BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

MONDAY 23RD JULY 2018 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors C. Allen-Jones, S. R. Colella, H. J. Jones, R. J. Laight, P. M. McDonald, S. R. Peters, P.L. Thomas, M. Thompson and M. J. A. Webb

AGENDA

1. Election of Chairman
2. Election of Vice Chairman
3. Apologies for Absence and Named Substitutes
4. Declarations of interest and Whipping Arrangements
5. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 15 March 2018 (Pages 1 - 10)
6. Standards Regime - Monitoring Officers' Report (Pages 11 - 14)
7. Dispensations Report (Pages 15 - 20)
8. Grant Thornton - External Audit Finding Report - TO FOLLOW
9. Grant Thornton - External Audit Opinion 2017/18 - TO FOLLOW
10. Grant Thornton Audit Fee Letter 2018/19 - TO FOLLOW
11. Internal Audit Annual Report and Draft Audit Opinion 2017/18 (Pages 21 - 44)
12. Internal Audit External Assessment 017/18 Progress Report (Pages 45 - 78)

13. Benefits and Compliance Annual Update Report 2017/18 (Pages 79 - 82)

14. Statement of Accounts 2017/18 - TO FOLLOW

15. Financial Savings Monitoring Report 2017/18 - April - March (Pages 83 - 86)

16. Corporate Governance and Risk Register (Pages 87 - 94)

17. Risk Champion - Annual Appointment

18. Audit, Standards and Governance Committee Work Programme (Pages 95 - 96)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

13th July 2018

B R O M S G R O V E D I S T R I C T C O U N C I L

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15TH MARCH 2018, AT 6.00 P.M.

PRESENT: Councillors M. J. A. Webb (Chairman), S. R. Colella (Vice-Chairman), R. J. Deeming, R. J. Laight, S. P. Shannon, P.L. Thomas and M. Thompson

Observers: Mr. C. Scurrell, Councillor B. T. Cooper, Richard D Percival and Neil Preece

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

41/17 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors C. Allen-Jones, P. M. McDonald and S. R. Peters and it was confirmed that Councillor S. P. Shannon was attending as a substitute for Councillor McDonald.

42/17 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

43/17 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 18TH JANUARY 2018**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 18th January 2018 were submitted.

The Committee was advised that there had been a typographical error in the Monitoring Officer's report presented at the meeting of the Committee in January 2018. The reference to the Member to Member complaint involving Parish Councillors should have noted that a subject Member had resigned rather than multiple Members.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 18th January 2018 be approved as a correct record.

44/17 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Monitoring Officer reported that there was one formal district Member's complaint that was in the process of being discussed with the group leaders. The two general enquiries, which had been noted in the Monitoring Officer's report at the previous meeting of the Committee, had been resolved. There had been no further training delivered to Members since that meeting.

RESOLVED that the report be noted.

45/17 **GRANT THORNTON - AUDIT PLAN**

Richard Percival, from Grant Thornton, presented the external auditor's Audit Plan for 2017/18 and in so doing explained that it was a requirement of the auditing standards process for external auditors to submit such a plan.

A number of significant risks had been identified for the Council moving forward. Two of these, the risk that revenue could be misstated due to improper recognition of revenue and the risk of management over-ride of controls, were standard risks for many public sector organisations. There were also two specific risks of concern to Bromsgrove District Council; pension liabilities and the valuation of property.

In addition risks had been identified as part of Value for Money (VfM) work for 2017/18. This included in year financial reporting to elected Members and the financial sustainability of the Council. The external auditors had observed that progress appeared to have been made in relation to these.

The audit fee would be £38,000. Members were asked to note that the audit fee had been decreasing in recent years. The audit fee was determined by the Public Sector Audit Appointments Company (PSAA) and was comparable to the fees charged of local authorities in other parts of the country. There had been an additional fee charged by Grant Thornton during the year to help cover the costs of additional work that had been undertaken on the Housing Benefit subsidy audit.

Following presentation of the report Members requested further information about the Council's position in respect of the risks that had been identified in the report and the extent to which the authority's Medium Term Financial Plan (MTFP) would enable the Council to achieve financial sustainability. The Committee was advised that, following difficulties which had recently been experienced by Northamptonshire County Council, external auditors were monitoring Councils' use of reserves closely to ensure that budgets were maintained in a sustainable manner. However, it would not be possible for Grant Thornton to issue a VfM opinion before the audit opinion had been reported and this would occur later in the calendar year.

The Committee also briefly debated the extent to which options available to staff, in terms of accessing their pensions, was assessed by the external auditors. Members were informed that this did not form part of the scope of the audit at a district Council level where the focus was on pension liabilities only. Further investigation of the options available to staff, in terms of accessing their pensions, and where pension investments were made, would be the responsibility of the auditors reviewing the work of Worcestershire County Council.

RESOLVED that the Audit Opinion Plan 2017/18 be agreed and the content be noted.

46/17 **GRANT THORNTON CERTIFICATION WORK REPORT 2016/17 (HOUSING BENEFIT SUBSIDY AUDIT)**

Neil Preece, from Grant Thornton, presented the Grant Thornton Certification Work Report 2016/17 (Housing Benefit Subsidy Audit) report. During the presentation of this report the following matters were highlighted for Members' consideration:

- There was a statutory requirement for the external auditors to produce this report.
- The external auditors had to complete the audit in respect of Housing Benefit subsidy claims in accordance with guidance issued by the Department for Work and Pensions (DWP).
- The DWP also required the external auditors to undertake additional audit work in respect of any errors that were identified. The purpose of this was to try to secure consistency of approach across the country.
- The Council had been working hard to try to reduce the potential for errors to occur. As part of this process training had been provided to staff.
- In 2016/17 the Council had been approving claims that would not strictly have been permitted if the Council had complied in totality with the guidance issued by the DWP. This had resulted in the need for Grant Thornton to undertake additional work, resulting in a further audit fee.

Following the presentation of the report the Head of Customer Access and Financial Support highlighted a number of points for Members' consideration in relation to the Housing Benefit subsidy claims:

- The Council had recently received correspondence from the DWP advising that some of the issues raised in the qualification letter had since been discounted.
- The Officers working on Housing Benefits had a complicated job, and they needed to ensure that they recorded the work quickly but accurately.
- In accordance with the guidance Officers had to complete specific workbooks. Unfortunately these had not been completed exactly in line with the auditor's requirements.

- Experienced staff had been trained to complete the workbooks, which were complex to fill out. However, due to heavy workloads the experienced staff had been diverted to work on other matters so that less experienced employees had been completing the workbooks resulting in some errors.
- Training had been introduced recently in respect of accuracy and this had been welcomed by the team.
- The Housing Benefits subsidy audit enabled officers to identify areas where changes needed to be made. As a consequence the Council always introduced an Improvement Plan after the audit had taken place in order to ensure lessons were learned.

The Committee discussed the report once this had been presented and a number of matters were raised during this debate:

- The numbers of applicants and the extent to which these numbers had increased during the period.
- The data logged on the measures dashboard which revealed that the overall claim caseload had remained the same in recent years, though there had been a spike in 2010/11.
- The impact that the rollout of Universal Credit would have on the data available to the Council moving forward. Members were advised that as people moved onto Universal Credit the authority would lose sight of this data as cases would be processed by the DWP.
- The work that the Council would deliver on behalf of the DWP to ensure that customers received personal budgeting support where needed.
- The additional work that had to be undertaken by the Council following the discovery of errors during the Housing Benefits Subsidy audit.
- The average value of the errors discovered during the audit. Members were advised that the average error was valued at £3,000 at Bromsgrove District Council.
- The impact of errors with the Housing Benefit subsidy on residents' finances.
- The need for staff to consistently review entitlements to Housing Benefit subsidy due to changing circumstances.
- The reduction in the budget for the Housing Benefits subsidy and how this was calculated.
- The additional audit fee that had been charged for the Housing Benefits subsidy work and the reason this fee had been charged. Members were advised that the Council's audit fee was calculated by PSAA and was based on work undertaken by the external auditors 2 years previously. Any extra work on top of this was subject to an additional fee.
- The 2 large overpayments recorded of over £200,000. Members were advised that this would have been based on data entry errors on the system and was not paid to the customers as Officers had noticed that the fee was unrealistic.

- The error rate of 8 per cent recorded for the Council, which had been recorded as higher than expected, and the level at which the external auditors would expect to identify errors. The Committee was informed that the external auditors did not anticipate any errors.
- The performance of other Councils in terms of error rates and how this compared to Bromsgrove District Council. Members were advised that error rates varied, with some larger authorities recording an average error rate of £50,000.
- The potential to benchmark the Council's performance compared to other local authorities. Members were advised that there was no national database and the DWP did not provide statistics in respect of error rates.
- The potential for the external auditors to provide comparative data for other district Councils that it audited.

RESOLVED that

1) The contents of the Audit Letter be noted; and
2) The ongoing plans of the service to continuously improve the quality and accuracy of assessment and data input be noted.

47/17 **GRANT THORNTON - AUDITING STANDARDS 2018/19**

Neil Preece, from Grant Thornton, presented the Auditing Standards 2018/19 report and in so doing explained that the external auditors were required to produce this report as part of the auditing process. As part of this process the auditors asked Officers a series of questions about areas of work and action that was being taken to address this.

Members considered the report and confirmed that they were satisfied with the content and with the responses that had been received from management.

RESOLVED that the report and management responses be noted.

48/17 **INTERNAL AUDIT MONITORING REPORT**

The Head of the Internal Audit Shared Service presented the Internal Audit Monitoring Report. During the presentation of this report the following matters were highlighted for Members' consideration:

- The report contained updates on work that had been undertaken since the previous meeting of the Committee, together with an overview of some work that had been completed in Redditch which had implications for Bromsgrove through shared service arrangements.
- The audit in respect of records management had resulted in a number of high priority recommendations and an update had been provided in relation to the data due to the assurance that the audit had returned. It was unusual to provide a follow up position so

early in the reporting process but considered expedient so that Members could appreciate the position of the Council.

- Good progress and clear action plans had been agreed in relation to the recommendations arising from this audit of records management.
- Information had been provided in the appendices in respect of follow up audits. For the previous audit of CCTV it had been found that no further work was required.

