



## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**THURSDAY 15TH MARCH 2018 AT 6.00 P.M.**

#### **PARKSIDE SUITE - PARKSIDE**

**MEMBERS:** Councillors M. J. A. Webb (Chairman), S. R. Colella (Vice-Chairman), C. Allen-Jones, R. J. Deeming, R. J. Laight, P. M. McDonald, S. R. Peters, P.L. Thomas and M. Thompson

Parish Councillors: Councillor C. Scurrall

#### **AGENDA**

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 18th January 2018 (Pages 1 - 8)
4. Standards Regime - Monitoring Officers' Report (Pages 9 - 12)
5. Grant Thornton - Audit Plan (Pages 13 - 34)
6. Grant Thornton Certification Work Report 2016/17 (Housing Benefit Subsidy Audit) (Pages 35 - 44)
7. Grant Thornton - Auditing Standards 2018/19 (Pages 45 - 74)
8. Internal Audit Monitoring Report (Pages 75 - 98)
9. Internal Audit Plan 2018/19 (Pages 99 - 112)
10. Section 11 Update Report (Pages 113 - 116)
11. Savings Monitoring Report (Pages 117 - 120)
12. Risk Champion - Verbal Update Report (Councillor P. Thomas)

13. Annual Report (Pages 121 - 130)
14. Audit, Standards and Governance Committee Work Programme (Pages 131 - 132)

K. DICKS  
Chief Executive

Parkside  
Market Street  
BROMSGROVE  
Worcestershire  
B61 8DA

7th March 2018

## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**18TH JANUARY 2018, AT 6.00 P.M.**

PRESENT: Councillors M. J. A. Webb (Chairman), S. R. Colella (Vice-Chairman), C. Allen-Jones, R. J. Laight, P. M. McDonald, S. R. Peters and M. Thompson

Observers: Mr. C. Scurrall, Richard D Percival and Councillor B. T. Cooper

Officers: Ms. J. Pickering, Mr. A. Bromage, Ms. C. Flanagan, Mr C. Forrester and Ms. J. Bayley

28/17 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors R. J. Deeming and P. L. Thomas.

The Chairman advised that Councillors C. Allen-Jones and R. J. Laight would be arriving late.

29/17 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

30/17 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 14TH SEPTEMBER 2017**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 14<sup>th</sup> September 2017 were submitted.

The Chairman noted that at the previous meeting of the Committee reference had been made to a weakness in relation to the submission of the pension returns to Worcestershire County Council and Officers had advised that this was a system condition with the payroll system which was being addressed. It was confirmed that since the previous meeting deadlines were being met, though problems with the payroll software were still being addressed.

**RESOLVED** that the minutes of the meeting of the Audit, Standards and Governance Committee held on 14<sup>th</sup> September 2017 be approved as a correct record.

31/17

## **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Deputy Monitoring Officer presented the Monitoring Officer's report and in so doing highlighted the progress that had been achieved with two complaints about Parish Councillors since the last meeting of the Committee, both of which had concluded. Following the previous meeting one formal complaint had been received (district Member to Member) as well as a couple of general enquiries which had not yet resulted in formal complaints. A number of training sessions had been delivered since the previous meeting, though no further training sessions were anticipated for the remainder of the municipal year.

Following the presentation of the report Members discussed the support provided by the Monitoring Officer with regard to complaints involving Parish Councillors and questions were raised about the potential to charge Parish Councils for this support. The Committee was advised that under the Localism Act 2011 the Monitoring Officer of the local district Council had responsibility to handle standards arrangements in respect of Parish Councillors. It was agreed that Members comments in respect of this matter should be reported for the consideration of the Monitoring Officer and a verbal update on this subject, covering the length of time spent on complaints against Parish Councillors, was requested for this item at the following meeting of the Committee.

During consideration of this item Members discussed the process that needed to be followed when reporting complaints about a Parish Council and the differences between this and complaints about a Parish Councillor. Officers advised that the Monitoring Officer's role was in relation to complaints about individual Parish Councillors. Any concerns in relation to a Parish Council could be reported and discussed at County Association of Local councils (CALC) meetings.

**RESOLVED** that the report be noted.

32/17

## **DISPENSATION REPORT**

The Committee considered an application from Councillor C. Hotham for a Dispensation under Section 33 of the Localism Act 2011 to enable him to participate in and vote at meetings of the Worcestershire Health Overview and Scrutiny Committee (HOSC) on behalf of the Council. This request had been made due to Councillor Hotham's Disclosable Pecuniary Interest arising from his spouse's employment as a GP and Partner in the New Road Doctor's Surgery in Bromsgrove.

Members discussed the request and noted that whilst reference was made in the report to his spouse's position no information had been provided in respect of Councillor Hotham's individual employment. It was noted that in Councillor Hotham's register of interests on the Council's website reference was made to his employment as a business advisor to a GP's Practice and Members suggested that this might also be an interest for which a dispensation would be required to participate

in Worcestershire HOSC meetings. In this context Members concurred that it would not be appropriate to make a decision about this dispensation at this stage until further information was available.

**RESOLVED** that the Member Dispensation Request be reconsidered at the following meeting of the Committee.

33/17

## **ANNUAL AUDIT LETTER REPORT**

Richard Percival, from Grant Thornton, presented the Annual Audit Letter Report which summarised the key findings from work carried out at the Council up to 31<sup>st</sup> March 2017. The report reflected the audit opinion that had been reported to the Committee in September 2017. Unqualified opinions had been given for the accounts and a qualified opinion had been given on the Value for Money (vfm) judgement. It was anticipated that the process for finalising the accounts would be more challenging in 2018 as the Government had moved forward the deadline for local authorities.

The Executive Director of Finance and Corporate Resources confirmed that the deadline of July 2018 for the close down of the accounts was a concern for most local authorities. The Council was working with CIPFA on the big red button in an attempt to streamline processes. The chief Accountant was shortly due to go on maternity leave. To ensure that the Council could settle their accounts in this context additional skilled support had been obtained for the Financial Services team. In a context in which the system for finalising the accounts was changing Officers were keen to keep Members informed about the Council's progress in respect of this matter. The Executive Director of Finance and Corporate Resources therefore proposed to provide an update at every meeting of the Committee on the position that had been reached with the Council's accounts.

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

- The potential impact that the liquidation of Carillion might have on local government finances. The Committee was advised that the Council had had no contracts with Carillion.
- The availability of sufficient resources to enable the Council to finalise their accounts by the new deadline of July 2018. Officers confirmed that there were systems in place which would identify any potential barriers, which would be raised at a meeting of the Corporate Management Team where necessary.
- The risks to the Council's finances posed by the negative grant position. Members were advised that this would be taken into account by the auditors when considering the Council's Medium Term Financial Plan.
- The Council's Risk Management Strategy and the extent to which this enabled the authority to effectively manage risks. Members were advised that Grant Thornton had assessed the Council's

Annual Governance Statement and were satisfied that risks were being addressed.

- The surplus that had been achieved in 2016/17 in the Council's budget and action that could be taken to avoid this in future. Members were advised that any surplus was reviewed as part of the vfm assessment.
- The focus of the external auditors on the Council's financial management arrangements, including savings plans and reserve levels.
- The need for the Council to undertake more action in respect of forecasting. Members were advised that Heads of Service were reviewing budgets in an attempt to improve this.

**RESOLVED that the Annual Audit Letter 2016/17 be noted.**

34/17

## **INTERNAL AUDIT MONITORING REPORT**

The Head of the Internal Audit Shared Service presented the Internal Audit Monitoring Report and in so doing noted that this had been written on 31<sup>st</sup> December 2017 and there had been a few developments since then. There were a number of summary reviews provided for information, with the assurance for these reviews varying from moderate to significant. There were also a couple of high priority recommendations, one of which had been resolved. All high and medium priority recommendations were followed up to ensure that action was taken by relevant officers.

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

- The action that would be taken in respect of recommendations from Internal Audit and the extent to which this action would be reported back to Committee. Officers confirmed that reports on progress with these would be provided to the Committee on an ongoing basis.
- The provision of services to customers for land charges prior to payment and the extent to which this approach to service delivery was appropriate. The Committee was advised that this would be raised with the appropriate lead officer.
- The production of action plans to accompany the implementation of all recommendations from Internal Audit, regardless of whether these were considered to be high, medium or low priority.
- The arrangement by which any recommendations that were not implemented by the deadline provided to officers would automatically be reported to Committee.
- The potential for an example action plan to be provided for Members' consideration in a future agenda pack.
- The legislative changes in respect of data protection that were due to come into effect in May 2018 and the implications for the Council. The Committee was advised that the Head of Business

Transformation and Organisational Development had an action plan which addressed all of the key areas raised in this legislation.

- The level of assurance that could be achieved through the audit process. Officers confirmed that it was rare for Councils to achieve full assurance in the audit process.

**RESOLVED** that the report be noted.

35/17

## **PROVISIONAL AUDIT PLAN REPORT 2018/19**

The Head of the Internal Audit Shared Service presented the provisional Audit Plan Report 2018/19. During the presentation of this report a number of key points were highlighted for Members' consideration:

- The provisional Audit Plan had been formulated in a slightly different way to previous years. The content was being linked to the Council's strategic purposes.
- In previous years the plan was structured over a 12 month period and this was followed without variation. The new plan was designed to be more flexible and to respond to changing circumstances.
- The plan covered a period of 230 days and the Internal Audit team would be keen to focus on higher priority areas.
- The plan provided a breakdown of audit arrangements across Bromsgrove and Redditch. There might be more of a focus on one Council over another depending on where the demand was for services.
- Bromsgrove and Redditch had separate budgets which were used to pay for their internal audits.
- Priority areas were determined by the Internal Audit team in consultation with the Section 151 Officer and the Strategic Management Team (SMT).
- The Internal Audit team also took into account the content of the Corporate Risk Register and information highlighted in reports from the external auditors when producing the audit plan.

Following further debate the Committee

**RESOLVED** that the report be noted.

36/17

## **S11 MONITORING REPORT**

The Executive Director of Finance and Corporate Resources presented the Section 11 Monitoring Report for the Committee's consideration. This report addressed a number of the recommendations arising from the review of the 2015/16 accounts. Whilst some of these recommendations had already been addressed there were a few areas that remained outstanding. The Council had been advised to undertake detailed budget preparations on sound assumptions, with robust business cases being prepared where appropriate. It had also been suggested that the approach to reviewing fees and charges should be

amended to enable cost recovery for service delivery. The report had subsequently been amended for the fees and charges in 2018/19 to ensure that fees did not simply increase by a standard 3.9 per cent. Finally, further work needed to be undertaken in respect of ensuring that accurate forecasts were included in the Medium Term Financial Plan moving forward.

**RESOLVED** that the content of the Action Plan for the S11 update be noted.

37/17

## **SAVINGS MONITORING REPORT**

The Executive Director of Finance and Corporate Resources presented the Financial Savings Monitoring Report for the third quarter of 2017/18. The report had been introduced following suggestions from the Council's external auditors that this should be monitored. It was important to clarify within the report whether the savings that were achieved were the same as or different to those which had been anticipated in the Council's Medium Term Financial Plan.

