earlier than at present. It is suggested that in 2017/18 the Council attempts to implement this arrangement as part of a trial run and this will mean that the Committee will need to consider the findings at an earlier stage.

DRAFT

Legal, Equalities and Democratic Services

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AUDIT, STANDARDS & GOVERNANCE COMMITTEE

WORK PROGRAMME 2016/17

30th March 2017

- Monitoring Officer's Report
- Annual Report
- External Audit – Progress / Action Plan Update Report
- External Audit – Certification Work Report 2016/17
- External Audit – Audit Plan March 2017
- External Audit – Auditing Standards 2016/17
- Internal Audit – Monitoring Report
- Internal Audit – Draft Audit Plan 2017/18
- S11 Action Plan Monitoring
- Financial Savings Monitoring Report for September to December 2016
- Risk Champion's Update Report
- Audit, Standards and Governance Committee's Annual Report 2016/17
- Work Programme

WORK PROGRAMME 2017/18

15th June 2017

- Monitoring Officer's Report
- Dispensations Report
- External Audit – Progress / Action Plan Update Report
- External Audit – Audit Plan 2016/17
- External Audit – Audit Fee Letter 2018/19
- External Audit – Auditing Standards 2017/18
- Internal Audit – Progress Report
- Internal Audit – Annual Report and Draft Audit Opinion 2016/17
- Annual round up of other data relating to Benefits and Revenues Report
- S11 Action Plan Update Report
- Corporate Risk Register
- Risk Management Champion Annual Appointment
- Financial Savings Monitoring Report for January to March 2017
- Work Programme

14th September 2017

- Monitoring Officer's Report
- External Audit – Audit Findings Report
- External Audit – Update Report (including oral update on Value for Money Conclusion)
- Accounting Standards (Statement of Accounting Policies)
- Audited Statement of Accounts 2016/17 (including final Annual Governance Statement)
- S11 Action Plan Update Report
- Financial Savings Monitoring Report for April to June 2017

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

- Internal Audit – Monitoring Report
- Risk Champion's Update Report
- Work Programme

18th January 2018

- Monitoring Officer's Report
- External Audit – Progress Report/Action Plan Update
- External Audit – Annual Audit Letter
- Internal Audit – Progress Report
- Treasury Management Strategy, Prudential Indicators and Minimum Revenue Policy Provision 2018/19
- S11 Action Plan Update Report
- Financial Savings Monitoring Report June to September 2017
- Risk Champion's Update Report
- Work Programme

15th March 2018

- Monitoring Officer's Report
- Annual Report
- External Audit – Progress / Action Plan Update Report
- External Audit – Certification Work Report 2016/17
- External Audit – Audit Plan March 2018
- Internal Audit – Monitoring Report
- Internal Audit – Draft Audit Plan 2018/19
- Benefits Investigations Monitoring Update Report
- S11 Action Plan Monitoring
- Financial Savings Monitoring Report for September to December 2017
- Risk Champion's Update Report
- Work Programme