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

- The audit of Worcestershire Regulatory Services (WRS) completed in May 2017 and the policies and procedures that had been analysed as part of this. Members were advised that Internal Audit focused on a different element of the services delivered by WRS each year and this particular audit had investigated income from licenses.
- The action that was being taken by district Councils in response to the issues that had been raised during this audit of WRS. The Committee was informed that this had been discussed at a meeting of the district Councils' Treasurers.
- The extent to which issues such as noise pollution and complaints relating to such matters would be picked up in an audit of WRS. Officers advised that the extent to which such issues would be identified would depend on the scope of the audit, though where noted these would be addressed.
- The meaning of "limited assurance". The Committee was informed that a limited assurance rating was usually issued where weaknesses in the design of the control environment had been identified.
- The limited assurance that had been issued in respect of the dashboard and the extent to which the Internal Audit team's findings in respect of the dashboard corresponded with the findings of the Measures Dashboard Scrutiny Working Group.
- The priorities identified during the internal audit of the dashboard. These related to an inconsistent approach to uploading data onto the dashboard, delays in reporting and the fact that some of the data provided was potentially compromised. Members were advised that many of these issues were in the process of being addressed.
- The identification of a need to report more effectively to Members about the data provided on the dashboard and the introduction of new corporate performance reports to enable Officers to address this.
- The findings of the audit in respect of records management and the extent to which progress had been achieved since this review was undertaken to address the problems that had been identified. Officers explained that the Corporate Management Team (CMT) had been working to address many of the issues as the audit was

taking place so it appeared that improvements were being made to services.

RESOLVED that the report be noted.

49/17 **INTERNAL AUDIT PLAN 2018/19**

The Head of the Internal Audit Shared Service presented the Internal Audit Plan 2018/19 and in so doing noted that the draft copy of this report had been considered by Members at the previous meeting of the Committee. A different approach had been adopted to preparing this report, when compared to previous years. The content was risk based and designed to link directly with the Council's strategic purposes. No material changes had been made since the previous meeting of the Committee, though it was possible that the plan would be altered mid-year in response to changing circumstances.

Members discussed the content of the plan and questioned which area of service delivery provided by WRS would be addressed by the Internal Audit team during the year. Officers explained that generally audits focused on the current year, though could look back if required. The potential for WRS policies and procedures to form the basis of an audit was discussed and it was noted that there were some contingency days which could be allocated for this purpose. However, concerns were raised about adding an audit of this subject to the plan without first checking how long an audit of this matter would take to complete. For this reason Members requested that Officers investigate this matter further and report back at the following meeting of the Committee.

RESOLVED that

1) Officers investigate the length of time that would be required to undertake an audit of WRS's policies and procedures and the extent to which this could be covered by the available contingency days and to report back about this matter at the following meeting of the Committee;
2) subject to Officers addressing resolution 1 above, the Audit Plan 2018/19 be approved; and
3) the Key Performance Indicators (KPIs) be approved.

50/17 **SECTION 11 UPDATE REPORT**

The Executive Director of Finance and Corporate Resources presented the Section 11 Update report. The Committee was advised that the report should have advised that the Council had received a qualified judgement in respect of Value for Money (VfM) and an unqualified judgement in relation to the accounts.

There were 2 key recommendations that remained to be addressed and Officers had developed detailed action plans to ensure this occurred. The Council was working closely with Grant Thornton and was aiming to

demonstrate financial sustainability moving forward. A final assessment as to whether this had been achieved would not be issued by the external auditors until July 2018.

RESOLVED that the Section 11 update be noted.

51/17 **SAVINGS MONITORING REPORT**

The Executive Director of Finance and Corporate Resources presented the Financial Savings Monitoring Report covering the period April to December 2017. This report provided Members with an opportunity to assess the Council's progress with achieving savings compared to the targets that had been set in the authority's Efficiency Plan.

The Efficiency Plan had been agreed in October 2016; 5 months later the Council had agreed the Medium Term Financial Plan (MTFP) for 2017/18 to 2020/21. Since then a number of savings had been achieved by the Council. Some of these savings corresponded with the items detailed in the Efficiency Plan whilst others had not featured in the plan. The timing of the plan's submission had made it difficult to ensure that the points detailed in the plan corresponded exactly with the items in the MTFP. However, the Efficiency Plan had had to be submitted by October 2016 to enable the Council to secure a 4 year deal with the Government in respect of the Revenue Support Grant. Officers had discussed the savings that had been achieved with Grant Thornton and the external auditors were comfortable with the situation.

A number of savings had been achieved during the period. There had been significant increases in income in some areas. For some services the baseline budget had been reset to reflect the reduced expenditure and savings that had been achieved the year before. Managers had been reviewing the authority's budgets on a line by line basis

Members noted that in some cases savings had not been achieved in areas where they had been anticipated whereas in other areas savings had been achieved unexpectedly. This would result in a projected variance that included greater total savings and additional income generation, though further work needed to be undertaken to ensure that the authority continued to make savings in future.

RESOLVED that the financial position for savings be noted.

52/17 **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR P. THOMAS)**

Councillor P. L. Thomas, the Committee's Risk Champion, advised that there was no update to provide in respect of Council risks.

The Committee was asked to consider whether it was appropriate for Councillor Thomas to serve for a second term as the Risk Champion. Members were asked to note that in the previous two years Councillors

Thomas and M. Thompson, from the Conservative and Labour Groups respectively, had served as Risk Champion and it was suggested that it might be appropriate for a Member from the Independent Alliance to now take on this role. Members noted that Councillor S. R. Peters might be willing to assume this role, though concerns were expressed that it would not be appropriate to appoint him to this position in his absence. Members therefore concluded that a decision should be taken on this matter at the first meeting of the Committee in the 2018/19 municipal year.

RESOLVED that the Audit, Standards and Governance Committee be invited to appoint a new Risk Champion at the first meeting of the Committee in 2018/19.

53/17 **ANNUAL REPORT**

The Chairman presented the Audit, Standards and Governance Committee's Annual Report 2017/18. Members were advised that the report outlined the Committee's activities during the municipal year. The Chairman would present the report for Members' consideration at a meeting of Council in June 2018. In the meantime Members were asked to notify the Chairman of any changes that they felt should be made to the report and any alterations would be made in the document before it was presented to Council.

RESOLVED that the content of the Audit, Standards and Governance Committee's Annual Report 2017/18 be noted.

54/17 **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

Members noted the content of the Audit, Standards and Governance Committee's Work Programme for the 2017/18 municipal year.

RESOLVED that the content of the Audit, Standards and Governance Committee's work programme be noted.

The meeting closed at 7.20 p.m.

Chairman

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

23rd July 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 15th March 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

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 Members are advised that there has been one formal complaint (member to member District) since the last meeting of the Committee and that complaint has been resolved locally between the two group leaders.

Members are advised that all outstanding complaints have now been resolved locally and actions agreed with Group Leaders.

Member training

3.4 No training has taken place since the last update.

3.5 Both the Member Development Steering Group and the Constitution Review Working Group continue to meet regularly.

3.6 The member Development Steering Group will concentrate on the Induction Programme for new Members in 2019/20. Group Leaders are being encouraged to consult with their Members to ascertain what training they feel would be most suitable in order for the Induction Programme to be more meaningful and useful to any new Members.

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.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

23rd July 2018

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

23rd July 2018

LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services and Monitoring Officer
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	N/A

1. SUMMARY OF PROPOSALS

1.1 To consider the granting of any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and which will be detailed by the Monitoring Officer at the meeting.

1.2 To note the position in relation to the current General Dispensations and Outside Body Appointment Dispensations which have been granted by the Committee and which currently remain valid until the first meeting of the Committee following the District Council Elections in 2019.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

1) any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, to allow those Member(s) to participate in and vote at Council and committee meetings in the individual circumstances detailed;

2) any new IMDs granted remain valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2019, at which point all dispensations will be reviewed; and

3) the unchanged position in relation to the existing General and Outside Body Appointment Dispensations granted by the Committee, as detailed under sections 3.10 and 3.13 of the report, be noted.

3. KEY ISSUES

Financial Implications

3.1 None.

Legal Implications

3.2 Section 33 of the Localism Act 2011 provides that dispensations can be granted in respect of Disclosable Pecuniary Interests ("DPIs").

3.3 Section 33 (1) requires that a Member must make a written request for a dispensation.

3.4 Section 33 (3) provides that a dispensation must specify the period for which it has effect and that period may not exceed 4 years.

Service / Operational Implications

Background

3.5 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.

3.6 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies. The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee.

3.7 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –

"(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

(b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,

(c) considers that granting the dispensation is in the interests of persons living in the authority's area,

(d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without

them dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or

(e) considers that it is otherwise appropriate to grant a dispensation."

3.8 Since the introduction of the current standards regime in 2012, the Audit, Standards and Governance Committee has been responsible for considering the granting of dispensations in circumstances where the Monitoring Officer feels that a dispensation may be warranted. This function was previously carried out by the former Standards Committee.

3.9 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within three categories:

(i) General Dispensations

(ii) Council Tax Arrears

(iii) Individual Member Dispensations

(iv) Outside Body Appointment Dispensations

3.10 At a meeting of the Audit, Standards and Governance Committee on 16th July 2015 Members agreed that, subject to the caveat set out in paragraph 3.12 below, the Audit, Standards and Governance Committee should grant dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:

a) the Budget;
b) Council Tax; and
c) Members' Allowances.

(This means that all Members have a dispensation to vote in respect of the budget, Council Tax and Members' allowances at the meeting of Council on 27th February 2019).

3.11 At the same meeting of the Committee on 16th July 2015 Members agreed that this dispensation would remain valid until the first meeting of the Audit, Standards and Governance Committee after the local election in May 2019.

3.12 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members were affected by the provisions of section 106, the statutory rule that they be barred from taking part in the budget

decisions would prevail and any dispensation granted under this report would not apply.

3.13 The table below sets out the Individual Member and Outside Body Appointment Dispensations which were granted by the Committee at it's meeting on 16th June 2016 and which remain relevant to those Members. Subject to any changes in outside body appointments and / or a Member's individual circumstances, these dispensations remain valid until the first meeting of the Committee following the District Council Elections in 2019.

Councillor(s)	**Relevant DPI**	**Reason for dispensation**
C Bloore M Buxton L Mallett	Officer for Unison or spouse/partner to officer for Unison	To allow participation in debates concerning employment / staffing issues in relation to the authority.
M Buxton J Griffiths R Laight S Webb	Amphlett Hall Management Committee	To allow participation in debates concerning the Amphlett Hall generally but not in relation to funding issues.
C Allen-Jones G Denaro R Laight K May M Sherrey C Taylor	The Artrix Holding Trust (Bromsgrove Arts Development Trust)	To allow participation in debates concerning the Artrix theatre generally but not in relation to funding issues.
J Griffiths C Spencer	The Artrix Operating Trust (Bromsgrove Arts Centre Trust – charitable company)	To allow participation in debates concerning the Artrix Theatre generally but not in relation to funding issues.
L Mallett	Employee of CLIC Sargent	To allow participation in discussions in respect of the impact of cancer on children and young people.

3.14 In relation to IMDs, Officers have contacted Group Leaders to ask whether they or any member of their groups wish to seek to add any new dispensations and whether any former dispensations granted no longer apply.

3.15 The following new individual member dispensations have been requested for approval, to remain valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2019.