The Council's Efficiency Plan had been agreed in October 2016, five months before the budget had been set for the following four years. The Council was projected to achieve approximately £220,000 more in savings in 2017/18 than had been anticipated in the plan. There were a number of key areas that differed from the proposals detailed in the Efficiency Plan:

- The savings derived from the introduction of the new leisure centre would be achieved in 2018/19 rather than in 2017/18 as had been expected.
- The Acquisition and Investment Strategy had only been approved in September 2017 and no projects had yet been delivered in line with this policy.
- There had been an assumption that there would be an increase of £50,000 in business rates during the year. Unfortunately this had not been achieved and there was a concern that if the Government reset the baseline any funds arising from business rate growth would be lost.

Members discussed the report in detail and questioned whether the conditions that had been imposed in respect of the Acquisition and Investment Strategy were preventing the Council from pursuing potential opportunities. Officers clarified that the net rate of return was only 1.25 per cent which was relatively low. Therefore it was considered expedient for the Council to only investigate projects further where the associated risks were likely to be low. However, Officers did not consider the criteria to be too restrictive. The North Worcestershire Economic Development Unit (NWEDR) had the expertise to identify potential opportunities, assisted by a model developed by KPMG.



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The Committee also briefly discussed the contracts secured by Lifeline and concerns were expressed that the income arising from this might be allocated to Redditch where the service was based. However, Members were assured that this was Bromsgrove District Council's income and would be retained by the local authority.

**RESOLVED** that the financial position for savings as presented in the report and Appendix 1 be noted.

38/17

## **RISK MANAGEMENT STRATEGY 2018/19**

The Executive Director of Finance and Corporate Resources presented the refreshed Risk Management Strategy for the Council. Members were advised that in reviewing the strategy Officers liaised with the Council's insurance providers, Zurich Municipal.

There were Departmental Risk Registers for every service at the Council. Any areas of concern at a departmental level were added to the Corporate Risk Register. This Corporate Risk Register was reviewed and presented for the consideration of the Corporate Management Team on a quarterly basis. The document would also be presented for Members' consideration at meeting of the Audit, Standards and Governance Committee.

**RESOLVED** that the content of the Risk Management Strategy be noted.

39/17

## **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR P. THOMAS) AND APPOINTMENT OF NEW CHAMPION**

In the absence of Councillor Thomas the Chairman advised that there was no update for this meeting as the Committee had already considered the Risk Management Strategy.

Councillor Thomas was serving as Risk Champion for a second year. Whilst he was willing to continue in this role he was also keen to provide other Members of the Committee with an opportunity to become risk champion. However, following a brief discussion Members agreed that Councillor Thomas should remain the Risk Champion for the rest of the municipal year.

40/17

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

Members considered the content of the Committee's Work Programme and noted that the next meeting would take place on 15<sup>th</sup> March 2018.

The meeting closed at 7.25 p.m.

Chairman

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### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

15th March 2018

#### **MONITORING OFFICER'S REPORT**

Relevant Portfolio Holder	Councillor Geoff Denaro (for Governance)
Portfolio Holder consulted	No
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 18th January 2018.
- 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

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15th March 2018

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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 Since the last meeting of the Committee the one formal complaint (district Member to Member) continues to be discussed with Group Leaders and neither of the two general queries resulted in formal complaints as they were managed locally.
- 3.4 Since the last meeting the Monitoring Officer has received three new complaints relating to the conduct of District Councillors.

#### Member training

- 3.5 No training has taken place since the last update.
- 3.6 Both the Member Development Steering Group and the Constitution Review Working Group continue to meet regularly.

### **Customer / Equalities and Diversity Implications**

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

## **4. RISK MANAGEMENT**

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

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

## **5. APPENDICES**

None.

## **6. BACKGROUND PAPERS**

**AUDIT, STANDARDS AND  
GOVERNANCE COMMITTEE**

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15th March 2018

Chapter 7 of the Localism Act 2011.

**AUTHOR OF REPORT**

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# Agenda Item 5

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS & GOVERNANCE COMMITTEE 15<sup>th</sup> MARCH 2018

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#### GRANT THORNTON AUDIT PLAN 2017/18

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

#### 1. SUMMARY OF PROPOSALS

- 1.1 To present to members the Grant Thornton Audit Plan 2017/18. 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 2017/18 Audit Opinion Plan**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £49k. In addition fees of £13k have been agreed in relation to the audit of the Housing Benefit Grant Claim.

##### 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 2017/18 Audit Plan . The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2017/18 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 15<sup>th</sup> MARCH 2018**

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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 recommendations shown within the Action Plan. These will be reviewed by Grant Thornton to ensure progress is being made against each area.
- 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 2017/18

#### **AUTHOR OF REPORT**

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# External Audit Plan

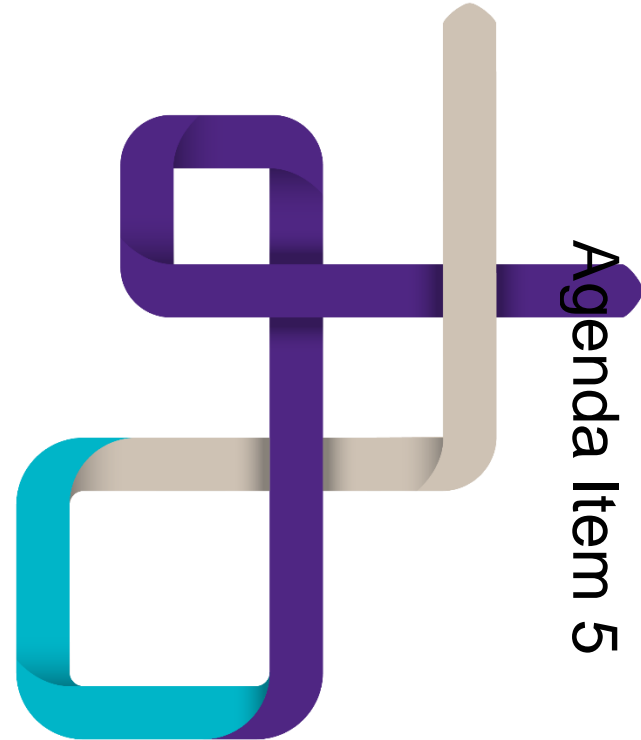
*Year ending 31 March 2018*

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## Section

1. Introduction & headlines
2. Deep business understanding
3. Significant risks identified
4. Reasonably possible risks identified
5. Other matters
6. Materiality
7. Group audit scope and risk assessment
8. Value for Money arrangements
9. Audit logistics, team & audit fees
10. Early close
11. Independence & non-audit services

## Appendices

- A. Revised ISAs
- B. Agreed Action Plan from 2016/17 Audit Findings Report

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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Bromsgrove District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Bromsgrove District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit, Standards and Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Standards and Governance Committee of your 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.
- The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.
- The valuation of the Council's property, plant and equipment.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £0.842m (PY £0.839m), which equates to 2% of your gross expenditure for the prior year. We have set a separate lower materiality level for the disclosure note on senior manager's remuneration. In view of the sensitivity of this note to the reader of the accounts, we have set a materiality level of £100k. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £42k (PY £41k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- In year financial reporting to Members.
- Financial sustainability.

## Audit logistics

Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £48,680 (PY: £50,818) for the Council.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Deep business understanding

Changes to service delivery		Changes to financial reporting requirements	Key challenges	
<p><b>Commercialisation</b></p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation..</p> <p>In October 2017 Cabinet approved the “Commercialisation and Financial Strategy 2017 – 2020”. This outlines the Council’s approach to commercialisation and financial sustainability. It notes that there is an increasing need to actively looking for commercial opportunities without losing focus upon the transformation programme, existing customer base and the quality and ethics of public service delivery.</p>	<p><b>Devolution</b></p> <p>The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas.</p> <p>The Council is not a member of the West Midlands Combined Authority (WMCA) and there are challenges in determining a clear role and vision for its relationship with the WMCA.</p> <p>There are concerns about the impact on Green Belt due to the demand for housing and economic development land.</p>	<p><b>Accounts and Audit Regulations 2015 (the Regulations)</b></p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p>This new deadline will be challenging for the Council to achieve as it has not been met in previous years. There have been changes to the finance team, and a new Head of Service in post.</p>	<p><b>Financial pressures</b></p> <p>In November 2017 Cabinet reviewed the planning assumptions for the MTFP which was then updated in February 2018. This report notes that savings of nearly £140k were achieved by paying pension contributions early. The MTFP shows shortfalls of:</p> <p>2018/19 = Balanced after a transfer from reserves of £327k</p> <p>2019/20 = £626k;</p> <p>2020/21 = £648k;</p> <p>2021/22 = £835k.</p> <p>The total shortfall is £2,109k.</p> <p>This is to be found by savings and additional income. Moving to a balanced budget, while protecting service provision, continues to be a significant challenge for the Council. Officers will continue to address the shortfall to ensure the balanced position is maintained for future years.</p>	<p><b>Housing and Regeneration</b></p> <p>Bromsgrove faces a challenge of ensuring the right number of suitable homes are built for current and prospective residents. To help facilitate this, the Council is considering a housing or development company. One potential site for redevelopment identified is the old Council House site.</p> <p>In September 2017 Cabinet considered an “Acquisition and investment strategy” report. The report seeks to combine the priorities for economic development with the need for financial stability and income generation. The strategy will provide a resource to promote economic development and a framework to ensure the resources are allocated prudently.</p>
<p><b>Leisure Services</b></p> <p>The new Bromsgrove Sports and Leisure Centre has now opened. The new centre has been designed to a high specification to attract users who might otherwise use private sector providers.</p> <p>Forecast savings are more than initially anticipated, but will not be delivered as rapidly as planned.</p>	<p><b>Improving financial reporting</b></p> <p>Our 2016/17 Audit Findings Report made four Financial Statements and five Value for Money recommendations, with agreed responses. The Council needs to improve In Year Financial Reporting and the robustness of its Medium Term Financial Plan to move away from having a Qualified Value for Money Conclusion.</p>			

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code..
- We will monitor progress against the four Financial Statements and five Value for Money recommendations agreed in our 2016/17 Audit Findings Report.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Bromsgrove District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Bromsgrove District Council.</p>	
<p><b>Management over-ride of controls</b></p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of property, plant and equipment</b></p>	<p>The Council revalues its land and buildings on a five year rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>Consider the competence, expertise and objectivity of any management experts used.</li> <li>Discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>Test revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
<p><b>Valuation of pension fund net liability</b></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>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Evaluate 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.</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

# Reasonably possible 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 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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Employee remuneration</b></p>	<p>Payroll expenditure represents a significant percentage (31%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;</li> <li>• obtain the year-end payroll reconciliation and ensure the amount in the accounts can be reconciled to the ledger and through to payroll reports. Investigate significant adjusting items; and</li> <li>• perform substantive analytical procedures for the year.</li> </ul>
<p><b>Operating expenses</b></p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (65%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; and</li> <li>• testing of non-pay payments made in April to ensure they have been charged to the appropriate year.</li> </ul>

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# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued 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 carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 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.

## 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 this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.



# Materiality

## The concept of materiality

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. 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.

## Materiality for planning purposes

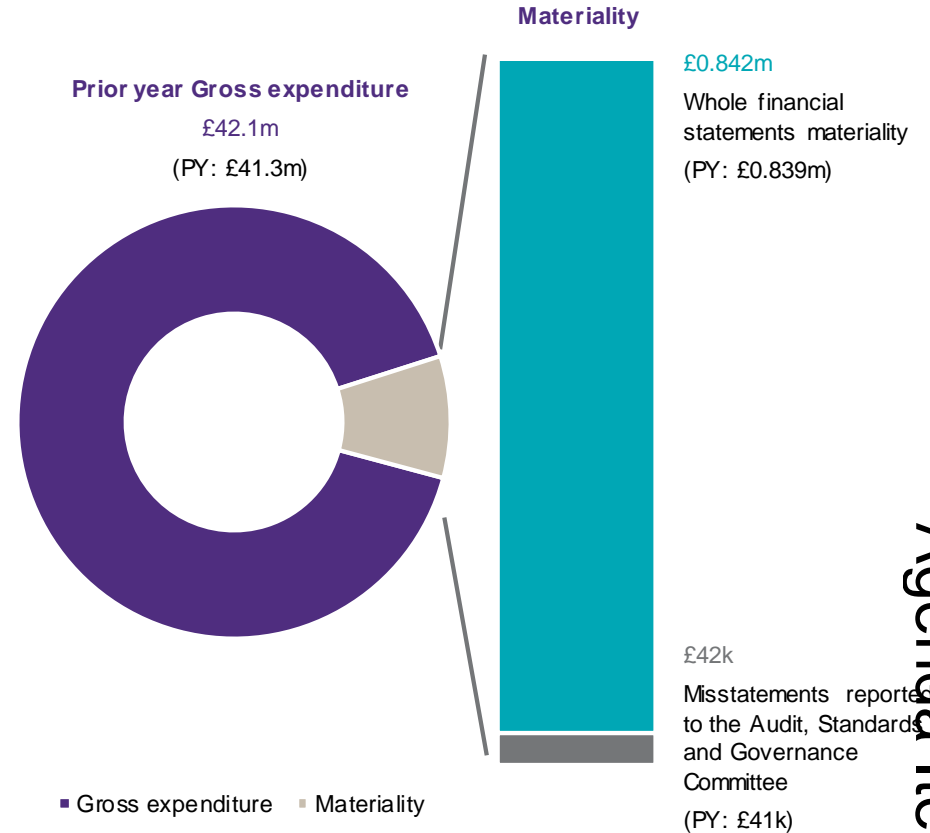
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £0.842m (PY £0.839m), which equates to 2% of your 2016/17 gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

## Matters we will report to the Audit, Standards & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Standards and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £42k (PY £41k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Standards and Governance Committee to assist it in fulfilling its governance responsibilities.



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

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

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**Audit scope:**  
**Comprehensive** – the component is of such significance to the group as a whole that an audit of the components financial statements is required  
**Targeted** – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit  
**Analytical** – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

# Value for Money arrangements

## Background to our VFM approach

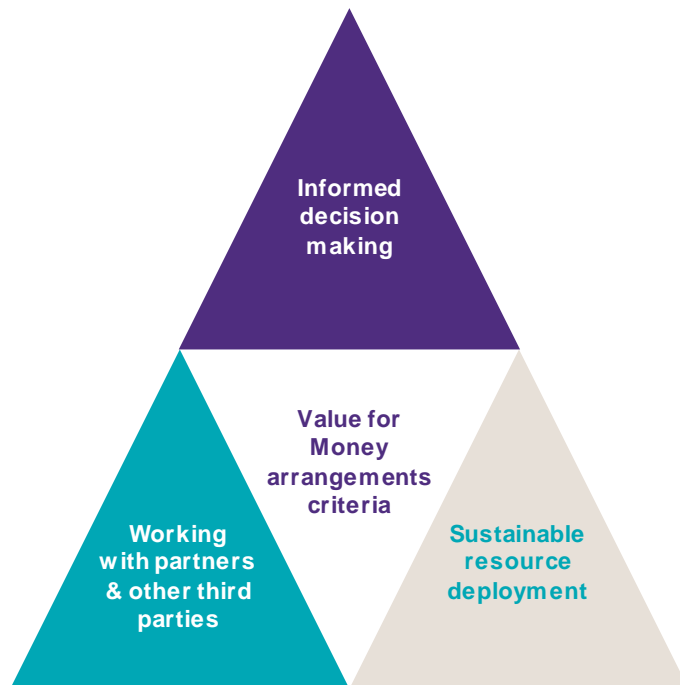
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

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 below :

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## Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### In year financial reporting to Members

How informative is in year financial 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 will follow up recommendations from our 2016/17 Audit Findings Report to determine whether sufficient progress has been made in addressing our recommendations:

- 1) Further improvement to the overall reporting of savings is needed, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions;
- 2) Progress against the actions plans supporting the delivery of the Council Plan needs to be monitored and reported on a quarterly basis to Cabinet.



### Financial sustainability

How robust is the MTFP and how well developed are savings plans?

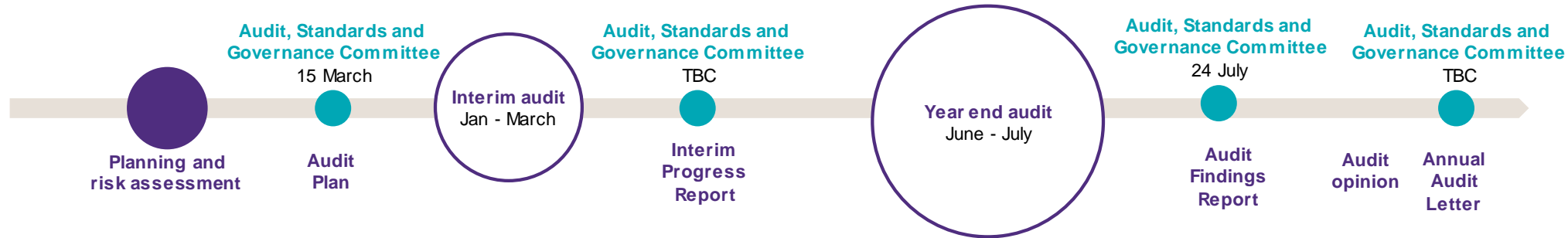
We have previously identified that improvement is needed to plan finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions.

We will follow up recommendations from our 2016/17 Audit Findings Report to determine whether sufficient progress has been made in addressing our recommendations:

- 3) All savings plans are appropriately supported by a business case, aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings;
- 4) Priority is given by Cabinet to ensuring that the management restructure is progressed on a timely basis.

Agenda Item 5

# Audit logistics, team & audit fees



## Richard Percival, Engagement Lead

Richard's role will be to:

- lead our relationship with you;
- be a key contact for the Chief Executive, Director of Resources and the Audit, Standards and Governance Committee;
- ensure that Grant Thornton's full service offering is at your disposal; and
- take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



## Neil Preece, Audit Manager

Neil's role will be to manage the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



## Denise Mills, Audit Incharge

Denise's role will be to:

- be the day to day contact for Council finance staff;
- take responsibility for ensuring there is effective communication and understanding by finance team of audit requirements;
- have day to day responsibility for the running of the audit and first point of contact;
- focus on the more technical aspect of the audit and to discuss emerging national technical matters as they arise and deal with technical matters raised by the you throughout the year in a timely manner.

## Audit fees

The planned audit fees are no less than £48,860 (PY: £50,818) for the financial statements audit. 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'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

The following non-audit services were identified.

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
None			
<b>Non-audit related</b>			
CFO insights – a data analytics tool through subscription (to be confirmed).	£7,500 (estimated)	None	This fee is for one year only, and does not involve any members of the audit team.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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# Appendices

- A. Revised ISAs
- B. Agreed Action Plan from 2016/17 Audit Findings Report

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# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
<b>Conclusions relating to going concern</b>	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> <li>The directors use of the going concern basis of accounting is appropriate</li> <li>The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li> </ul>
<b>Material uncertainty related to going concern</b>	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
<b>Other information</b>	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> <li>Responsibilities of management and auditors regarding other information</li> <li>A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li> <li>Reporting inconsistencies or misstatements where identified</li> </ul>
<b>Additional responsibilities for directors and the auditor</b>	<p>We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.</p>
<b>Format of the report</b>	<p>The opinion section appears first followed by the basis of opinion section.</p>



## B. Action plan Financial Statements

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	<p><b>IT Systems review</b></p> <p>A review of the staff assigned administrator rights should be performed on a periodic basis to ensure that administrator level access is given on a needs only basis. Least privilege should be the guiding principle when granting all system access.</p> <p>The Agresso accounts should be removed as the system has been replaced this year.</p>	Amber	<p>A review of administrator rights within active directory has been implemented. Date due for completion 21<sup>st</sup> July 2017</p> <p>Agresso is switched off and only accessed by a formal request from Finance.</p>	21st July 2017 Completed.
2.	<p><b>Pension fund returns</b></p> <p>The Council should ensure that all necessary returns are made to the County Council on a timely basis.</p>	Red	Agreed. Awaiting a fix from Frontier (software supplier) but will find a manual way of calculating if this is not available by the 30 <sup>th</sup> September 2017	30th September 2017 Business Support
3.	<p><b>Journal authorisation</b></p> <p>Parameters within the ledger should be reviewed to ensure that only those individuals set up to authorize journals can complete that process.</p>	Amber	Agreed. Preference is to remove the ability to create and post a journal but need to speak to the software producer (ABS).	31st December 2017 Financial Services Manager
4.	<p><b>Asset valuation reports</b></p> <p>The Council should ensure that final version of valuation reports are received promptly from Place Partnership and that these are the basis for asset valuation adjustments within the financial statements.</p>	Red	Agreed. We will also look to change the valuation date to the 31 <sup>st</sup> December to avoid delay and speed up closure.	30th October 2017 Chief Accountant

### Assessment

- High (Red)
- Medium (Amber)

## B. Action plan (continued)

### Value for Money

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
5.	All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings.	Red	Business case framework agreed to be used for development and presentation of business cases for 2018/19. This will include detailed calculations of planned saving and the rationale for the proposal.	November 2017 Executive Director of Finance and Resources
6.	Further improvements to the overall reporting of savings is needed, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions.	Red	Reporting is currently under review using templates from best practice councils as identified by the auditors. This is to be used for quarter 2 to improve capturing and reporting to members.	November 2017 Executive Director of Finance and Resources
7.	Progress against the action plans supporting the delivery of the Council Plan needs to be monitored and reported on a quarterly basis to Cabinet.	Amber	Officers are in discussion with members as to the most appropriate mechanism for reporting . Overview and Scrutiny have requested updates on the council plan actions.	October 2017 Head of Transformation
8.	Priority is given by Cabinet to ensuring that the management restructure is progressed on a timely basis.	Red	Proposals to be developed by Senior Management Team to be presented to Cabinet in late 2017.	December 2017 Chief Executive
9.	The performance dashboard needs to be reported to Members and Officers on a regular basis.	Amber	We will be undertaking a review of the dashboard in line with changes to our thinking as the organisation continues to change and transform.  We will be reporting performance to Members at both Councils in line with the Corporate Performance Strategy – this will commence in November 2017.	November 2017 Head of Transformation

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Agenda Item 5

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## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15<sup>th</sup> March 2018

### HOUSING BENEFIT SUBSIDY AUDIT 2016/17

Relevant Portfolio Holder	Cllr Brian Cooper
Portfolio Holder Consulted	√
Relevant Head of Service	Amanda Singleton, Head of Customer Access and Financial Support
Wards Affected	All Wards
Non-Key Decision	

#### 1. SUMMARY OF PROPOSALS

- 1.1 To present to Members the Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter which summarises the key findings arising from their audit of benefits claims for the year ended 31 March 2017.