Councillor(s)	Relevant DPI	Reason for dispensation
S Baxter	Chairman of the National Association of local Councils.	To allow participation in debates involving Parish Councils within the district.
S Baxter	President of the Worcestershire County Association of Local Councils.	To allow participation in debates involving Parish Councils within the district.

Customer / Equalities and Diversity Implications

3.16 None.

4. RISK MANAGEMENT

The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members' ability to participate in and vote at Council and committee meetings on certain matters as part of the Council's decision-making process, where such Members have a DPI which would otherwise preclude them from so participating / voting.

5. BACKGROUND PAPERS

- Section 33 of the Localism Act 2011.
- Section 106 of the Local Government Finance Act 1992.
- Reports to Standards Committee on 28th November 2012, 10th October 2013, 9th January 2014 and 9th October 2014.
- Reports to Audit, Governance and Standards Committee on 16th July 2015 and 16th June 2016.

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

23rd July 2018

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

2017/18 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION

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 2017/18 Internal Audit Annual Report for the period 1st April 2017 to 31st March 2018 along with the Audit Opinion and Commentary, and, a copy of the Internal Audit Charter.

2. RECOMMENDATION

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

3. KEY ISSUES

Financial Implications

3.1 None as a direct result of this report.

Legal Implications

3.2 The Council is required under Regulation 5 of the Accounts and Audit Regulations 2015 to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

Service / Operational Implications

3.3 **Appendix 1** provides a summary of allocation in respect of the 191 audit days delivered against the 230 budgeted.

3.4 **Appendix 2** provides a breakdown of the audits completed including the overall assurance as well as confirmation of follow up audits undertaken during the year

3.5 **Appendix 3** provides the 2017-18 audit opinion and commentary.

3.6 **Appendix 4** provides a copy of the Internal Audit Charter for WIASS.

3.7 The Worcestershire Internal Audit Shared Service (WIASS) has achieved and delivered the 2017/2018 internal audit plan with minor revisions.

3.8 The Internal Audit Plan for 2017/2018 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system and reported to the Committee on the 30th March 2017. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
- a number of operational systems, for example disabled facilities grants, waste management, land charges and elections were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

3.9 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.

3.10 The purpose of the 2017/18 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assisted the Authority in meeting its corporate purposes by reviewing the high risk areas, systems and processes,
- Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,

- The key financial systems are reviewed annually, enabling the Authority's external auditors to inform their opinion using the work completed by Internal Audit,
- An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.

3.11 2017/18 was a very demanding year for the internal audit team with a significant churn of team members during the final part of the year. The Service has carefully managed its resource and worked with partners to deliver the revised audit programme for Bromsgrove District Council for 2017/18 with regular updates of progress reported before Committee. The s151 Officer was kept fully briefed during the year in regard to overall progress and was instrumental in any variations.

Work of interest to the External Auditor

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

External Work

3.13 The work to deliver the Place Partnership Ltd internal audit contract was predominantly completed during 2017/18 with only management responses awaited in order to finalise audits.

Follow Up Audits

3.14 A summary of audit follow ups for the year is provided as part of Appendix 2. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exceptions basis. There have been no exceptions reported to the Committee during 2017/18 however there have been a number of occasions where additional follow up visits have been required as the recommendations, although ongoing, have not been fully satisfied.

Quality Measures

3.15 Managers are asked to provide feedback in regard to systems audits that have taken place by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see **Appendix 2.**

3.16 To further assist the Committee with their assurance of the overall delivery and that Worcestershire Internal Audit Shared Service conforms to the Public Sector Internal Audit Standards 2013, the Service underwent an independent external assessment during 2017/18 the outcome of which was positive.

Independence and Safeguards

3.17 Worcestershire Internal Audit Shared Service Internal Audit activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Audit Committee.

3.18 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit reference material and Charter which have been updated to reflect the requirements of the standards. The Charter is included as part of this report at **Appendix 4**. Where WIASS provide assistance with the preparation of areas of work such as risk management there are clear safeguards in place to ensure independence is not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the Executive Director – Finance and Resources of the authority. Audit Committee can also challenge the reported findings and the minutes would record this.

3.19 The Client Officer Group which is the management board for the Service and is made up of partner s151 Officers meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service.

Risk Management

3.20 Heads of Service provide Risk Management updates before the Audit Committee for consideration along with verbal updates from the Financial Services Manager to provide assurance. Development of the risk management system continues under the Directorship of the Executive Director –Finance and Resources.

Assurance Sources

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

Other Operational Work

3.22 Work is continuing in respect of the NFI exercise. Appropriate action is being taken and work is progressing to identify any potential fraudulent activity for example overpayment for housing benefits, income support, etc. This is a biennial exercise. The last significant data extract was during 2016/17 and continues to be worked on. The next is scheduled for December 2018/19.

Customer / Equalities and Diversity Implications

3.23 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.

5. APPENDICES

Appendix 1 ~ Delivery against plan 2017/18
Appendix 2 ~ Audits completed with assurance for 2017/18 and audit follow up work
Appendix 3 ~ Audit Opinion and Commentary
Appendix 4 ~ Audit Charter

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6. BACKGROUND PAPERS

None.

7. Key

N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2017/18
1st April 2017 to 31st March 2018

Audit Area	2017/18 PLANNED DAYS	2017/18 DAYS USED
Core Financial Systems (see note 1 and 4)	71	59
Corporate Audits	5	0
Other Systems Audits (see note 2 and 4)	118	99
TOTAL	**194**	**158**
Audit Management Meetings	15	15
Corporate Meetings / Reading	5	5
Annual Plans and Reports	8	8
Audit Committee support	8	5
Other chargeable (see note 3)	0	0
TOTAL	**36**	**33**
TOTAL (see note 4)	**230**	**191**

Note:

Days are rounded to the nearest whole.

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

Note 2: Budgets contained in this area include draw down/contingency budgets which by their nature may or may not be used e.g. fraud and special investigations, consultancy and advisory. These were significantly under spent last year with only 16% of the budget required.

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

Note 4: The difference of planned days to actual days was due to a combination of factors including the need to roll a couple of reviews e.g. transformation and corporate risk, into 2018/19 due to changing circumstances. Core financial audits were expected to be completed before year end but slipped slightly due to the churn in the team in the final quarter. The days used to complete these reviews are accounted for in the 2018/19 plan. Also there were a couple of contingency budgets that were underspent at the end of the year further adding to the underspend. There was a financial benefit implication to Bromsgrove District Council as a result of this.

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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.

	KPI	Trend/Target requirement	2016/17 Year End position	2017/18 Year End Position	Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 14 (minimum) Delivered = 17	Target = 13 (minimum) Delivered = 16	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	100%	83%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	62%	74.33%	When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	N/a	7	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	N/a	5	When Audit Committee convene
6	'Follow Up' results (Using 2017/18 reviews onward)	Management action plan implementation date exceeded (nil)	N/a	Nil to report	When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	5x issued 5x returns – all excellent	10x issued 7x returns – 'excellent' 2x returns - satisfactory 1x return - awaiting return	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

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Appendix 2

Audit Opinion Summary Analysis ~ Audits completed during financial year 2017/2018:

Audit Report / Title	Final Report issued	Assurance
Building Control	10th August 2017	Significant
Treasury Management	22nd September 2017	Significant
Disabled Facilities Grants	28th September 2017	Significant
Cash Collection	14th November 2017	Significant
Elections - Individual Registration	2nd January 2018	Significant
Council Tax	15th February 2018	Significant
NNDR	15th February 2018	Significant
Creditors	16th March 2018	Significant
Housing Benefit and Council Tax Support	29th March 2018 (D)	Significant (D)
Main Ledger	25th April 2018	Significant
Debtors	4th June 2018	Significant
Land Charges	19th October 2017	Moderate
Customer Services	14th November 2017	Moderate
Environmental Waste	27th November 2017	Moderate
Worcester Regulatory Services	26th April 2018 (D)	Moderate (D)
Records Management	5th January 2018	Limited
Note: (D) = draft report but no variance expected.		
Follow Up Audits:		

Audit Area	Latest Date for Follow Up	Position
Building Control 17/18	June 18	Satisfied
Customer Services 17/18	May 18	Satisfied
Cash Collection 17/18	May 18	Satisfied
Corporate Anti Fraud 13/14	Dec 17	Ongoing
CCTV 15/16	Nov 17	Ongoing
Consultancy and Agency 15/16	June 18	Ongoing
Human Resources and Training16/17	June 18	Ongoing
Performance Measures 16/17	May 18	Ongoing
Worcestershire Regulatory Services 15/16	July 18	Ongoing
Disabled Facilities Grants	Feb 18	Ongoing
All core financial audits		

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Summary of 2017/18 Audit Assurance Levels from 16 audits.

Number of Audits	Assurance	Overall % (rounded)
0	Full	0%
11	Significant	69%
4	Moderate	25%
1	Limited	6%
0	No	0%
0	To be confirmed	0%
0	Critical Friend	0%

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report via a feedback questionnaire. Sometimes this is reported back verbally rather than in the written form. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2017/18 financial year has been received indicating that:

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

Comments received included:

- [The Auditor] always gave good notice of her attendance in the office and worked well within the constraints of my own diary.
- [The Auditor] clearly undertook a lot of background research before undertaking the audit.
- Helpful and easy to work with.
- When asked “What was your overall impression of Internal Audit?” feedback included:
    - Experienced
    - Knowledgeable
    - Listened
    - Offered advice
    - Useful conclusions.

Of 10 questionnaires issued 7 were returned as ‘excellent’.

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Overall Conclusions:

- The 2017/18 Internal Audit Plan as agreed by the Audit Committee on the 30th March 2017 along with any subsequent revisions has been delivered.
- 94% of the audits undertaken for 2017/18 which have received an assurance allocated returned an assurance of 'moderate' or above. This figure is inclusive of the critical friend audits i.e. 'N/A'.
- Clients are satisfied with the audit process and service from the data received.
- Independent assurance has been brought before the Committee for consideration in respect of the finalised audits throughout 2017/18 and no exceptions have been reported in regard to 'follow up' audit work.
- To assist the Committee to draw further assurance from the work that Internal Audit undertakes clear reference is contained in the final audit report to identify whether a direct link exists to corporate priorities and the risk register entry in connection with the audited service provision. This information has been, and will continue to be, reported to the Committee as part of the summary reporting in 2018/19.
- On-going dialogue will be maintained with the s151 Officer and the Client Officer Group. The Client Officer Group for the Internal Audit Shared Service comprises all the partners' s151 Officers whom actively encourage the on-going development of the service.

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APPENDIX 3

Audit Opinion and Commentary 2017/18

1. Overall Conclusion

1.1 Based on the audits performed with the revised audit plan the Head of Internal Audit Shared Service has concluded although not all audits have achieved full assurance the lack of serious shortcomings found in the range of audits carried out during the 2017/18 year indicates that the Council's internal control arrangements are generally adequate and effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met. Where a 'limited' assurance has been reported it indicates weaknesses in the design and / or inconsistent application of controls potentially putting the achievement of the organisation's objectives at risk in the area reviewed.

2. Risk Management Conclusion

2.1 The Head of Internal Audit can confirm the development of the formal risk management system continued in the organisation under the Direction of the Executive Director - Finance and Resources with a view to achieving a better embedded approach in the future.

3. Findings

3.1 The internal audit of Bromsgrove District Council's systems and operations during 2017/18 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 30th March 2017 and any subsequent revision.

3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

3.3 The Internal Audit Plan for 2017/18 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource

risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
- a number of operational systems, for example, Environmental Waste, Land Charges, Disabled Facilities Grants, were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

3.4 The 2017/18 internal audit plan and any revision thereto was delivered in full providing sufficient coverage for the s151 and the Head of Internal Audit Shared Service to form an overall opinion.

3.5 In relation to the 16 reviews that have been undertaken, 14 have been finalised and 2 are at draft report stage. An area that returned an assurance level of 'limited' was Records Management. Any area where assurance was 'limited' or below is addressed by management and a clearly defined action plan put in place in order to address the weaknesses and potential risks identified. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer from the relevant Service Manager.

3.6 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. For all services no areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

3.7 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and the scoping therein.

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Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
July 2018

BROMSGROVE DISTRICT COUNCIL

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Date: 23rd July 2018

APPENDIX 4

Worcestershire Internal Audit Shared Service (WIASS)

Internal Audit Charter

Bromsgrove District Council

Definitions

1. Management refers to the Chief Executive, Executive Directors, Heads of Service and Service Managers

2. Board refers to the Audit, Standards & Governance Committee

This Charter was last reviewed April 2017 and was approved by the Audit Standards & Governance Committee on 15th June 2017.

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1. Introduction

Purpose

1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, role and responsibilities.

Provision of Internal Audit Services

1.2 WIASS covers five district authorities Wychavon, Malvern Hills, Bromsgrove, Redditch and Worcester and one Fire Service Hereford and Worcester Fire and Rescue Authority. WIASS also provides internal audit services to Place Partnership Limited.

Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group which is made up of the district and Fire Service s151 officers each having an 'equal say'. The Client Officer Group meets approximately 4 times a year.

1.3 For line management matters internal audit will report to the Corporate Director of Resources (s151 Officer within Worcester City Council) and the Monitoring Officer in their prolonged absence.

2. Definition

2.1 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 bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. Scope and Authority of Internal Audit Work

3.1 Under the Accounts and Audit Regulations 2015 No. 234 Part 2 Regulation 5:

(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2015, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".

Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives.

3.2 In the course of their reviews internal audit staff, under the direction of the Head of Service, shall have authority in all partner organisations to:-

- at all reasonable times after taking account of audit requirements, enter on any partners' premises or land;
- have access to, and where internal audit deem necessary take into their possession, any records, documents and correspondence relating to any matter that is the subject of an audit;
- require and receive such explanations as may be considered necessary from any officer of the Partner regardless of their position;
- require any officer of the Partner to produce forthwith cash, stores or any other property under their control.

for which the internal audit service is being provided.

3.3 Internal Audit work will normally include, but is not restricted to:

- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;
- reviewing the means of safeguarding assets;
- examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
- promote and assist the Partner in the effective use of resources
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
- advise upon the control and risk implications of new systems or other organisational changes.

- provide a 'critical friend' to assist services to achieve value for money
- undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
- at the specific request of management[1], internal audit may provide consultancy services provided:

  - the internal auditors independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management[1] have made proper provision for resources within the annual plan
  - management understand that the work being undertaken is not internal audit work.

4. Responsibility of Management[1] and of Internal Audit.

4.1 At all times internal audit will operate in accordance with the partner's Constitution and legal requirements and all internal audit staff will adhere to recognised Professional Standards and Codes of Conduct and Ethics e.g. the Institute of Internal Auditors' and/or CIPFA as well as the Partner's Codes of Conduct and Anti-Fraud and Corruption Policies.

4.2 It is the responsibility of Management to put in place adequate controls to ensure systems meet their objectives and that they are notified without delay of any instances where systems are failing to operate properly. However, where there has been, or there are grounds to suspect that there is risk of a serious breakdown in a significant system, the Head of Service should be informed of the problem and any counter measures already in hand or proposed, as quickly as possible, in order that the Head of Internal Audit Shared Service can decide whether audit involvement is needed.

4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.

4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels, can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.

4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.

4.6 The Head of Internal Audit Shared Service will ensure that the Section 151 Officer is briefed on any matter coming to the attention of internal audit that could have a material impact on the finances of the Partner as quickly as possible and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice should be reported to an appropriate Officer of the Authority e.g. Managing Director, Chief Executive, Director, Monitoring Officer and Section 151 Officer (except where the latter may involve the Managing Director, Chief Executive, Director, Monitoring Officer and/or the Section 151 Officer when the Head of Internal Audit Shared Service for the Worcestershire Internal Audit Shared Service will brief the Chairman of the Board[1] and/or Leader of the Partner on the position and agree the way forward in accordance with Financial Regulations).

4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

5. Planning and Reporting

5.1 To meet the objectives above, the Head of Internal Audit Shared Service shall:-

a) prior to the beginning of each financial year, following consultation with Management[1] and after taking into account comments from Members

arising from the reporting process set out below, provide the Committee with:

- a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors and provide a basis of a three year strategic plan. A key responsibility of the Head of Internal Audit Shared Service is to ensure all core activities receive attention at least once every 3 years with higher risk areas receiving more frequent attention, at the same time meeting the requirements of the latest appointed External Auditor guidance, whereby internal and external audit should work in partnership. Also, where there is a potential difference between strategy/plan and resource that this is reported to the Board[2];

- a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management[1] with challenges to consider depending on it's nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.

b) during the course and at the close of each financial year provide the Board[2] with:

- quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;

- an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact

on internal audit's ability to meet the requirements in the strategic plan;

c) during the course and close of each full systems/risk audit provide the client manager[1] with:

- a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.

- draft recommendations, which will be discussed with the responsible manager[1] prior to sending the draft audit report. The manager[1] is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.

- an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.

d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:

- an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

5.2 Expectations of Clients:

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports as outlined at 3 above. Responses should include an action plan, dates for action and responsibility where actions are delegated. The final 'High' and 'Medium' recommendations will be reported to the Board[2].

5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management[1]. The report will also contain an introduction and priority

categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner organization, circulation, audit scope and objectives, an audit opinion and executive summary and an audit assurance rating as well as a clear indication of what action is required by management. Also included in the report will be the definition of audit opinion levels of assurance and definitions of priority of recommendations.

5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management[1] officers as deemed relevant for the audit.

5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports. A follow up is then undertaken every three months to coincide with the Board[2] cycle so progress reporting is timely.

5.6 Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 5 working days of the clearance meeting;
- management responses received within 10 working days;
- final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;
- final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.

6. External Relationships

6.1 The main contacts are with:

- Institute of Internal Auditors
- External Auditors
- Local Authorities in the Worcestershire area
- Local Authorities in the Midlands area
- Organisations within the Exeter Benchmarking Group
- CIPFA (publishers of the systems based auditing control matrices written by Exeter IA section)
- National Fraud Initiative via DCLG and Cabinet Office

But may include other external parties as necessary.

Notes

a) In the absence of the Head of Internal Audit Shared Service all provisions relating to him/her above will apply to the relevant Team Leader in accordance with the duties allocated by the Head of Internal Audit Shared Service.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

Version Control:	Date of Change	Action	Updated by
1.0	2nd March 2012	Charter for WIASS	AB
2.0	9th August 2012	Update to Charter	AB
3.0	23rd April 2013	Update to Charter re. International Standards	AB
4.0	21st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1st July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	Adjustment of H&WFRA and updated references.	HT

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

INTERNAL AUDIT EXTERNAL ASSESSMENT 2017/18 PROGRESS REPORT ~ 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 External Assessment progress report for Worcestershire Internal Audit Shared Service

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 Although not a statutory requirement all Internal Audit Services are obliged to comply with the Public Sector Internal Audit Standards 2013 as amended and undergo an independent external assessment every 5 years to ensure compliance with the Standards.

3.4 The independent assessor was procured after using a soft marketing and competitive quotation approach. Peers were consulted and references taken up in regard to any previous assessment work that had been undertaken in other authorities and the outcome in regard to the successful bid. Tilia Solutions were appointed for the Worcestershire Internal Audit Shared Service Assessment. The review was undertaken by the independent assessor during early October 2017 and a report was produced identifying areas which would enhance the Internal Audit Service provision overall. The final report was presented on the 20th October 2017.

3.5 The report was presented to the Client Officer Group during November 2017. The key outcomes of the assessment were:

- The Service is solid and reliable
- Nothing wrong
- No areas of non compliance were identified

3.6 The report identified a number of recommendations, compliance and suggestions to further enhance the Service. These have been accepted by the Head of Internal Audit, discussed with the Client Officer Group and an action plan formulated in order to satisfy all the points rather than solely the recommendations. It was decided, after due consideration, by addressing all the points it would benefit the Service overall. An action plan was formulated using an extract of the report as the basis to work. Reasonable progress has been made to date in order to satisfy a number of the points with others progressing well. It is planned that progress against the report will be reported before Committee twice a year until all the points identified have been satisfied.

3.7 A copy of the Tilia Solutions report can be found at Appendix A.

3.8 An extract of the report, action plan and progress to date can be found at Appendix B.

4. RISK MANAGEMENT

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

- The recommendations are not addressed sufficiently to satisfy requirements thus impacting on the service provision in the longer term.

5. APPENDICES

- Appendix A provides a copy of the External Assessment Report delivered by Tilia Solutions.

- Appendix B provides the action plan and current position

6. BACKGROUND PAPERS

Tilia Solutions External Assessment Report

7. KEY

N/a

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

APPENDIX A

Tilia Solutions Report

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

APPENDIX B

EXTRACT OF REPORT WITH ACTION PLAN.