#### 2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note:**

**2.1.1 The contents of the Audit Letter as included in Appendix 1.**

**2.1.2 The ongoing plans of the service to continuously improve the quality and accuracy of assessment and data input.**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 Housing Benefit Subsidy claimed for 2016/17 totalled £16.4 million.
- 3.2 The Grant Thornton fee for the 2016/17 audit fee is £12,692. This is £5,147 more than the indicative fee set, due to extra work required in respect of this audit.
- 3.3 As a result of the audit the Housing Benefit Subsidy claim has been reduced by £91,900.

##### Legal Implications

- 3.4 The Council has a statutory responsibility to comply with DWP Regulations in respect of the assessment of benefits claims and the subsidy claim.
- 3.5 Our Auditors are required to carry out the audit of the subsidy claim strictly in accordance with DWP guidelines. These guidelines require the extrapolation of error across the claim, regardless of the size of the error found within the testing.

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**15<sup>th</sup> March 2018**

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### **Service/Operational Implications**

- 3.6 During the financial year 2016/2017 officers processed over 4,800 new claims and change of circumstances administering Housing Benefit.
- 3.7 During this time we also went through a full system conversion and encountered down time and processing delays due to this.
- 3.8 The amount of testing carried out this audit was higher than in previous years. This is due in part to the 'snowball affect' of the audit requirements. Where errors are found in one year it is necessary that more testing be carried out the following year. Our error rate in 2016/17 was not worse than in 2015/16 but no better. The main areas of concern identified through this audit were:
- Quality of audit workbook completion. Due to the burden of work it was necessary to put less experienced staff onto the completion of the work works which we must produce for the audit. This impacted on the quality of completion of these complex and difficult spreadsheets.
  - A large over calculation which was immediately identified and corrected, and was not paid out to the claimant. However the amount was included in the subsidy claim form, and must therefore be included in the report to DWP.
  - Earnings not evidenced – we had previously been advised that where benefits are reduced or unchanged then documented evidence is not always necessary – and our priority is to avoid an overpayment to the customer, which they would have to pay back. Through the audit it became apparent that this was insufficient.
  - Mis-keying of information in respect of earnings. Simple typographical errors when inputting data can have a significant impact and although all staff are required to check their own work, and we also carry out random checks, 100% accuracy is very difficult to achieve.
- 3.9 Although we processed at 92% accuracy there is no margin for error within the system and through the audit process each year officers identify key actions for improvement.
- 3.10 Any improvements made as a result of the 16/17 audit will not fully impact until the 18/19 audit.

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**15<sup>th</sup> March 2018**

3.11 Improvements identified and being implemented are:

- Changes to process in respect of evidence
- Further post assessment quality checking on areas of concern (such as assessments relating to earnings)
- Closer individual monitoring of performance levels
- Monitor overpayments created and check classifications.
- Monitor and cleanse high risk cells – which would have identified the large error, corrected in the system but not reflected in the claim.
- Identify further training needs.
- Provide training and workshops to staff (especially utilising down time when officers can't process, for example year end and when releases are being installed).
- Make reporting changes easier for customers and increase online options
- Improve the use of Civica functionality and explore further automation of jobs. Therefore reducing waste and enabling officers to concentrate on true work. This will then reduce the keying errors we are finding.
- Specific training to improve accuracy is being provided to all staff.

### **Customer / Equalities and Diversity Implications**

3.14 The processing of claims both accurately and quickly is vital to ensure that customers are not disadvantaged. Every effort must be made to minimise error in the system.

### **4. RISK MANAGEMENT**

4.1 Use of additional resources to enhance checking routines, as well as regular individual monitoring is necessary to reduce error as well as reduce the work relating to the subsidy audit and the potential for a loss of subsidy.

### **5. APPENDICES**

Appendix 1 - Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter

### **6. BACKGROUND PAPERS**

Grant Thornton Annual Housing Benefits Subsidy Claim Audit Letter

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

15<sup>th</sup> March 2018

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## Grant Thornton

An instinct for growth™

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30 January 2018

Dear Jayne

### **Certification work for Bromsgrove District Council for year ended 31 March 2017**

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) took 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 2016/17 relating to subsidy claimed of £16.4 million. We identified the following issues from our certification work that we highlight for your attention.

There were three lots of additional testing arising from the findings from the previous year. We also found errors in three new areas, and completed additional testing. In 2014/15 we tested 180 individual cases and identified 11 errors (6% error rate). In 2015/16 we tested 160 cases, identifying 12 errors (8% error rate). This year, we tested 209 cases, identifying 16 errors (8% error rate). The level of testing required, and the number of errors found, have been relatively consistent for three years. However, the Council only has one type of benefit included in the claim - Rent Allowances, whereas many councils have three (HRA Rent Rebates and Non HRA Rent Rebates as well). Therefore, there is more work and a higher number of errors than we would expect.

Further work was required on the testing completed by officers. Our re-performance of a sample of cases found nine cases which officers had assessed as "Pass", but which we determined to be "Fail". This resulted in us increasing our re-performance to all cases tested by officers in this area.

Sample testing found the following issues relating to Rent Allowances included in the subsidy claim:

- capital balance not fully evidenced
- earnings not evidenced
- non-dependent deductions not evidenced

- misclassification of overpayments

We reported these matters to the DWP. Further details are set out in Appendix A.

From our work on the Housing Benefit Analytical Review Tool (HBART), we found a significant unexplained variance. We raised this issue with officers who confirmed that it was due to two large overpayments totalling £229,451.67 on one claim, both created on the same day. These overpayments were immediately rectified and not paid out to the claimant. However, the overpayments were included in error in the Housing Benefit subsidy claim form submitted for audit. The audited subsidy claim form was amended removing the £229,451.67. We reported this issue to the Department for Work and Pensions (DWP) in our qualification letter.

We sent the amended claim and our qualification letter to the DWP on 28 November 2017. The DWP may require the Council to undertake further work or provide assurances on the errors we identified.

The indicative 2016/17 audit scale fee, set by PSAA, is £7,545. We have agreed an additional fee of £5,147 (subject to PSAA confirmation), due to the additional work required to address the issues identified. This is set out in more detail in Appendix B.

Yours sincerely



Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Initial Value	Amended?	Amendment value	Final Value	Qualified?	Comments
Housing benefits subsidy claim	£16,519,078	Yes	-£91,900	£16,427,178	Yes	The main reason for this amendment was due to the HBART work previously mentioned. The overstated amounts attracted 40% subsidy.

### Findings from certification of housing benefits subsidy claim

#### **Workbook completion**

PSAA provides workbooks to all audit suppliers to complete in order to ensure consistency and high quality in documentation. Many councils now complete these workbooks using Quality Assessment Officers or Supervisors who have not initially been involved in assessing claims. Auditors then re-perform some of the work which officers have completed. This reduces the cost of the work compared to auditors doing it all, and also gives officers better information on any training needs or quality issues regarding the initial claim assessments.

This year we provided specific workbook completion training to a number of council officers to support enhanced quality. Based on our initial risk assessment we re-performed 30% of the individual claims in the workbooks. However, we found errors in the completion in the workbook, which led us to increase our re-performance level, eventually to 100%. In total we identified nine cases which officers had assessed as "Pass" when completing the workbooks, but which we assessed as "Fail". We have provided further support and guidance to officers with the aim of further enhancing the quality of workbook completion next year.

#### **Capital balance not fully evidenced**

Testing of the initial sample identified one case (error value £39.46) where the capital tariff income value could not be substantiated. Our request to test an additional random sample was declined as officers disagreed that the case was a fail. We have reported this matter to the DWP in our qualification letter.

#### **Earnings not evidenced**

Testing of the initial sample identified one case (error value £2,841) where the partner's earnings could not be substantiated. Testing of an additional random sample of 40 cases identified a further 12 cases where the earnings were either not evidenced or were input onto the system incorrectly: four of these error cases related to overpayment of benefit (total error value £546.47), six cases resulted in underpayment of benefit, and two cases where benefit was not affected.

## **Non-dependent deductions not evidenced**

Testing of the initial sample identified one case (error value £91.19) where supporting evidence was not obtained for a non-dependant living at the claimant's property. The Council made later requests to the claimant to provide this information but it was still not obtained. Further testing of 44 cases did not identify any other non-dependent earnings not evidenced.

## **Overpayments**

Due to errors identified in previous years, an additional sample of 40 cases was selected at random for testing. This testing identified one error where an overpayment was incorrectly classified as an eligible overpayment rather than a local authority error overpayment (error value £184.10).

## Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£7,545	£7,545	£12,692 (TBC)	£5,147	The variance has arisen owing to the additional work we have to complete in 2016/17 compared to 2014/15 (the baseline for the indicative fee).



### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 15<sup>th</sup> MARCH 2018

#### GRANT THORNTON – AUDITING STANDARDS 2017/18

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 2017/18 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 15<sup>th</sup> MARCH 2018

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 2017/18

#### 6. BACKGROUND PAPERS

Individual internal audit reports.

#### 7. KEY

N/a

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

Audit year 2017/18

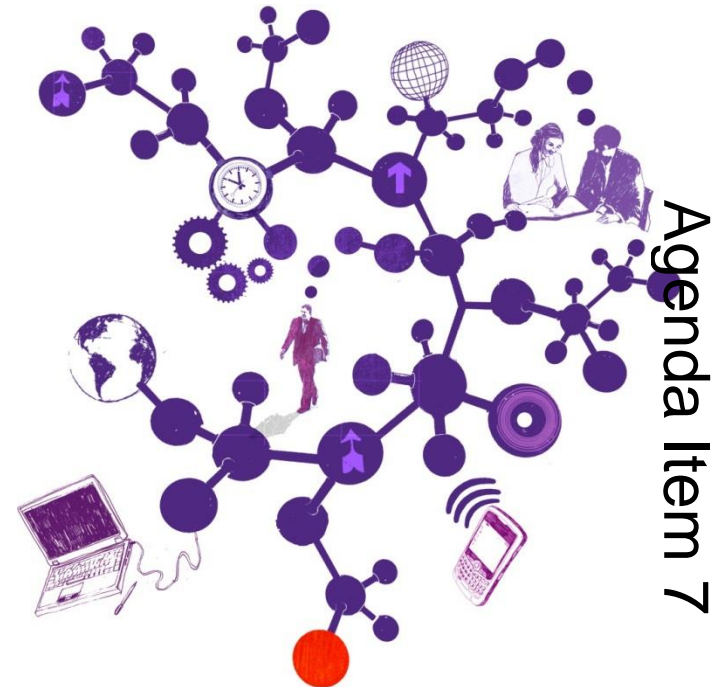
March 2018

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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.

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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 53</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 2017? If so how does the Audit, Standards and Governance Committee respond to these?</p> <p>Page 54</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> <li>▪ Council Tax</li> <li>▪ Benefit Fraud</li> <li>▪ Single person discount</li> </ul> <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"> <li>▪ Have you identified any specific fraud risks?</li> <li>▪ Do you have any concerns there are areas that are at risk of fraud?</li> <li>▪ Are there particular locations within the Council where fraud is more likely to occur?</li> </ul>	<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"> <li>▪ The process for reviewing the system of internal control;</li> <li>▪ Internal controls, including segregation of duties, exist and work effectively?</li> </ul> <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"> <li>▪ What concerns are staff expected to report about fraud?</li> </ul>	<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 2018/19.</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"> <li>▪ How are the risks relating to these posts identified, assessed and managed?</li> </ul>	<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"> <li>▪ How do you mitigate the risks associated with fraud related to related party relationships and transactions?</li> </ul>	<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>

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## Table 1 Fraud Risk Assessment cont.

Question	Management response
9 Are you aware of any whistleblowing reports under the Bribery Act since 1 April 2017? 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 2017 with any on-going impact on the 2017/18 financial statements?</p>	<p>No.</p>
<p>4 Is there any actual or potential litigation or claims that would affect the 2017/18 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>

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# 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.

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## Table 3 : Going Concern

Question	Management response
1 Has a report been received from management forming a view on going concern?	Approved MTFP has a balanced budget for 2018/19 leading management to be confident that the council is a going concern
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 MTFP is the culmination of the years reports and savings programme. As such, it is reflective of the approvals which have been made throughout the year.
3 Are the implication of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	Yes
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)	External audit have highlighted that some of the savings have not been identified in a high level of detail as yet, however they are being developed at present.
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
<p>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?</p>	<p>Yes</p>
<p>7 Does the Council have procedures in place to assess the Council's ability to continue as a going concern?</p>	<p>Yes – the council conducts quarterly monitoring and quarterly updates of the savings programme, which at present is delivering greater savings than were initially planned.</p>
<p>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?</p>	<p>No</p>
<p>9 Are arrangements in place to report the going concern assessment to the Audit, Standards and Governance Committee?</p> <p>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?</p>	<p>Yes - as part of the year end accounts presentation</p> <p>Audit, Standards and Governance has reviewed the work conducted by external audit on the year end accounts and savings programme as well as the professional opinion of the S151 Officer, and as such is satisfied that it is appropriate to adopt the going concern basis</p>

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# 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 or 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
- most 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="writing-mode: vertical-rl; transform: rotate(180deg);">Page 66</p>	<p>The Council discloses its related parties under the following headings:</p> <ol style="list-style-type: none"> <li>1. Government – Central Government has control influence over the Council as the Council needs to act in accordance with its statutory responsibilities.</li> <li>2. Pension Fund – this party is subject to common control by Central Government.</li> <li>3. Precepts &amp; 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.</li> <li>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.</li> <li>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.</li> </ol>

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>Page 67</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"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.</li> <li>▪ Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation.</li> <li>▪ Review of year end debtor and creditor positions in relation to the related parties identified.</li> <li>▪ Review of minutes of decision making meetings to identify any member declarations and therefore related parties.</li> </ul>

# 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 68	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"> <li>▪ Buildings 50 years</li> <li>▪ Equipment/vehicles 5 years</li> <li>▪ Plant 12 years</li> <li>▪ Infrastructure 40 years</li> </ul>	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 69	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"> <li>▪ 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.</li> <li>▪ Assets that are not fully constructed are not depreciated until they are brought into use.</li> </ul>	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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# 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 72	<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	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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### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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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 Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, 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 2017/18

#### 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 01<sup>st</sup> April 2017 to 28<sup>th</sup> February 2018 against the performance indicators agreed for the service.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (18<sup>th</sup> January 2018):

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#### 3.5 2017/18 AUDIT SUMMARY UPDATES AS AT 28<sup>th</sup> FEBRAURY 2018:

##### Records Management

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

- Work undertaken by the Information Management team to actively promote correct storage of hard copy and electronic data with individual teams was well received with positive feedback. Employees had implemented suggestions and these were working.

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

- The Information Management policy needs some additional areas adding to it to ensure it covers records management and confidential waste handling. There needs to be clearer application of this policy based on it's relevance to different services and job roles across the Councils.
- Storing and handling information in line with the Data Protection Act 1998, including where information is shared between different partners.
- Retention and disposal of all types of records.
- Communication and implementation of the records management and information security processes to staff working at all levels across the Councils.

The Information Management team responded promptly to address some of the immediate risks identified by the audit during the fieldwork stage of the work, for example, changing document security settings on the Orb and reviewing the use of GCSx emails.

There were five 'high' and one 'medium' priority recommendations reported.

Type of Audit: Full System Audit  
Assurance: Limited  
Draft Report Issued: 5<sup>th</sup> January 2018

##### Council Tax

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

- Integration to the use of one system (Open Revenues) for both authorities
- Reporting and administration checks to open the debt at the beginning of the financial year.
- Discounts and exemptions applied correctly
- Council Tax bands applied correctly
- Registration and changes can be made easily via web/telephone or face to face by the customer
- Clear process regarding establishing new properties
- Reconciliations to the ledger are complete and up to date
- Service performance is recorded, monitored and reported
- Database is updated regularly with the reports from the valuation office to ensure accurate billing

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- Compliance Team are working with Revenues team regarding missing properties and reporting of fraud.

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

- NFI fair processing notification and compliance for GDPR with discount/exemption forms
- Sign off and check of reconciliations by a senior member of finance.

There were two 'medium' priority recommendations reported.

Type of Audit: Full System Audit  
Assurance: Significant  
Draft Report Issued: 15<sup>th</sup> February 2018

#### NNDR

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

- Integration to the use of one system (Open Revenues) for both authorities
- Reporting and administration checks to open the debt at the beginning of the financial year.
- Discounts and exemptions are being applied correctly
- The correct national multipliers are being applied
- Clear process regarding establishing new properties
- Reconciliations to the ledger are complete and up to date
- Service performance is recorded, monitored and reported including NNDR3 returns
- Database is updated regularly with the reports from the valuation office to ensure accurate billing
- Compliance Team are working with Revenues team regarding missing properties and reporting of fraud.

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

- Webpages show differences between the authorities and have aspects missing to aid with customer access to services
- Forms compliance with GDPR
- Reviews of exceptions, reliefs and discounts
- Sign off and check of reconciliations by a senior member of finance.

There were four 'medium' priority recommendations reported.

Type of Audit: Full System Audit  
Assurance: Significant  
Draft Report Issued: 15<sup>th</sup> February 2018

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Payroll

The payroll system administered by Redditch Borough Council has been audited as part of their audit plan and is in the process of being reported before the Redditch Borough Council Audit, Governance and Standards Committee. The assurance being reported for the audit was moderate with some strengthening of control required in sickness reporting and pay, establishment and expense claim forms. Management have agreed an action plan to address these areas.

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
<b><u>2017/18</u></b>	
Records Management	Limited
Council Tax	Significant
NDR	Significant

3.6 2017/18 AUDITS ONGOING AS AT 28<sup>th</sup> February 2018

The following audit was at clearance stage:

- Creditors

Audits progressing through fieldwork stages included:

- ICT
- Benefits
- General Ledger and cash collection
- Worcestershire Regulatory Services

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.

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 28<sup>th</sup> February 2018 a total of 169 days had been delivered against a target of 230 days for 2017/18.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 30<sup>th</sup> March 2017 for 2017/18.

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

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



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#### 3.8 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.

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

#### 3.9 Monitoring

To ensure the delivery of the 2017/18 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. In discussions with the s151 it has been decided that there is little value reviewing risk management at this stage as training is being set up and it is considered that resource identified for mobile homes is better deployed on other areas. It is proposed that risk management will feature in the 2018/19 plan as it is considered to remain a medium risk area.

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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.

5. **APPENDICES**

Appendix	1 ~ Internal Audit Plan delivery 2017/18
Appendix	2 ~ Key performance indicators 2017/18
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

6. **BACKGROUND PAPERS**

Individual internal audit reports held by Internal Audit.

7. **KEY**

N/a

**AUTHOR OF REPORT**

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#### APPENDIX 1

#### Delivery against Internal Audit Plan for 2017/18 1<sup>st</sup> April 2017 to 28<sup>th</sup> February 2018

Audit Area	2017/18 Total Planned Days	Forecasted days to the 31 <sup>st</sup> December 2017	Actual Days Used to the 28 <sup>th</sup> February 2017
Core Financial Systems (see note 1)	71	61	53
Corporate Audits (see note 4)	5	0	0
Other Systems Audits (see note 2)	118	89	88
<b>SUB TOTAL</b>	<b>194</b>	<b>150</b>	<b>141</b>
Audit Management Meetings	15	12	13
Corporate Meetings / Reading	5	4	5
Annual Plans and Reports	8	6	7
Audit Committee support	8	6	3
Other chargeable (see note 3)	0	0	0
<b>SUB TOTAL</b>	<b>36</b>	<b>28</b>	<b>28</b>
<b>TOTAL</b>	<b>230</b>	<b>178</b>	<b>169</b>

#### 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: The corporate budget will remain unused as this was identified for risk management which has been deferred to 2018/19.

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#### 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.

	<b>KPI</b>	<b>Trend/Target requirement</b>	<b>2017/18 Position (as at 28<sup>th</sup> February 2018)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13  Delivered = 11	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	73%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	73%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward  (minimal)	7	When Audit Committee convene
5	No. of moderate or below assurances	Downward  (minimal)	4	When Audit Committee convene
6	'Follow Up' results  (Using 2017/18 reviews onward)	Management action plan implementation date exceeded  (nil)	Nil to report	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward  (increasing)	9x issued  7x returns – all 'excellent'	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

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**APPENDIX 3**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<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>
<b>Significant Assurance</b>	<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>
<b>Moderate Assurance</b>	<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>
<b>Limited Assurance</b>	<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>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation’s objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<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	Position update as at 12 <sup>th</sup> December 2017
<b>Audit: Records Management</b>						
<b>Assurance: Limited</b>						
1	High	<p><b><u>Implementation of the Information Security Policy</u></b></p> <p>There were on-going discussions about the relevance of the Information Security policy to certain employees whose role is not computer-based. There was no definitive guidance or criteria on which sections of the policy do/do not apply.</p> <p>There is a recognised risk of short term employees, or agency staff, starting within services, and the IT service not knowing about their appointment, so consequently they don't receive the Information Security policy or relevant training on this.</p>	<p>Financial risk. Breach of the Data Protection Act 1998 by employees who have not received adequate training and instruction on the application of the policy to their role resulting in the Information Commissioners Office fining the Council.</p> <p>Reputational risk to the Council if any data breaches occur and are made public.</p>	<p>Dissemination of this policy to be looked at with regard to services that are at risk of staff starting work without receiving and agreeing to the Information Security policy.</p> <p>Shared services to either be subject to this policy or checks undertaken to ensure that they work to their own information security policy.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager/HR Manager</b></p> <p>ICT will continue to deal with known employees through netconsent and the policy will be incorporated into the induction process.</p> <p><b>HR Manager</b></p> <p>To ensure agencies (Matrix) are aware of responsibilities regarding data security, for all temporary staff contracts.</p> <p><b>Implementation date:</b> To be fully implemented by 30<sup>th</sup> April 2018.</p>	<p>The Information Security Policy is being reviewed and amended. This policy will also include confidential waste collection.</p> <p>Information Management/IT are working with HR to include the Information Security policy in the induction for all new starters.</p>
2	High	<p><b><u>Inventory of IT Equipment</u></b></p> <p>There was no comprehensive inventory of all of the ICT equipment (PCs, laptops, printers) available, in use, or returned.</p> <p><b><u>Disposal of electronic equipment</u></b></p> <p>There was a discrepancy between a waste transfer collection note from rePC for items collected on 7.4.17, and the items recorded on their</p>	<p>Financial risk from theft, loss of equipment and poor stock control. Possible overspending on duplicate orders or replacing IT equipment when items could be re-used.</p> <p>Unnecessary physical storage space storing indefinitely items that</p>	<p>Inventory of all IT equipment to be compiled covering all sites. This to be kept up to date with new, returned and disposed of equipment.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b></p> <p>ICT asset management system now in place. Software detects PC's and laptops and associated peripherals. Individual pieces of equipment are asset tagged and this info is logged on system. Software also detects software installed. All received equipment is asset tagged logged on to system and identified through all</p>	<p>Information Management/IT team are looking to have IT equipment collected by accredited companies (e.g. ADISA -Asset Disposal &amp; Information Security Alliance) and this will be added to the Information Security Policy.</p>