Key:

Action point has passed the "due by" date
Action point is close to the "due by" date
Action point completed
Action point started to be addressed
Action point has not been started on and is not close to or over due in regards to "due by" date

Recommendations

No	Recommendation	Response	Action date	Action taken	Completed
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	By Dec 2017	All partners have been contacted in regard to current policies. Actions are dependant on position and planned updates. Policies mainly require a small tweak of the current wording to satisfy this recommendation.	On going enquiries being made of Partners
R2	Safeguards, including independent audit	Independence is managed	Circa June 2018. To be	Safeguarding, independence and	Addressed -

No	Recommendation	Response	Action date	Action taken	Completed
	arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	closely within the team e.g. different people working on areas and not auditing those areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.	included in the annual reporting cycle for all Partners.	integrity being included in the 2018 Charter	revised Charter drafted but awaiting cttee approval - circa Sept 2018
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus.	Andy Bromage HIASS & Helen Tiffney- Team Leader	April 2018 February 2018 onwards: Fraud website (https://www.actionfraud.police.uk/a-z_of_fraud) advised to all Auditors November 2017 via email so that they could familiarise themselves with it and the benefits it can provide. Workshops held re. Service transformation and methodology impact. February 2018 Team Meeting advised that expected to use it as part of the planning element so there is more extensive consideration of this aspect in all the reviews undertaken.	Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed

R4	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief:
	• Achievement of the organisation's strategic objectives
	• Strategies and objectives of the activity under review
	• Reliability and integrity of financial and operational information
	• Risks to the activity under review
	• Risk management arrangements
	• Governance arrangements for:
	  ○ Making strategic and operational decisions
	  ○ Overseeing risk management and control
	  ○ Promoting appropriate ethics and values
	  ○ Ensuring effective organisational performance management and accountability
	  ○ Communicating risk and control information to appropriate areas of the organisation
	• Effectiveness and efficiency of operations and programmes
	• Safeguarding of assets
		The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will look at broadening the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. There will also be a greater emphasis on risk focus.
		
		Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.
			Andy Bromage HIASS & Helen Tiffney-Team Leader	Circa June 2018
				
				November 2017 onwards:
				Completely new approach adopted for annual planning. 2018/19 planning has gone through SMT with a key emphasis on risk and linkage to corporate priorities /promises as well as corporate and service risk registers as well as service plans. Plans signed off at SMT level for all Partners with HIASS in attendance to present the plan(s).
				
				February 2018 onwards:
				February 2018 Team Meeting introduced the revised methodology and talked through the annual plan approach. Team expected to deploy new method of working, use methodology and deliver audits on time and within budget as the process has been significantly streamlined without losing the integrity of the working papers.
					Addressed - ongoing

No	Recommendation	Response	Action date	Action taken	Completed
	• Compliance with laws, regulations, policies, procedures and contracts • Potential errors and non-compliance • Opportunities for value for money and to make improvements in the activity's processes				
R5	Undertake self-assessments against the LGAN and PSIAS	To be undertaken annually. To commence at the end of 2018/19.	Self Assessment towards end of 2018/19 after transformation has been embedded	Diarised for early February 2019 with reporting to be included as part of the annual report cycle for all Partners. Template for self assessment being drafted.	
R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Circa July 2019	To be included as part of the annual report cycle and overall assurance provision to those in governance of the integrity of WIASS as a service. Linked to R5 above.	
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.	June 2018	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements. AB Jan 2018	Addressed - ongoing

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

No	Recommendation	Response	Action date	Action taken	Completed
R8	The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	Although HiASS has engaged in the past in regard to the annual plans with HoS, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Immediate action i.e. for 18/19 Plan and ongoing.	In progress as appropriate. Direct access to all s151 Officer's, COG and Committee Chairs when required. More engagement with senior management teams anticipated.	Addressed - ongoing
R9	Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities	To become part of the brief and then report outcomes in annual report.	During 2018/19 & circa June 2019 opinions.	Included in briefs for 2018/19 to be collated for 2019 opinion.	Addressed - ongoing
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Nov 17 COG.	Discussed at November COG. Assurance from existing arrangements but budgets to be included in the 18/19 plans. AB Jan 2018	Addressed - ongoing

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

No	Recommendation	Response	Action date	Action taken	Completed
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. Currently with WCC Legal who are continuing to work on Agreement.	Andy Bromage HIASS, & WCC Legal Services and PPL.	Discussed 1/11/17 re. agreement requirements. Dec-17 Awaiting draft from Legal. Chased Jan 18; to be delivered by end of Jan 18. AB Jan 2018. Further consideration in regard to this agreement and current position of provision therefore on hold for the time being. June 2018	Jan 18
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	Apr-18	New methodology includes planning and testing as a combined document implemented for 2018/19 audit reviews . Development continuing through feedback sessions at team meetings.	Addressed - ongoing
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly	Delay can be due to 'good cause' and will be managed accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.	Immediate action	Continuing to monitor as there remain examples of undue delay with some partners.	Remains ongoing

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

No	Recommendation	Response	Action date	Action taken	Completed
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more emphasis and clarity in regard to the opinion and outcomes.	Nov 17 COG & Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included annual report. For cttee to agree to and suggest any further requirements.	Addressed - ongoing

Compliance

No	Compliance requirement	Response	Action date	Action taken	Completed
C1	Include the mandatory mission statement in the Charter	To include in the Charter to achieve full compliance.	By April 2018 https://staffroom.worcester.gov.uk/about	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C2	Include, as a minimum, a reference to the Seven Principles in one of the key audit documents. Ideally, refer to all seven principles and what they mean in an audit context	To include in the Charter to achieve full compliance.	By April 2018 https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C3	Include a reference to assurance provided to parties outside the partnership in the Charter	To include in the Charter to achieve full compliance.	By April 2018 -	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C4	Include information	To include in the Charter to	https://na.theiia.org/standa	Internal Audit Charter has been revised but is currently	Addressed -

No	Compliance requirement	Response	Action date	Action taken	Completed
	about the Core Principles in the Charter, including how audit delivers against them	achieve full compliance.	rds-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx	awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	currently in draft awaiting for charter to be approved
C5	Include a positive confirmation of audit's independence in the annual audit reports	Although already included this will be given more emphasis in the annual reports.	Circa June 2018. To be included in the annual reporting cycle for all Partners.	Included in annual report 2018	Addressed - Ongoing
C6	Develop an over-arching Quality Assurance and Improvement Programme (QAIP) strategy to cover quality assurance activities, including how often, who is involved and their scope.	Adopt PSIAS as the standard WIASS wish to work to as a Service. Develop a QAIP strategy to indicate quality assurance activity.	By June 2018		

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

No	Compliance requirement	Response	Action date	Action taken	Completed
C7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas: · The need to produce an annual opinion · Links to an assurance framework and other assurance providers (ideally specify) · How the service will be developed · The WIASS Charter · Links to organisational objectives and priorities	The annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to do this and the fact that we needed to link the plan directly to the strategic objectives, priorities and risk registers. WIASS will seek to incorporate this in the 2018/19 plans. Although risk registers are used as part of the current planning direct links will be made to clearly indicate to committee.	Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action.	2018/19 Plans driven by corporate risk, service risk, service plans, and linked to overall Corp. objectives and identified in the audit plans. Discussed at SMT level prior to Cttee and presented at Cttee for consideration. AB Jan 2018	Addressed - Ongoing

No	Compliance requirement	Response	Action date	Action taken	Completed
C8	Include information in the annual plan regarding how audit days for audits are calculated to support the overall resource position	Will clearly indicate this in the cttee report and show the direct link when reporting as to how we have arrived at the resource position by linking the risks and priorities.	Andy Bromage HIASS, & COG	Circa June 2018 i.e. 2018/19 planning process so immediate but ongoing action. Identified the high, medium and low priority in the plan and the resource allocated. Discussed at SMT level, agreed with s151's and linked directly to the corp. priorities. Identified those areas not included as well where appropriate and member's given opportunity to comment on plans before finalising. AB Jan 2018	Addressed - ongoing
C9	Include guidance on informing management when key issues arise during an audit	There has always been an agreement that s151 Officers/Heads of Service would be informed in regard to significant/key issues arising from reviews if it was considered an immediate action was required or there was a risk of, or actual, fraud taking place. This can be formalised and included in guidance notes for compliance.	By April 2018 - Included in the current Charter at 4.6in regard to the s151 and HIASS liaison but to include mngt as well	Internal Audit Charter has been revised but is currently awaiting approval . Seeking to take before Committee for approval Circa September/October 2018	Addressed - currently in draft awaiting for charter to be approved
C10	Make the link between the PSIAS, LGAN and activities undertaken in performing an audit clear, for example, by quoting specific standards	Can include in brief. Nov 2017 holding workshops re. service transformation and methodology impact therefore part of consideration. Links directly to R4	By April 2018	See notes in R4 In brief document referenced the IIA PSIAS and Ethical Standards under the Independence and Ethics section	Addressed – ongoing
C11	Develop a retention scheme for HWFRS	WIASS uses a retention scheme in regard to all	By May 2018	WCC ok. Sent over to HWFRS 4.6.18. Contacts for MHDC needed to send over to. RBC/BDC need to	Seeking confirmation

No	Compliance requirement	Response	Action date	Action taken	Completed
	and finalise the MHDC scheme	Partners but can seek to finalise schemes with specific partners with specific linkage to General Data Protection Regulation requirements.		have the most recent WCC issue as their schedule is not in line	of update from authorities
C12	Ensure that all coaching notes are signed off and dated	Agreed. All coaching to be signed off and dated in a timely manner to achieve full compliance.	Immediate action Support post created to assist with the overall Service administration. Post duties to include a review of all coaching notes and track them at final report stage to ensure they are satisfied and signed off. AB Jan 2018	Review of 2017-18 reports completed, outstanding sign off to be followed up. 2018-19 on tracking ongoing as part of support post plus other additional monitoring duties within the Service	Addressed - ongoing

Suggestions:

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
S1	Amend the Charter to state that audit's remit extends across the entire control environment of each organisation	Agreed. Charter to be updated to include a statement.	Helen Tiffney-Team Leader	By April 2018	Included in the revised draft Charter for 2018	Addressed - waiting for charter to be approved circa Sept 2018
S2	Introduce annual formal private meetings between audit committees and the HIASS	Can be incorporated as part of the annual report position	Andy Bromage HIASS, & COG	COG discussion Nov 2017	Agreed, where requested this action can take place	To be part of the Annual Report position.
S3	Invite appropriate staff, for example CoG, to be included in the quality assurance programme periodically	COG is included as part of the quality assurance programme at least once a year during COG meeting. QA is always requested from clients on the completion of the audit. Will seek to widen the scope and formalise the quality assurance programme.	Andy Bromage HIASS, & COG	COG discussion Nov-17	Feedback from clients after the audit has been finalised. Director of Finance / Chair of CoG providing feedback from CoG meetings to HIASS	Addressed - ongoing action point annually
S4	Make greater use of corporate risk registers in developing annual audit plans	Currently considered as part of the process but will provide a direct link to formalise the links between risk registers, audit plan and corporate priorities for the future.	Andy Bromage HIASS, &, Helen Tiffney Team Leader	Circa June 2018 i.e. as part of the 2018/19 planning process so immediate but ongoing action.	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies.	Addressed - ongoing action point annually

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
					Links included in the plan for transparency.	
S5	Emphasise to audit committee members that the plan is based on strategic risks	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks. Links to S6.	Andy Bromage HIASS,	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process; direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements.	Addressed - ongoing action point annually
S6	The annual audit plan should prioritise audit assignment, for example by showing the risk ranking or using H/M/L ratings	To be included in the annual audit plan report and as part of the report presentation with direct linkage to the strategic risks and the risk rating provided. Links to S5.	HIASS, and COG	Circa June 2018 i.e. as part of the 2018/19 planning process for all Partners	Completed as part of the 2018/19 planning process with high medium or low, or, a combination of levels where appropriate being included in the plan. Direct links established between corporate risk register, service risk register and Corporate Strategies. Links included in the plan for transparency. Paragraph included in cttee reports as to the process followed in the formulation of the plan and the resource requirements and the priority to be applied.	Addressed - ongoing action point annually

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 23rd July 2018

No	Suggestion	Response	Responsible officer	Action date	Action taken	Completed
S7	Consider an alternative layout for audit reports that is easier to read	Will consider as part of the workshops and methodology update currently being undertaken. To consider table of findings/recommendations as landscape rather than portrait with more emphasis on the risk. Links to S8.	Andy Bromage HIASS, &, Helen Tiffney Team Leader	April 2018	Discussed at COG and current format to remain as it is liked and can be easily followed. Nov 2017	Addressed - no further action.
S8	Explore ways to make the follow-up process clear to officers and audit committees	Will consider as part of the workshops and methodology update currently being undertaken. Perhaps there needs to be better education at key times during the review to get the message across in regard to the follow up process. This can also be emphasised actually in the reports and during their formal issue in covering emails. Links to S7.	Andy Bromage HIASS, & Helen Tiffney- Team Leader	Apr-18	Standard template written for officers to use when issuing Final Reports stating the follow up time frame for that audit. Follow up also added to the 4A - Post Clearance Draft Audit Report template. New report template waiting approval before rolling out. Email template distributed for auditors to use. Jun-18	Addressed - on going review

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Tilia Solutions
CORPORATE GOVERNANCE CONSULTANCY

FINAL

Review of

Worcestershire Internal Audit Shared Service

20 October 2017

Elizabeth Humphrey CPFA

Review of Worcestershire Internal Audit Shared Service (October 2017)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an assessment by an external person every five years. Now that Worcestershire Internal Audit Shared Service (WIASS) has been operating under the standards for over four years this was deemed a good time for the first external review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. A list of interviewees is included at appendix 2. I should like to thank all those who took the time to talk to me for their help. I reviewed seven audits carried out during the 2016/17 and 2017/18 financial years and I examined key documents including the Charter and reports to the various Audit Committees.

I identified no areas of non-compliance with the standards that would affect the overall scope of the internal audit activity. However, the approach taken to performing risk-based audits needs rethinking. Planning audit assignments using the risk appraisal used to determine if audits should be included on the annual audit plan is insufficient: the risks to the activity itself should also be identified and audited against. In addition, the head of the shared service should liaise with and report to the broader senior management teams at each organisation rather than the majority of liaison being with the directors of finance who make up the Client Officer Group (CoG). There are also some medium-priority actions needed to ensure full compliance with the standards and I have made some best practice suggestions for consideration by the service, the CoG and Audit Committees. The Head of the Internal Audit Shared Service (HIASS) will need to take action to implement my recommendations (R), compliance actions (C) and suggestions (S). An action plan detailing the essential recommendations is included as appendix 1.

Summary findings and recommendations

Standard	Compliance	Findings	Recommendations	Rec no
Mission and Core principles of internal audit	Partial	The Service complies with the majority of the core principles, but improvements are needed in the planning of individual audits and reporting to senior management that will support delivery of the remaining principles. These are addressed in detail below		R4 R8
Code of Ethics	Full	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity		

Standard	Compliance	Findings	Recommendations	Rec no
Attribute standards				
1000 Purpose, authority and responsibility	Partial	**Standard 1010** Because the HIASS does not routinely meet with senior management teams at any of the authorities, none of the key aspects of the Charter are discussed with them See also Standard 1112 regarding safeguards to be included in the Charter for non-audit work **LGAN p8** Anti-fraud and corruption policies do not require the HIASS to be informed of all suspected frauds	See recommendation below regarding reporting to senior management Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	R8 R2 R1
1100 Independence and objectivity	Partial	**Standards 1010, 1112 and 1130.A2** The audit service has roles beyond internal audit at a number of the organisations, including risk management, fraud investigations and revenues and benefits quality assurance. These activities can, potentially, compromise audit's independence and objectivity and the audit team cannot undertake audit activities in these areas. Safeguards are required to manage audit activity in these areas	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	R2
1200 Proficiency and due professional care	Partial	**Standard 1210.A2 and 2120.A2** Although consideration of fraud risks is a routine part of audit planning, I saw little evidence of any detailed thinking regarding possible frauds	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	R3

Standard	Compliance	Findings	Recommendations	Rec no
		Standards 1220.A1 and A3 and 2210 A1 Planning for individual audits does not consider the risks faced by that activity other than any that might be recorded in the risk register. In addition, audits do not routinely consider governance, risk management and control processes or the risk of fraud	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record this on the audit brief	R4
1300 Quality assurance and improvement programme (QAIP)	Partial	**Standard 1310 and 1311 and LGAN p12 and p13** Quality assurance activities are undertaken but recent self-assessments have been against the 2006 Code, which has been superseded by the PSIAS and LGAN	Undertake self-assessments against the LGAN and PSIAS	R5
		Standard 1320, 2450 and LGAN p13 Results of the QAIP are reported to CoG and the audit committees but not to the broader senior management teams Self-assessments have identified areas for improvement but the annual reports to audit committees state that the service is fully compliant with the PSIAS and no action plan is presented	See recommendation below regarding reporting to senior management Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	R8 R6
Performance standards				
2000 Managing the internal audit activity	Non-compliant	**Standard 2010, A1 and A2, 2020 and LGAN p15** The current annual audit plans are service driven rather than strategic and do not refer to several of the required areas, in particular organisational objectives and priorities.	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	R7

Standard	Compliance	Findings	Recommendations	Rec no
		While audit committees are engaged in the audit planning process, senior management are not routinely consulted about items for inclusion in annual audit plans nor informed about progress against those plans.	See recommendations below regarding senior management	R8
		See also Standard 2450 regarding planning and the annual audit opinion	See recommendations regarding the opinion below	R14
		Standard 2060 and LGAN p17 Internal audit is expected to report both to audit committees and to senior management. Reporting to audit committees meets the requirements, but the majority of reporting to senior management is undertaken via the CoG, potentially compromising audit's independence	The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	R8
2100 Nature of work	Non-compliant	**Standard 2110** Audit planning does not consider governance arrangements for: • Making decisions • Risk management • Ethics and values • Performance • Sharing risk and control information	Revise the audit planning and brief as indicated	R4
		Standard 2110.A1 There have been no audits of ethical arrangements	Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities	R9
		Standard 2110.A2 IT audit does not currently consider IT governance arrangements but focuses on operational IT risks	Include work on IT governance in the audit plan, buying in expertise if necessary	R10

Standard	Compliance	Findings	Recommendations	Rec no
		Standard 2120.A1 and 2130.A1 Most audits are currently planned around control objectives rather than considering the risks to that activity and the controls that are needed to respond to those risks **Standard 2120.A2** See above regarding fraud risks	Revise the audit brief to focus on risks and their mitigation	R4 R3
2200 Engagement planning	Partial	**Standards 2201 and 2210.A1** The audit brief does not always cover: • Strategies and objectives of the activity being reviewed • How the activity controls its performance • The framework used by the activity to manage its governance, risk and control processes • The probability of errors and non-compliance • Opportunities to add value **Standard 2201.A1** When audits are carried out for external parties, there should be a written understanding with them about the process of the audit. The Place Partnership agreement is incomplete **Standard 2210.A2 and A3** Audit planning does not consider the probability of errors, fraud and non-compliance. Nor does it identify opportunities to add value	Expand the audit brief as indicated Finalise the Place Partnership agreement as a matter of urgency Expand the audit planning and brief to address these aspects	R4 R11 R4 R3

Standard	Compliance	Findings	Recommendations	Rec no
		Standard 2240.A1 No audit work programme is produced to set out the procedures for identifying, analysing, evaluating and documenting audit work although the audit justification and internal control questionnaire cover some of these aspects	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	R12
2300 Performing the engagement	Complies	The review showed that audits are well-performed. Documentation is thorough but can be difficult to follow for those not familiar with the process		
2400 Communicating the results	Partial	**Standard 2420** Audit reports generally meet the required standards but there can be lengthy delays between the draft and final report as auditees do not respond promptly	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly	R13
		Standard 2450 The annual internal audit opinion is included as appendix to the main report (except for WDC) and is narrative in form. Not all versions of the opinion obviously conclude on the organisation's governance, risk and control arrangements	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	R14
		The opinion or performance report (MHDC and WDC) state that the service conforms to CIPFA guidance and PSIAS although the review indicates that further actions are needed See also Standards 1320 and 2010	See recommendations above	R6

Standard	Compliance	Findings	Recommendations	Rec no
		LGAN p20 There are currently no formal arrangements at all organisations to share information and risks that emerge from audits	Report information and risks that have wider implications to senior managers	R8
2500 Monitoring progress	Complies	The follow-up process as set out in the manual complies with the standards		
2600 Communicating the acceptance of risks	Complies	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at each organisation on audit findings		

The Head of Internal Audit Shared Service has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

Appendix 1: action plan

Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Include a requirement in each anti-fraud and corruption policy to inform the HIASS of all suspected frauds	Anti-fraud and corruption policies to be updated as appropriate. Request to be made to update policies.	Andy Bromage HIASS	By Dec 2017
R2	Safeguards, including independent audit arrangements, should be put in place to manage audit's independence and objectivity where they carry out non-audit activities and these should be discussed with and approved by the relevant audit committees. They should be included in the Audit Charter	Independence is managed closely within the team e.g. different people working on areas and not auditing those areas, annual conflict of interest checks, quality assurance, quality assurance in process and Team Leader & HIA consideration. Charter will be updated and discussion can take place with Cttee on an annual basis with safeguards specifically identified.	Andy Bromage HIASS & Helen Tiffney Team Leader	Circa June 2018. To be included in the annual reporting cycle for all Partners.
R3	Ensure fraud risks are considered more extensively in planning audits and give audit staff support to enable them to do this	The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will indicate clearly the potential fraud risks and include in the brief. There will also be a greater emphasis on risk focus. Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.	Andy Bromage HIASS & Helen Tiffney-Team Leader	April 2018

No	Recommendation	Response	Responsible officer	Action date

R4	In discussion with the auditee, broaden individual audit planning to cover the matters indicated and record the relevant matters on the audit brief:
	• Achievement of the organisation's strategic objectives
	• Strategies and objectives of the activity under review
	• Reliability and integrity of financial and operational information
	• Risks to the activity under review
	• Risk management arrangements
	• Governance arrangements for:
	  ○ Making strategic and operational decisions
	  ○ Overseeing risk management and control
	  ○ Promoting appropriate ethics and values
	  ○ Ensuring effective organisational performance management and accountability
	  ○ Communicating risk and control information to appropriate areas of the organisation
	• Effectiveness and efficiency of operations and programmes
	• Safeguarding of assets
	• Compliance with laws, regulations, policies, procedures and contracts
	• Potential errors and non-compliance
	• Opportunities for value for money and to make improvements in the activity's processes
		The planning area of audit work as well as the annual plan was identified as an area that required transforming in May 2017 and a paper was placed before COG setting out how we were planning to improve this. We will look at broadening the audit brief to make it more succinct and linked in to corporate priorities and strategic objectives. There will also be a greater emphasis on risk focus.
		