# **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
		<p>audit sheet as being 'destroyed' by the contractor. More items were collected than recorded as being disposed of (4 PCs and 1 monitor).</p> <p>The two companies that have been used to dispose of IT equipment were not found to be ADISA (Asset Disposal &amp; Information Security Alliance) accredited although this was not a requirement at the time.</p>	<p>may not work.</p> <p>Risk of loss or theft of equipment that has not been data cleansed. Resulting in non-compliance with the Data Protection Act 1998 and possibility of a fine from the Information Commissioners Office.</p>	<p>Monitoring of the IT equipment collection by reconciling the waste transfer notes for collection with the audit sheets produced at destruction. A procedure to be put in place if discrepancies are highlighted.</p> <p>Formal criteria to be implemented to ensure that reputable companies are used to dispose of IT equipment.</p>	<p>stages i.e. stores, build, or deployed. <b>Implementation date:</b> 1.9.17</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Procedure introduced if any discrepancies are highlighted. <b>Implementation date:</b> 19.10.17</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Working with procurement to tender the contract for disposal of electronic equipment to include all accreditations required. <b>Implementation date:</b> January 2018</p>	
3	High	<p><b><u>Retention and disposal schedule</u></b></p> <p>The current schedule is in need of review and update. Information listed for some teams was incorrect or out of date. Out of 5 services checked 3 were found to keep records beyond the criteria given in the retention and disposal schedule.</p> <p>There are no formal procedures for the monitoring of compliance with the retention schedule.</p>	<p>Risk of non-compliance with the Data Protection Act 1998 and with the General Data Protection Regulations being introduced May 2018 potentially leading to financial and reputational risk.</p>	<p>Review and update of the retention and disposal schedule.</p> <p>Reminders to staff of it's availability and use.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> It is the responsibility of the information asset owner to keep the retention and disposal schedule entries up to date according to legislation and or business need. They are reminded of this at every (annual) DP training session, Managers forums and when we are completing any intervention with individual teams. <b>Implementation date:</b> Complete – already in place.</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b></p>	No additional updates.



## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
				Implementation of regular checks on compliance with the retention and disposal schedule.	<p>Staff are reminded at every individual annual DP training as well as during any individual team intervention. The retention and disposal schedule is available on the ORB and periodic announcements are put out on the Oracle.</p> <p><b>Implementation date:</b> Complete – already in place.</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Annual audit of a selection of teams' retention standards.</p>	
4	High	<p><b><u>Confidential waste collection</u></b></p> <p>No formal procedure or documented policy on the collection of confidential waste.</p> <p>During the visit to Bromsgrove District Council, Parkside, the auditor found that confidential waste storage facilities were being left unlocked: the bin in the print room and the bins in the outside bin store, even though the store itself was locked.</p>	<p>Risk of loss of official or sensitive information (e.g. personal or financial information) and non-compliance with the Data Protection Act 1998 potentially resulting in a fine from the Information Commissioners Office and reputational damage.</p>	<p>Policy and procedures to be introduced to cover handling and disposal of confidential waste including; storage, handling and transportation between sites.</p> <p>Review the current provision to ensure it meets requirements.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Confidential waste collection added to the Information security Policy</p> <p><b>Implementation date:</b> 1.12.17</p> <p><b>Head of Customer Access &amp; Financial Support</b></p> <p>Written procedure notes to be put in place to ensure the secure handling of confidential waste by caretakers and contractors.</p> <p>Procedures to be reviewed in line with corporate policy.</p> <p><b>Implementation date:</b> Completed but to be reviewed once policy is in place.</p>	<p>New confidential waste bins with secure locks have been provided at Parkside.</p> <p>Operating procedures for confidential waste collection are being documented and put in place. A procedure for BDC Parkside has been provided. When the Information Security Policy is reissued current provision will be reviewed to ensure it is meeting the policy.</p>

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
				Confidential waste receptacles to be kept locked.	<b>Responsible Manager:</b> <b>ICT Operations Manager</b> Resolved, all confidential waste bins are now locked. <b>Implementation date:</b> 1.10.17	
5	High	<b><u>Storage of documents on the Orb</u></b>  It was found that security settings for the Orb may not have been set to provide full security when it came to viewing particular files that contained personal information.	Potential risk of non-compliance with the Data Protection Act 1998 leading to reputation damage and financial penalty.	File security on the Orb to be reviewed to ensure correct security and permissions are set.	<b>Responsible Manager:</b> <b>Director of Finance &amp; Resources, s.151 Officer</b> Inform all managers to review security of personal data.  <b>Implementation date:</b> Immediate  <b>Responsible Manager:</b> <b>ICT Operations Manager</b> Audit of permissions on ORB. <b>Implementation date:</b> November 2017  <b>Responsible Manager:</b> <b>ICT Operations Manager</b> Staff are reminded of their responsibilities in managing their information securely to include security and permissions for individual documents at every (annual) DP training session, Managers forums and when we are completing any intervention with individual teams.  <b>Implementation date:</b> Complete – already in place.  <b>Responsible Manager:</b> <b>ICT Operations Manager</b>	No additional updates until April 2018.

# **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
					<p>A review of all current data on the ORB will be carried out to look at the future use of the ORB, best use of the ORB, and for storing information.</p> <p><b>Implementation date</b> April 2018</p>	
6	Medium	<p><b><u>GCSx email accounts</u></b></p> <p>A sample of 10 employees were interviewed about their GCSx email use:</p> <ul style="list-style-type: none"> <li>• 4 out of 10 did use the secure email for sharing data – 2 of these stated they rarely used them.</li> <li>• 4 out of 10 accounts are no longer used to share data and are not required.</li> <li>• 2 out of 10 have a personal secure email but could use generic team email.</li> </ul> <p>Of the 4 out of 10 employees currently sharing data, all were sharing data with other public bodies such as the police, social services and NHS. None of the four were aware of any protocol in place regarding use of the GCSx accounts and information sharing with these organisations.</p>	<p>Data and/or financial loss. Paying for GCSx accounts that are not used. Also reputation damage if loss occurred using an unsecured network when exchanging information.</p>	<p>Review of the GCSx user accounts to identify any not used.</p> <p>Ensure staff are working to information sharing protocols where personal and sensitive information is being shared outside the Authority with third parties and sufficient controls are in place to ensure the Council understands how the third party use the data.</p>	<p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Review of GCSX's account completed and unused accounts removed. Annual review scheduled. <b>Implementation date:</b> 31.7.17</p> <p><b>Responsible Manager:</b> <b>ICT Operations Manager</b> Shared service agreements in place and a register held. <b>Implementation date:</b> 1.10.17</p>	<p>A review of accounts has been undertaken and the list updated.</p>
<b>Audit: Council Tax</b>						
<b>Assurance: Significant</b>						
1	Medium	<p><b><u>Webforms NFI FPN</u></b></p> <p>The following Webforms accessed on the Council's website on 25/10/16 did not include reference to a NFI fair processing notification</p>	<p>Non compliance with the Data Matching Code of Practice issued by the Cabinet Office</p>	<p>All Revenues forms used for the collection of personal data to be reviewed to ensure that they include a NFI fair processing</p>	<p><b>Responsible Manager:</b>  Financial Support Services Manager</p>	N/a

# **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
		including that the data collected being used in a data matching exercises for the prevention and detection of fraud as required by the Data Matching Code of Practice issued by the Cabinet Office: <ul style="list-style-type: none"> <li>• Single Person Discount;</li> <li>• Disabled;</li> <li>• Serious Mental Impairment;</li> <li>• Carers; and</li> <li>• Council-tax-student-discount-form.</li> </ul> The Webform related to those in Detention did include a relevant notification.	potentially leading to either reputational damage, financial penalty or failure to be able to participate in NFI data matching exercises which is a mandatory requirement.	notification and are future proofed with the impending requirements of General Data Protection Regulations (GDPR).	Programme for review of forms and documentation is in place, and revised forms will be in use from first quarter of 2018/19  <b>Implementation date:</b> May 2018	
2	Medium	<b>Reconciliation.</b>  No checking and sign off of reconciliations by a senior member of the finance team since quarter 2. The Accountancy Assistant is new to carrying out these reconciliations and took over in September 2017	Risk that the reconciliations are not correctly carried out and that the member of staff fully understands what they are reconciling. Potential for incorrect financial information being missed or misleading information being reported.	That a check and sign off is carried out by a senior member of the Finance team in the same time period of the reconciliation being completed.	<b>Responsible Manager:</b> Financial Services Manager  This will be addressed and signed off on a regular basis going forwards.  <b>Implementation date:</b> February 2018	N/a
<b>Audit: NDR</b>						
<b>Assurance: Significant</b>						
1	Medium	<b>Website Pages</b>  There are aspects missing to aid the customer with self service. There is no change of address form.	Risk of providing out of date information and causing customers to take up resources through staff time when they could self serve potentially leading to reputation damage.	To update and review the web pages to enable customers to self serve easily.	<b>Responsible Manager:</b> Financial Support Services Manager  Web development is continuing and updates to website will be made from August.	N/a

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan	Position update as at 12 <sup>th</sup> December 2017
					<b>Implementation date:</b> August 2018	
2	Medium	<b>Forms</b>  All forms which request information need to be reviewed to ensure compliance with the General Data Protection Regulations (GDPR) for May 2018.	Potential risk of not complying with requirements of the data protection legislation.	Review and alter forms to comply with General Data Protection Regulations.	<b>Responsible Manager:</b>  Financial Support Services Manager  Programme for review of documentation will commence in Final Quarter of 2017/18  <b>Implementation date:</b> April 2018	N/a
3	Medium	<b>Reviews of exemptions, reliefs and discounts</b>  No planned reviews have been carried out and there is no plan in place to carry out the reviews currently.  It has been discussed with the compliance team however it is not a current priority in their planned work.	There is a risk that exemptions, reliefs and discounts are being applied either incorrectly or are continuing past their 'end' date, potentially leading to a financial loss.	To implement a plan of reviews.	<b>Responsible Manager:</b>  Financial Support Services Manager  Plan for review of exemptions, reliefs is in place and will be rolled out from May 2018  <b>Implementation date:</b> 1 <sup>st</sup> May 2018	N/a
4	Medium	<b>Reconciliation check</b>  No checking and sign off of reconciliations by a senior member of the finance team since quarter 2. The Accountancy Assistant is new to carrying out these reconciliations and took over in September 2017.	Risk that the reconciliations are not correctly carried out and that the member of staff fully understands what they are reconciling. Potential that incorrect financial information being missed.	That a check and sign off is carried out by a senior member of the Finance team in the same time period of the reconciliation being completed.	<b>Responsible Manager:</b>  Financial Services Manager  This will be addressed and signed off on a regular basis going forwards.  <b>Implementation date:</b> February 2018	N/a
<b>end</b>						

## **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

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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.