		Currently holding workshops re. Service transformation and methodology impact therefore part of consideration.
			Andy Bromage HIASS
			&
			Helen Tiffney-Team Leader
				Circa June 2018

No	Recommendation	Response	Responsible officer	Action date
R5	Undertake self-assessments against the LGAN and PSIAS	To be undertaken annually. To commence at the end of 2018/19.	Andy Bromage HIASS	Self Assessment towards end of 2018/19 after transformation has taken place
R6	Ensure that the results of self-assessments against PSIAS are reported to audit committees and CoG, together with the action planned so that these bodies can monitor progress	Self-assessment results to be reported to COG and Cttee as part of annual reporting. To commence at the end of 2018/19 financial year and for reporting 2019/20.	Andy Bromage HIASS	Circa July 2019
R7	Ensure audit plans are driven by each client's strategic objectives and priorities and refer to all the required areas	See recommendation response at 4.		
R8	The HIASS should have regular meetings with senior management teams to consult on items for inclusion in the annual plan, activities against the plan, any significant issues (fraud, risks, governance etc) that may have wider relevance and year-end outcomes	Although HiASS has engaged in the past in regard to the annual plans with HoS, s151's, arrangements to attend Senior Management Team meetings as part of the process will be arranged.	Andy Bromage HIASS & Helen Tiffney-Team Leader	Immediate action i.e. for 18/19 Plan and ongoing
R9	Include examination of ethical issues in all relevant audits, bringing this work together at the year end to form an opinion on ethical activities	To become part of the brief and then report outcomes in annual report.	Helen Tiffney-Team Leader & Andy Bromage HIASS	During 2018/19 & circa June 2019 opinions.
R10	Include work on IT governance in the audit plan, buying in expertise if necessary	To seek assurance on this from other work undertaken within IT (i.e. third-party assurances), along with external audit work and consider whether it is sufficient. Buying in a resource will have resource implications.	Andy Bromage HIASS & COG	Nov 17 COG.

No	Recommendation	Response	Responsible officer	Action date
R11	Finalise the Place Partnership agreement as a matter of urgency	Agreed. Currently with WCC Legal who are continuing to work on Agreement.	Andy Bromage HIASS, & WCC Legal Services and PPL.	Draft to be available w/c 13/11/17 for PPL consideration. Finalisation Circa end Dec 2017.
R12	Combine the current planning documents and broaden them to create a work programme specifying the tests to be undertaken. Ensure that the work programme is approved before testing starts	Currently holding workshops re. Service transformation and methodology impact therefore part of consideration. This directly links with R3 and R4.	Andy Bromage HIASS & Helen Tiffney-Team Leader	April 2018
R13	Address the reasons for the lengthy delays in finalising reports, incentivising auditees to respond promptly	Delay can be due to 'good cause' and will be managed accordingly to circumstances. Where there is unjustified and undue delay then escalation to be instigated using the senior management team at the Partners.	Andy Bromage HIASS, Helen Tiffney-Team Leader & COG	Immediate action
R14	The annual audit opinion should be succinct and stand out. It should cover risk management, controls and governance. If no conclusion can be drawn on a specific area, then that should be identified. The form of the opinion should be discussed and agreed with audit committees and senior management	The current annual audit opinion, along with other Audit Cttee reports are shared with senior management teams as part of the reporting process. However, format to be changed to give more emphasis and clarity in regard to the opinion and outcomes.	Andy Bromage HIASS, & COG	Nov 17 COG & Circa June 2018. To be included in the annual reporting cycle for all Partners.

Appendix 2: interviewees

Person	Position	Organisation
Vic Allison	Deputy Managing Director & s151 Officer	Wychavon District Council
Cllr Alan Amos	Audit Committee Chair	Worcester City Council
Andy Baldwin	Deputy Chief Executive & s151 Officer	Malvern Hills District Council
Mark Baldwin	Head of Finance	Worcester City Council
David Blake	Managing Director	Worcester City Council
Andy Bromage	Head of Internal Audit Shared Service	Worcestershire Internal Audit Shared Service
Lauren Colclough	Auditor	Worcestershire Internal Audit Shared Service
Kevin Dicks	Chief Executive	Bromsgrove District and Redditch Borough Councils
John Fidoe	Senior Auditor	Worcestershire Internal Audit Shared Service
Shane Flynn	Director of Finance & Resources	Worcester City Council
Sue Garrett	Licensing and Support Service Manager	Worcestershire Regulatory Services
Michelle Gasser	QA Officer	Worcestershire Internal Audit Shared Service
Cllr Douglas Godwin	Audit Committee Chair	Malvern Hills District Council
Philip Griffiths	Auditor	Worcestershire Internal Audit Shared Service
Cllr Marcus Hart	Audit Committee Chair	Hereford and Worcestershire Fire and Rescue Service
Jack Hegarty	Managing Director and Chief Executive	Wychavon District Council and Malvern Hills District Council
Chris Lawrence	Auditor	Worcestershire Internal Audit Shared Service
Vicki Lee	Human Resources Manager	Wychavon District Council
Tim O'Gara	Deputy Director of Governance	Worcester City Council
Richard Percival	External Audit	Grant Thornton
Jayne Pickering	Executive Director Finance & Resource & s151 Officer	Bromsgrove District and Redditch Borough Councils
Cllr Jayne Potter	Audit Committee Chair	Redditch Borough Council

Person	Position	Organisation
Mark Preece	Area Commander - Community Risk	Hereford and Worcestershire Fire and Rescue Service
Martin Reohorn	Treasurer	Hereford and Worcestershire Fire and Rescue Service
Ben Schiffman	WCC Facilities Manager	Worcester City Council
Becky Spencer	Auditor	Worcestershire Internal Audit Shared Service
Mark Surridge	External Audit	Ernst Young
Helen Tiffney	Team Leader	Worcestershire Internal Audit Shared Service
Catherine Turnock	Performance and Risk Management Officer	Malvern Hills District Council
Cllr Mike Webb	Audit Committee Chair	Bromsgrove District Council
Alison Williams	Head of Finance	Wychavon District Council
Nigel Winters	IT Shared Services Manager	Wychavon District Council

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 23rd July 2018

BENEFITS AND COMPLIANCE UPDATE – 2017/18

Relevant Portfolio Holder	Cllr Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda Singleton, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A

1. SUMMARY OF PROPOSALS

This report provides an update on the work of the compliance team following the transfer of benefit fraud to the DWP Single Fraud Investigation Service in February 2016 and information regarding the work of the Benefits service.

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

3.1 Direct Expenditure for Housing Benefit for 2017/18 was £15.8 million and for Council Tax Support, £3.8 million.

3.2 During the financial year Housing Benefit overpayments of £497,523 were identified. These are made up as follows:

Eligible error/fraud	£440,485
Local Authority Error / Admin Delay	£53,075
DWP Error	£3,963

3.3. Any overpayment that the customer has contributed to, for example by not reporting a change in their circumstances on time, is recorded as eligible error. Overpayments caused through mistakes made by staff are recorded as Local Authority error and administration delay overpayments arise when changes that have been reported cannot be processed immediately.

3.4 The following table sets out the total overpayments recovered or written off for financial year 17/18

Payments received	£386,363
Overpayments written off	£20,684

3.5 The work of the Compliance Team has resulted in increased income as follows.

- This year we have generated an extra £2,500,000 in Business Rates RV, and increased Business Rates billing by £2,000,000.
- We have also identified 24 properties missing off the Council Tax data base with a return of £67,000.
- And identified £23,000 in overpaid Housing Benefit and Council Tax Support through NFI referrals.

3.6 Housing Benefit Matching Service (HBMS) work managed by the Compliance Team resulted in the identification of overpayments of the following:

Housing Benefit:	£24,000
Council Tax Support:	£4,000

3.7 We have cleared 692 out of 697 NFI (National Fraud Initiative) referrals received. These have identified a further £23,000 worth of overpaid Housing Benefit and Council Tax Support.

3.8 As a result of the work to date we have been able to evidence financial benefits to the other major preceptor, who receive the majority of the Council Tax collected. We have negotiated a deal to receive an extra 10% of any additional income raised.

Legal Implications

3.9 There are no specific legal implications.

Service/Operational Implications

3.10 As at 1st April 2018 there were 5,200 live Housing Benefit and Council Tax Support claims in payment. Approximately half the caseload is made up of working age customers which results in a large number of changes on claims when people move in and out of work and claiming various benefits and tax credits.

3.11 Overpayments can only be classified as fraud after a customer has been prosecuted, accepts an administrative penalty or has made an admission of fraud during an interview under caution, however the investigation of benefit fraud is now the responsibility of the Department for Work and Pensions (DWP) and therefore our ability to recover overpayments through Fraud is reduced.

3.12 At the point of the transfer of responsibility various duties remained with the local authority. These include:

- Investigation of Council Tax Support claims

- Compliance / Verification of HB claims
- HBMS referrals
- National Fraud Initiative (NFI) data matching
- Police requests for information / liaison
- Support to DWP in respect of Housing Benefit fraud cases.

3.13 We took this as an opportunity to develop work in relation to non-Compliance issues around Council Tax and Business Rates.

Business Rates
The team began working on Business Rates from January 2017. We are currently looking to identify any businesses which have not registered for business rates or have expanded in size and not declared it to the council. The team has identified £2,500,000 in rateable value which has generated revenue of £2,000,000.

Council Tax Discounts & Exemptions
The team will resume work in this area for 2018/2019 after concentrating efforts on Business Rates due to this being an unexplored area. A small amount of Council Tax discount & exemption work was undertaken in 2017/18, creating revenue of £19,000.

Council Tax missing properties
The team identified 24 missing properties which resulted in additional Council Tax of £67,000. The team have created a procedure and working aid with the Revenues department to help reduce the possibility of missed properties.

Pro-Active Business Rates
The team have identified 2 undeclared hereditaments that have resulted in an increase of Business Rates revenue of £483,000 alone. This was proactive work that wouldn't have been achieved without the expertise of the Compliance Team.