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:

- 2014/15 report; one remains, expecting to be completed by end of 2017. Follow up being scheduled;
- 2015/16 reports; active research is taking place to satisfy one area with the rest being scheduled for follow up in February/ March 2018;
- 2016/17 reports; two areas have been followed up as part of another piece of work. Other areas are scheduled for follow up in February / March 2018;
- 2017/18 reports; scheduled for follow up in the coming months.

## AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2<sup>nd</sup> Follow Up</u>	<u>3<sup>rd</sup> 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	
<b>2014-15 Audits</b>							
Equality and Diversity	28 <sup>th</sup> 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. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and 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.	<p>A follow up in September 16 found there was one recommendation outstanding relating to the Equality and Diversity training. All the others have been satisfied. A further follow up will take place in 3 months time.</p> <hr/> <p>Follow Up 14 February 2017: Discussion with E&amp;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.</p> <hr/> <p>Follow Up 19th June 2017: Policy Manager confirmed although progress has been made towards implementing training for new starters and existing staff nothing has yet been implemented. Need to go</p>

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							to tender to procure training provider. Aiming for completion of this process and E&D training within 2017.
<b>2015-16 Audits</b>							
CCTV	31 <sup>st</sup> 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	Follow up undertaken in April 2017.  Audit had a discussion with both responsible managers on 10.05.17, both positions same as previous follow up. Restructure is still to take place and the Anti-social behaviour policy still to be finalised. Agreed to go back in 6 months.  Further follow up date November 17	The Head of Service has been researching how access rights can be improved due to the nature of the system. A solution has been proposed and is awaiting confirmation that this can be implemented.  30 <sup>th</sup> January 2018  The team introduced a new system in the CCTV monitoring centre to resolve the issue of the same operator approving and authorising the creation of the data file. In addition it also removes the current system where the operator puts in the Team Leader initials as the authoriser. It is an automated process which burns the ID into the disc to confirm an audit compliance check has been undertaken.  <b>No further follow up required</b>
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	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to	Follow up undertaken in May 2017.  Audit had a discussion with the	Audit met with Director of Finance and Resource on 4/1/18. The Matrix contract has been extended for 12



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				transformation reviews, professional indemnity Insurance and accuracy of invoices received.	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.	Director of Finance and Resources on 10.05.17, the review of Matrix is still in progress. As several recommendations rely on the matrix review being completed no official follow up will take place until this date.  Further follow up date November 2017	months therefore follow up will be scheduled for March 2018.	
<b>2016-17 Audits</b>								
Page 95	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.	A follow up took place in March 17 and found 2 recommendations are in progress relating to meeting training needs and mandatory / refresher training. 2 recommendations are still to be actioned dependent on the implementation of HR21.	Being scheduled for follow up during March 2018.	
	Dash Board & Performance Measures	3rd May 2017	Business Transformation	Limited	An audit took place in May 2017 and made 3 high and 1 medium priority recommendations relating to resilience, timeliness of reporting, integrity of information and information held.	Being scheduled for follow up during March 2018.		

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Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	1st follow up took place on 30/8/17 no recommendations have been implemented but work towards had been progressed and there is research looking at moving into electronic application which all districts will have to agree to. A further follow up will take place in 6 months	To be picked up as part of the 2017/18 audit that is being undertaken currently.	
<b>2017-18 Audits</b>							
Building Control	10th August 17	Planning & Regeneration	Significant	The report made one medium recommendation relating to the production of a financial statement regarding Building Control. This is to be produced at the end of the financial year.	May 2018		
Customer Service	14th November 2017	Customer services	Moderate	The report made five medium recommendations relating to minutes of meetings, phone recordings, training and awareness, complaints system and website	May-18		
Cash Collection	14th November 2017	Customer Services	Significant	the report was made up of 4 recommendations; 3medium and 1 low relating to refund checks, over and under investigations, scanned in giro slips and countersignatures.	May-18		
DFGs	28th September 2017	Community Services	Moderate	The report found 1 high priority and 2 medium priority recommendations in relation to Records retention and security, Registration of Land Charges and Private Sector Home Repairs Assistance policy.	Awaiting follow up		

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Land Charges	19th October 2017	Legal Services	Moderate	The report found 1 high and 1 medium priority recommendation in relation to Reconciliation of payments and updating the local land charges register.	Awaiting follow up		
Environmental Waste	27th November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.	Mar-18		
Payroll	14th February 2018	Finance	Moderate	Reported 1 'high' and 2 'medium' priority recommendations ; sickness reporting and pay, establishment and expense claims form	Apr-18		
end							

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### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 15<sup>th</sup> MARCH 2018

#### **THE 2018/19 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, 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 2018/19
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2018/19

#### **2. RECOMMENDATIONS**

2.1 **The Committee is asked to approve the Audit Plan subject to any comments / proposed changes.**

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.

**BROMSGROVE DISTRICT COUNCIL****AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**Date: 15<sup>th</sup> MARCH 2018**Legal Implications**

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

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**

WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2018/19, 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, other assurance

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processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the Corporate and Service risk registers. Large spend budget areas have also been considered, and, direct association has been made to the organisational objectives and priorities. The Internal Audit Plan for 2018/19 has been agreed with the s151 Officer, been considered by the Senior Management Team and has been brought before Committee in draft form. It has been formulated with the aim to ensure Bromsgrove District Council meet its strategic purposes, delivers its promises and has directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It was brought before the Audit, Standards and Governance Committee on the 18<sup>th</sup> January 2018 in draft format as the involvement of the Committee 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.

We recognise there are other review functions providing other sources of assurance, both internally and externally, (e.g. ICT Public Service Network assurance testing) 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.

To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is available to the external auditors for information.

By bringing a plan of work before the Audit, Standards and Governance Committee in January 2018 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 2018/19 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for internal audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges. It is planned that a six month review before Senior Management Team will take place to ensure the audit plan remains risk focussed and any required changes can be considered.

**BROMSGROVE DISTRICT COUNCIL****AUDIT, STANDARDS AND GOVERNANCE COMMITTEE****Date: 15<sup>th</sup> MARCH 2018**Resource Allocation

The Internal Audit Plan for 2018/19 has been based upon a resource allocation of 230 chargeable days, a resource allocation which has been agreed with the council's s151 officer. A summary of the days as well as the detailed plan provision has been included with the Internal Audit Plan for 2018/19 at Appendix 1. A number of areas have been included in the plan but due to the resource available priorities have been applied in regard to the plan delivery. Those areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. Other areas which are identified as 'medium' priority have been considered. An assessment has been made whether to include in the plan based on the overall risk and governance profile. 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 2017/18.

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 (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

Due to both external and internal audit findings the financial systems have been included as audit areas as it is considered certain risks remain in these areas. It is hoped that in time a 'watching brief' approach can be adopted when there is a confidence in embedded process, control and anti fraud measures thus leading to a reduction in the allocated days. Operational support days are included to give a little flexibility and contingency in the plan e.g. consultancy but are necessary to support the delivery of the plan as a whole.

The Internal Audit Plan for 2018/19 is set out at Appendix 1.



**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**Date: 15<sup>th</sup> MARCH 2018Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2018/19 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 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.

**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan 2018/19

Appendix 2 ~ Key performance indicators 2018/19

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/a

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### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 15<sup>th</sup> MARCH 2018

#### **AUTHOR OF REPORT**

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## BROMSGROVE DISTRICT COUNCIL

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 15<sup>th</sup> MARCH 2018

#### APPENDIX 1

#### SUMMARY OF DETAILED PLAN

Planned Days	2018/19
Financial	52
Corporate Work	39
Service Delivery and Operational	103
<b>Sub total</b>	<b>194</b>
Audit management meetings	15
Corporate meetings / reading	5
Annual plans, reports and Audit Committee support	16
<b>Sub total</b>	<b>36</b>
<b>TOTAL Audit Days</b>	<b>230</b>

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15<sup>th</sup> MARCH 2018

#### 2018/19 Internal Audit Plan

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>FINANCIAL</b>					
Debtors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	6
Main Ledger/Budget Monitor/Bank Rec	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Creditors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	6
Treasury Management	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Council Tax*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	8
Benefits*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	10
NNDR*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	8
<b>Sub TOTAL</b>					<b>52</b>
<b>CORPORATE</b>					
IT Audit* (GDPR)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
Risk Management*	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/>	6

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15<sup>th</sup> MARCH 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Health and Safety*	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/ High	<input checked="" type="checkbox"/>	5
Procurement* (Compliance and Process)	Fundamental to strategic purpose delivery	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
Shared Service Delivery*	Fundamental to strategic purpose delivery	N/a	Low/Medium	<input checked="" type="checkbox"/>	10
<b>Sub TOTAL</b>					<b>39</b>
<b>SERVICE DELIVERY</b>					
<b>Customer Access and Financial Support:</b>					
<b>Welfare Support:</b>					
Essential Living Fund*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Discretionary Housing Payments*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Council Tax Hardship Fund*	Strategic Purpose: Help me to be financially independent.	BEN - Impact of Introduction of local Tax Scheme	Medium	<input checked="" type="checkbox"/>	4
<b>Universal Credit</b>					
Resource implications within the Council and potential implications*	Strategic Purpose: Help me to be financially independent.  Strategic Purpose: Help me to live my life independently	BEN - Fail to adequately resource the service to meet demand	Medium	<input checked="" type="checkbox"/>	10
<b>Planning and Regeneration Service</b>					
Emergency Planning and Business Continuity resilience	Fundamental to strategic purpose delivery	CR - Business Continuity Plans fail to operate effectively in an incident	Low/Medium	<input checked="" type="checkbox"/>	

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15<sup>th</sup> MARCH 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>Community Service</b>					
Bromsgrove Energy and Efficiency Fund (BEEF)	Strategic Purpose: Help me to be financially independent.  Strategic Purpose: Help me to live my life independently	Emerging risk – openness and transparency around new fund	Low/Medium	<input checked="" type="checkbox"/>	8
<b>Environmental</b>					
Car Parking	Ensuring a sustainable council	Fail to adequately maintain and manage car parking and on street enforcement	Low/Medium	<input checked="" type="checkbox"/>	8
Land Drainage	Keep my place safe and looking good	Head of Service request	Low	<input type="checkbox"/>	
Transport (Fleet Management)	Keep my place safe and looking good	Head of Service request	Medium	<input checked="" type="checkbox"/>	8
<b>Worcester Regulatory Services</b>					
Environmental Permitting	Statutory and Regulatory Requirement	Head of Service request	Medium	<input checked="" type="checkbox"/>	14
<b>Sub TOTAL</b>					<b>62</b>
<b>Other Operational Work</b>					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10

## BROMSGROVE DISTRICT COUNCIL

### AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15<sup>th</sup> MARCH 2018

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Completion of prior year's audits	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	8
Report Follow Up (all areas)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10
Statement of Internal Control	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	3
<b>Sub TOTAL</b>					<b>41</b>
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	5
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	16
<b>Sub TOTAL</b>					<b>36</b>
<b>TOTAL CHARGEABLE</b>					<b>230</b>

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**Date: 15<sup>th</sup> MARCH 2018**

#### Explanatory Notes:

\*As part of the increasing joint and shared service working between Bromsgrove District Council and Redditch Borough Council the audit budgets and areas will feature in both internal audit plans and be consolidated to deliver a single piece of work covering both Council's. Where practically possible the days will be split equally between the plans. Weighting will, however, be applied if it is considered the focus of the work will major on one Council.

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



## BROMSGROVE DISTRICT COUNCIL

### **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**Date: 15<sup>th</sup> MARCH 2018**

#### **APPENDIX 2**

#### **Performance against Key Performance Indicators 2018-2019**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2018/19. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	<b>KPI</b>	<b>Trend/Target requirement</b>	<b>2018/19 Position (as at XXXXXXXX)</b>	<b>Frequency of Reporting</b>
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 conforms to the Public Sector Internal Audit Standards 2013.

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## AUDIT STANDARDS & GOVERNANCE COMMITTEE

15<sup>th</sup> MARCH 2018

### SECTION 11 UPDATE

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

#### 1. SUMMARY OF PROPOSALS

To present the Committee with an update of the progress following the Section 11 recommendations as identified by Grant Thornton.

#### 2. RECOMMENDATIONS

**The Committee is asked to NOTE the Section 11 Update.**

#### 3. KEY ISSUES

##### Financial Implications

3.1 There are no specific implications to this report.

##### Legal Implications

3.2 The Council received a s11 notice (Audit Commission Act 1998) in relation to a number of recommendations relating to the financial management and accounting of the Authority relating to 2015/16 accounts. As part of the monitoring of the actions in place to address these recommendations the Committee agreed to receive updates of the progress against the actions to ensure that the Council is taking appropriate action to address the significant issues identified.

##### Service/Operational Implications

3.3 As Members are aware unqualified opinions were given for the accounts and the Value for Money Judgement on 30<sup>th</sup> September 2016 for the financial year 2015/16. A further qualified judgement has been given as part of the 2016/17 accounts closedown.

3.4 The technical closedown of accounts recommendations have all been addressed however there were a number of budget monitoring recommendations that are ongoing.

## **AUDIT STANDARDS & GOVERNANCE COMMITTEE**

15<sup>th</sup> MARCH 2018

3.5 The recommendations that have ongoing work undertaken include:

- The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates.

**Action :**

- *Detailed outline business cases are prepared to detail all associated costs for additional funding or where savings are being proposed. Vacancy rates and budget outturn savings are also included in the budget estimates.*
- *A more detailed review of fees and charges review was undertaken as part of the budget setting process. This will continue during 2018/19.*
- The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end out-turn and action to be taken, where necessary, to address budget variances.

**Action :**

- *Quarterly monitoring statements are sent out to budget-holders within 5 working days of period end. Projections and explanations are required within a week of draft Committee reporting.*
  - *Large variances to budget to be addressed with Head of Service prior to Committee with details of cause and plans to mitigate any overspends.*
  - *Quarterly monitoring report has been revised to include focus on high variances and risk areas as requested by the budget scrutiny group*
- 3.6 Officers will continue to work with both Internal and External Audit to ensure the recommendations are implemented as reported.

### **Customer / Equalities and Diversity Implications**

3.7 There are no implications arising out of this report.

## **4. RISK MANAGEMENT**

## **AUDIT STANDARDS & GOVERNANCE COMMITTEE**

**15<sup>th</sup> MARCH 2018**

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

### **AUTHOR OF REPORT**

Name: Jayne Pickering – Executive Director Finance and Resources  
E Mail: [j.pickering@bromsgroveandredditchbc.gov.uk](mailto:j.pickering@bromsgroveandredditchbc.gov.uk)  
Tel: (01527) 881400

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#### APRIL – DECEMBER FINANCIAL SAVINGS MONITORING REPORT 2017/18

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

#### 1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for 2017/18. This report presents the savings delivered projected for the full year against the efficiency plan.

#### 2. RECOMMENDATIONS

- 2.1 That the Committee note the final financial position for savings as presented in the report and at Appendix 1.

#### 3. KEY ISSUES

- 3.1 This report provides a statement to show the savings projected for 2017/18 linked to the efficiency plan. The efficiency plan was approved in October 2016 and the budget set in February 2017 reflected the savings proposed that were in addition to the efficiency plan. This report gives more detail in relation to the savings made compared with the report that is presented to Cabinet.
- 3.2 The statement shows that it is projected that the efficiency plan will be exceeded by £569k. It is worth noting that this only shows the savings made and there are a number of shortfalls to budget that will be reported to Cabinet in April. It is clear that despite the overall savings being in excess of the plan some of the initial savings proposed have not been realised during 2017/18. Officers are continuing to work through the ways that the further savings can be delivered to meet the plan in future years. Where applicable the savings and additional income have been included in the budget projections for 2018/19.
- 3.3 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 projected outturn position for each.

3.4 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.

3.5 **Legal Implications**

None as a direct result of this report.

3.6 **Service/Operational Implications**

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

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

None, as a direct result of this report.

5. **RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Saving monitoring 2017/18

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



## SAVINGS TO DELIVER THE EFFICIENCY PLAN 2017/18

Area	Cost reduction / Additional income growth/ Alternative Service Delivery	2017/18	Income projection 2017/18	Projected Variance	Comments April - September
		£'000	£'000	£'000	
Leisure Services	Additional income from the redeveloped Leisure Centre	106	0	106	The new provider takes over the site at the end of November. The income will be in line with the tender and generated over a 3 year period. Therefore it is not anticipated that income will be achieved in 2017/18. However the overall income to be realised will deliver £700k to the Council which is £200k more than originally estimated.
Cross Organisational	Increases in income and growth ( including compliance in relation to Council Tax)	75	273	-198	Additional income was identified to deliver the figure included in the efficiency plan. The income projections were approved as part of the MTFP which superceeded the efficiency plan.
Cross Organisational	Alternative Models of Service Delivery - Reviewing the provision of services with the aim to redesign and work with other partners to deliver savings	140	10	130	The commercial work that is being undertaken by officers will not deliver additional income or savings in 2017/18. Other savings have been achieved to ensure that the shortfall on income is mitigated
Customer Access & Financial Support	Improved efficiencies by moving to a new system for Revenues and Benefits	80	70	10	Savings to be achieved as identified within the shared service and migration to one system across both Councils.
Cross Organisational	Organisational Management Review	135	88	47	A number of service reviews have delivered management savings. Further savings to be realised from a wider management review
Cross Organisational	Reduce waste in system	90	120	-30	Additional savings were included in the MTFP in relation to reducing waste from processes and systems. These saving projections were approved as part of the MTFP which superceeded the efficiency plan.
Cross Organisational	Reset budget from baseline of 2015/16	50	734	-684	Additional savings were included in the MTFP in relation to resetting the budget from previous years. These saving projections were approved as part of the MTFP which superceeded the efficiency plan.
Additional Business Rate Growth	Based on assumptions of additional growth from sites across the District – regeneration of the town centre	50	0	50	The additional business rate take is not yet known and will be reviewed when the formal return is submitted to Government in December. A prudent approach has been taken at quarter 2 to show no growth for 2017/18
<b>TOTAL NEW SAVINGS / USE OF BALANCES /</b>		<b>726</b>	<b>1,295</b>	<b>-569</b>	

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Bromsgrove District Council



Audit, Standards and  
Governance Committee

# ANNUAL REPORT

**2017 / 2018**



**Bromsgrove**  
District Council

[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

## MEMBERSHIP



Mike Webb (Chairman)



Steve Colella (Vice Chairman)



Chris Allen-Jones



Richard Deeming



Rod Laight



Peter McDonald



Stephen Peters



Phil Thomas



Michael Thompson

## **INTRODUCTION**

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2017/18.

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
- Gifts and Hospitality Guidance for Councillors – referred by the Constitution Working Group for Members to consider and comment on.
- Benefits and Compliance Annual Update report 2017/17

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 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 2017/18 meetings were held in June and September 2017 and January and March 2018. 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

The Parish Council representative is able to add any item on to the agenda as required and this is highlighted within the Monitoring Officer's Report.

### 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 continued to receive updates on the work of the Internal Audit team including details of the following completed audit reports:

- Community Services- Disabled Facilities Grants
- Waste Management
- Land Charges
- Customer Services
- Treasury Management
- Cash Collection
- Individual Election Registration System

The Annual Report for Internal Audit 2017/18 was considered by the Committee at its meeting on 18<sup>th</sup> January 2018.



## **EXTERNAL AUDITORS**

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

- Auditing Standards 2016/17
- Audit Findings Report
- Annual Audit Letter
- Certification Work Report 2017/18
- 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

As part of the review of the work of the Committee in 2016/17 it was suggested that a new approach to considering the subject of benefit fraud due to the responsibility for benefits investigations being transferred to the DWP from the Council. In future officers suggested that an annual round up of other data relating to benefits and revenues was reported at of the end of the financial year. This was acknowledged and a report was received by the Committee at its meeting on 15<sup>th</sup> March 2018 to this effect.

## **STATEMENT OF ACCOUNTS**

The Audit, Standards and Governance Committee, considered the Statement of Accounts at the meeting on 14<sup>th</sup> September.

This was the second year that the Committee had considered the Audit Findings and Statement of Accounts. It was noted that the accounts had been submitted a month early in preparation for the revised deadline for local authority accounts which is being brought forward in 18/19. Grant Thornton commented that further year on year improvement that had been made to the accounts, working papers and quality of information made available during the audit.

The external auditors would be issuing 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

The Committee heard that further work would be required in 18/19 to ensure that the new deadline for the accounts was met, and officers reported that steps were in hand to make sure that this occurred including making sure cover was in place for key posts in the finance team.

The Committee also noted the fact that a qualified value of money conclusion would be issued by the auditors, and that work that had already been started on improvements to address this would continue during 18/19.

## **Legal, Equalities and Democratic Services**

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### AUDIT, STANDARDS & GOVERNANCE COMMITTEE

#### **WORK PROGRAMME 2017/18**

##### **15<sup>th</sup> June 2017**

- Monitoring Officer's Report
- Dispensations Report
- Gifts and Hospitality: Guidance for Councillors – Constitution Update
- External Audit – Progress / Action Plan Update Report
- External Audit – Audit Fee Letter 2018/19
- 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

##### **14<sup>th</sup> 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
- Internal Audit – Progress Report
- Risk Champion's Update Report
- Work Programme

##### **18<sup>th</sup> January 2018**

- Monitoring Officer's Report
- External Audit – Progress Report/Action Plan Update
- External Audit – Annual Audit Letter
- Internal Audit – Progress Report
- S11 Action Plan Update Report
- Financial Savings Monitoring Report June to September 2017
- Risk Management Strategy
- Risk Champion's Update Report
- Work Programme

## AUDIT, STANDARDS & GOVERNANCE COMMITTEE

**15<sup>th</sup> 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 2018/19
- External Audit – Auditing Standards 2018/19
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2018/19
- Housing Benefits Subsidy Account Report 2016/17
- Financial Savings and Section 11 Monitoring Report for September to December 2017
- Risk Champion's Update Report
- Work Programme