Customer / Equalities and Diversity Implications

3.14 Identification of overpayments, or incorrectly claimed discounts and exemptions and the subsequent work to recover these debts can result in financial hardship; therefore consideration is given to this when agreeing repayment plans where additional support, such as money management advice, is provided where relevant.

4. **RISK MANAGEMENT**

The work of the compliance team is to reduce the risk of lost income to the authority. The results show that this work is both necessary and financially rewarding.

5. **APPENDICES**

None

6. **BACKGROUND PAPERS**

None

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT STANDARDS AND GOVERNANCE COMMITTEE 23rd JULY 2018

APRIL – MARCH FINANCIAL SAVINGS MONITORING REPORT 2017/18

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

1. SUMMARY OF PROPOSALS

To report to the Committee the monitoring of the savings for 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 £566k. It is worth noting that this only shows the savings made and there are a number of shortfalls to budget that were reported to Cabinet in July. 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. Grant Thornton have further advised that the savings monitoring should be against the Medium Term Financial Plan rather than the efficiency plan as the MTFP is the more recently approved budget projection for the Council. The savings monitoring for 2018/19 will reflect this approach.

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	270	-195	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 reseting 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
TOTAL NEW SAVINGS / USE OF BALANCES /		**726**	**1,292**	**-566**	

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 23rd JULY 2018

CORPORATE GOVERNANCE AND RISK

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

1. SUMMARY OF PROPOSALS

1.1 For Members to consider the draft Corporate Risk Register for 2018/19.

2. RECOMMENDATIONS

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

2.1.1 consider the draft register and propose any further risks to be included

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

Corporate Risk Register

3.3 The Corporate Risk Register has been developed by the management team to address issues that are of a strategic nature and are seen as areas that have potential to impact on the delivery of the Strategic Purposes. The review of the register has been undertaken alongside the revised risk management strategy that was approved by members in January 2018. The register attached at Appendix 1 is the draft 2018/19 register to enable members to be aware of corporate risks within the Council and uses the Red/ Amber / Green Scoring Mechanism to assess the risk associated with the issue and details both the controls and mitigating actions that are in place to reduce the risk to the organisation.

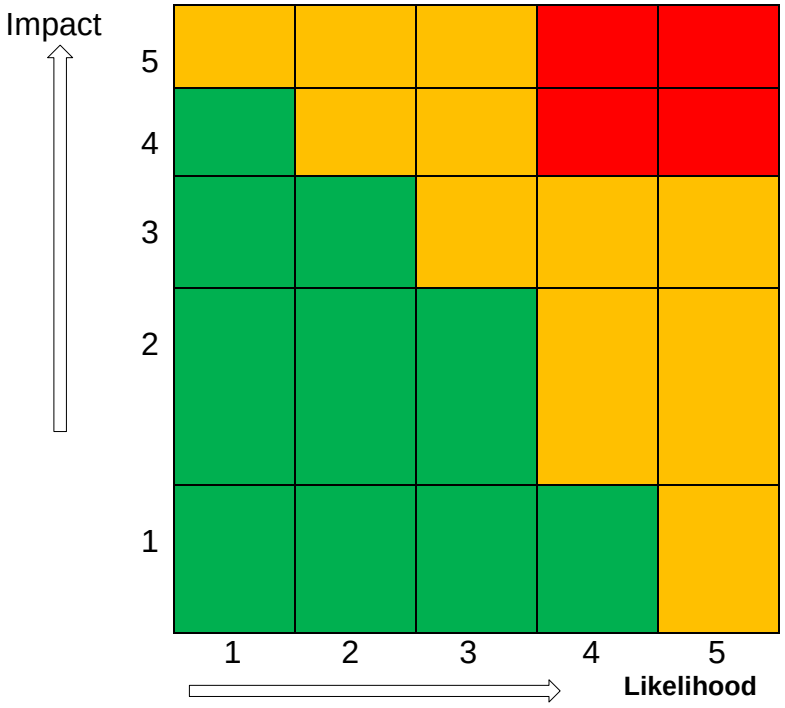
BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 23rd JULY 2018

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

Risk scoring matrix

The risk scoring matrix reflects the Councils' current appetite / tolerance to risk. This risk tolerance should be reviewed at least annually as part of the formal refresh of risk management. There are three risk classification (low, medium and high) and these are based on the impact and likelihood values that are given to each risk. The risk matrix below illustrates how risks are classified. Officers are currently reviewing the risk appetitie / tolerance and the outcome of any revised proposals will be presented to this Committee later in the year.



High
High risks require immediate attention. They should be regularly monitored for change and also to ensure agreed actions are being completed.

Medium
Medium risks should be monitored and, if deemed necessary, further action taken to reduce the impact and/or likelihood of the risk

Low
Activity should concentrate on obtaining assurance on those controls in place that are reducing the risk. No additional action is necessary.

3.5 Members are asked to consider the draft register and make any proposed changes or additions to be monitored on a 6 monthly basis by this Committee.

Customer / Equalities and Diversity Implications

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

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE 23rd JULY 2018

4. RISK MANAGEMENT

4.1 The Corporate Risk Register provides a framework for risks to be addressed and mitigated in relation to the delivery of the Councils Strategic Purposes. There have been a number of improvements recommended by Internal Audit to strengthen the risk management arrangements and the member review of the corporate register will support one of the recommendations.

5. APPENDICES

Appendix 1 - Draft Corporate Risk Register 2018/19
Appendix 2 - Impact scoring criteria

6. BACKGROUND PAPERS

Departmental risk registers.

AUTHOR OF REPORT

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2018/19

Risk	Cause / Effect	Current Mitigations	Inherent Risk	Actions Needed	Residual Risk	Risk Owner	Links to Strategic Purposes
Non Compliance with Health and Safety Legislation	***Cause:*** • Consequence of Council action • Negligence by Council • Actions beyond Council control ***Effect:*** • Reputation affected • Legal action against Council • Financial impact	• Standard Operating Procedures -SOP (H&S etc) • Health and Safety Committee meets regularly • Training for staff • Health-checks • First Aid in place • Safeguarding Policy and Procedures • Risk Assessments • Updated inspection policy • Continued updates to Health and Safety Committee	Impact – 4 Likelihood – 2 = 8	• Development of Corporate H&S Measures • Review of corporate capacity to support H&S	Impact – 4 Likelihood – 2 = 8	Deb Poole	*All*
Decisions made on savings / cuts that are not informed by robust data and evidence	***Cause:*** • Requirement for savings to balance budget • Unanticipated cost pressures / demand on services • Pressure from other partners ***Effect:*** • Longer term improvement /	• Robust budget-setting process in place • Developed budget bids for pressures and details of savings proposed using 5 case model • Data used to evidence need in business cases • Performance Dashboard in place	Impact – 4 Likelihood – 3 =12	• Implementation of Enterprise Resource System to improve functionality of system and access to budget managers • Improve consistency and timeliness of information to enable decisions to be made in an	Impact – 4 Likelihood -2 = 8	Jayne Pickering	*All*

	innovation / efficiency is hindered • Impact on organisation, staff and residents • Impact on Transformation Programme	• Established "whole-life" or "end to end" approach to assessment of savings proposals		informed way • Improve cost recovery information			
Managing the impact of National Changes – financial / social economic or environmental which may have a detrimental impact on service delivery or quality (eg Brexit / Universal Credit)	***Cause:*** • Changes to National Policy impacting on services at a local level • Lack of resource to meet the demand on the service • Reduction in funding or revenue available • Funding for new initiatives not available • Service cessation ***Effect:*** • Reputation affected	• Budget Scrutiny cross party meeting to review financial issues on a regular basis • Regular consideration at management team of National Issues • Medium Term Financial Plan in place with assumptions on levels of cuts • Full review of reserves and balances • Officers working with partners and networks to identify issues	Impact – 4 Likelihood – 4 = 16	• Reporting regularly to members of National policy changes that may impact on local demand • Earlier consideration of budget implications	Impact – 4 Likelihood – 4 = 16	Jayne Pickering	*All*

	• Quality of life of residents affected • Demand increasing on services • Negative Financial impact	• 4 year financial plan in place • Consider opportunities for alternative service delivery models/ approaches to generate income / reduce cost • Ensure updated with legislation and financial impact of changes					
Business Continuity Plans fail to operate effectively in an incident.	***Cause:*** • Service plans not all in place, fit for purpose or validated. • Plans not implemented or embedded within the culture of the organisation. ***Effect:*** • Damage to property / equipment • Service delivery affected • Councils' reputation	• All services have undertaken a Business Impact Analysis (BIA) resulting in revised Business Continuity Plans • Lead officer in place • Heads of Service identified as on duty officers	Impact -3 Likelihood – 4 =12	• Corporate Business Continuity Plan to be refreshed	Impact -5 Likelihood -2 = 10	Sue Hanley / Ruth Bamford	*All*

	• harmed • Financial impact						
IT systems and infrastructure has a major failure	***Cause:*** • Global virus attack • Failure in power supply • Storage of data/servers affected ***Effect:*** • Loss of key data • Service delivery affected • Councils' reputation harmed • Financial impact	• Business Continuity Plans in place • Discrete and remote data storage in place • Back-up procedures in place and followed • IT business continuity procedures reviewed	Impact – 3 Likelihood – 3 = 9	• Continue to assess strength of IT security	Impact – 3 Likelihood – 2 = 6	Deb Poole	*Enabling Services*

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

WORK PROGRAMME 2018/19

23 July 2018

- Election of Chairman
- Election of Vice Chairman
- Standard Regime - Monitoring Officer's Report
- Dispensations Report
- Grant Thornton External Audit Finding Report
- Grant Thornton External Audit Opinion 2017/18 (Including S11 report)
- Grant Thornton (external audit) Audit Fee Letter 2018/19
- Statement of Accounts 2017/18
- Internal Audit – Annual Report and Draft Audit Opinion 2017/18
- External Assessment Progress Report
- Benefits and Compliance Annual Update Report for 2017/18
- Corporate Risk Register
- Financial Savings Monitoring Report for January to March 2018
- Annual Appointment of Risk Management Champion for the Committee
- ASG Work Programme

11 October 2018

- 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 2018
- Internal Audit – Progress Report
- Risk Champion's Update Report
- Work Programme

24 January 2019

- 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 2018
- Risk Management Strategy
- Risk Champion's Update Report
- Work Programme

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

14 March 2019

- Monitoring Officer's Report
- Annual Report
- External Audit – Progress / Action Plan Update Report
- External Audit –Certification Work Report 2017/18
- External Audit – Audit Plan March 2019/20
- External Audit – Auditing Standards 2019/20
- Internal Audit – Progress Report
- Internal Audit – Draft Audit Plan 2019/20
- Housing Benefits Subsidy Account Report 2017/18
- Financial Savings and Section 11 Monitoring Report for September to December 2018
- Risk Champion's Update Report
- Work Programme