



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 11TH OCTOBER 2018 AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

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

Parish Councillor: Councillor C. Scurrall

AGENDA

1. Apologies for Absence and Named Substitutes
2. Declarations of interest and Whipping Arrangements
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 23 July 2018 (Pages 1 - 8)
4. Standards Regime - Monitoring Officers' Report (Pages 9 - 12)
5. Grant Thornton Sector Update (Pages 13 - 30)
6. Financial Savings Monitoring Report for April to June 2018 (Pages 31 - 34)
7. Annual Audit Letter 2017/18 (Pages 35 - 50)
8. Internal Audit - Progress Report (Pages 51 - 72)
9. Internal Audit Charter (Pages 73 - 90)
10. Appointment of Risk Champion - Verbal Update
11. Audit, Standards and Governance Committee Work Programme (Pages 91 - 92)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
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2nd October 2018

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

23RD JULY 2018, AT 6.00 P.M.

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

Observers: Councillor B. T. Cooper and Councillor G. N. Denaro, Mr. R. Percival and N Preece

Officers: Mr. A. Bromage, Mrs. C. Felton, Mr C. Forrester, Ms F. Mughal, , Ms. J. Pickering, and Ms. A. Scarce

1/18 **ELECTION OF CHAIRMAN**

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

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

The meeting was adjourned at 6:00 pm in order for the Chairman to go through the agenda with the Executive Director of Finance and Resources. The meeting was resumed at 6:05 pm.

The Chairman opened the meeting and expressed his gratitude to everyone for their support.

2/18 **ELECTION OF VICE CHAIRMAN**

A nomination for the position of Vice Chairman was received in respect of Councillor M. J. A. Webb.

RESOLVED that Councillor M. J. A. Webb be elected Vice Chairman of the Committee for the ensuing municipal year.

3/18 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors C. Allen-Jones, C. McDonald and S. Peters, with Councillor R. Deeming attending as substitute for Councillor Allen-Jones.

An apology was also received from Parish Councillor C. Scurrall.

4/18 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

5/18 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 15 MARCH 2018**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 15th March, 2018 were submitted.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meeting held on 15th March, 2018 be approved as a correct record.

6/18 **STANDARDS REGIME - MONITORING OFFICER'S REPORT**

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

- That there had been one formal complaint since the last meeting of the Committee. The complaint had been resolved locally between the two Group Leaders;
- That all outstanding complaints had been resolved locally and actions had been agreed with Group Leaders;
- No training had taken place since the last update;
- That the Member Development Steering Group would focus on the Induction Programme for new Members in 2019/20 and the Group Leaders were being encouraged to consult with their Members to ascertain what training they felt would be most suitable in order for the Induction Programme to be meaningful and useful to the new Members.

RESOLVED that the Standards Regime Monitoring Officer's Report be noted.

7/18 **DISPENSATION REPORT**

The Head of Legal, Equalities and Democratic Services presented to the Committee the Dispensations report for Members' consideration. The Committee was informed that Members could apply for a dispensation when they had a pecuniary interest in a matter.

The Committee considered a request from Councillor L. Mallett for the granting of a dispensation under section 33 (2) of the Localism Act 2011,

to speak and vote at meetings on any matter involving hospital car parking.

RESOLVED 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, Governance and Standards Committee after the District Council Elections in 2019, at which point all dispensations will be reviewed;
- 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;
- 4) a general dispensation be granted to Councillor L. Mallett to enable him to speak and vote on issues relating to Hospital Car Parking.

8/18

GRANT THORNTON - EXTERNAL AUDIT FINDING REPORT

Richard Percival, Engagement Lead, and Neil Preece, Manager, from Grant Thornton presented to Members' the External Audit Findings Report for 2017/18, which outlined the audit findings and key matters arising from the audit of the Council's financial statements for the year ended 31st March, 2018.

The Committee discussed in detail the audit findings documents prepared by Grant Thornton. Members were informed that the audit was completed in advance of the deadline and that no material issues had been identified.

Grant Thornton thanked the Finance Team and colleagues for their hard work during the audit. It was reported that although significant improvement had been made, nonetheless, there were further improvements to be made as there was continued pressure to deliver savings to ensure a balanced Medium Term Financial Plan.

The key messages arising from the audit of the Council's financial statements were that:

- no adjustments had been identified to the financial statements that had resulted in any amendments to the Statement of Comprehensive Income and Expenditure;

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- the Statement of Accounts for 2017/18 and the draft letter of representation would be submitted to the Council for approval;
- there had been significant improvements, in respect of producing the financial statements, compared to the previous year;
- a higher number of minor amendments had been identified;
- there had been four significant risks and two other reasonable possible risks identified in the Audit Plan;
- there had been two issues discussed with management, in relation to the early payment of pension contribution and consideration of pension guarantees;
- the Council had made appropriate arrangements in all significant respects to ensure it delivered value for money in its use of resources;
- there had been two significant risks identified through the initial risk assessment, in relation to financial sustainability and in year financial reporting to Members.

The Chairman conveyed his thanks, on behalf of the Committee, to Grant Thornton, the Finance Team and Councillor B. Cooper for their hard work and commitment.

Members were mindful as the Council did not know what challenges they would face for the future it was important to focus on the savings and have appropriate measures to look at the savings for the future in order to deal with any changes and issues ahead.

Councillor B. Cooper further expressed his gratitude to the Finance Team. He appreciated that the Council was currently in a good place financially. However, acknowledged whilst the Council had a substantial amount in balances that this would not last forever and felt it was prudent to have arrangements in place to ensure that the Council remained in a sustainable positive in the future.

RESOLVED that the Audit Findings Report for 2017/18 be noted.

RECOMMENDED that Council approve of the draft letter of representation as detailed at Appendix 2 of the report.

9/18

GRANT THORNTON - EXTERNAL AUDIT OPINION 2017/18

The External Audit Opinion for 2017/18 item was covered in the External Audit Findings Report (Minute no. 8/18 above).

10/18

GRANT THORNTON AUDIT FEE LETTER 2018/19

Members gave consideration to the Audit Fee letter for 2018/19.

Richard Percival, Engagement Lead, from Grant Thornton was present at the meeting and provided Members with an update of the Audit Fee

Letter for 2018/19. It was reported that, following a consultation process, PSAA published the 2018/19 scale fees for opted-in bodies in March, 2018. There had been a reduction by 23% from the fees applicable for 2017/18. The Council's scale fee for 2018/19 had been set by PSAA at £37,484.

RESOLVED that the fee as outlined within the Audit Fee Letter for 2018/19 be agreed.

11/18

INTERNAL AUDIT ANNUAL REPORT AND DRAFT AUDIT OPINION 2017/18

Head of Internal Audit Shared Service presented the Committee with the Internal Audit Annual Report and Audit Opinion for 2017/18, which outlined the work completed from 1st April 2017 to 31st March 2018.

The Committee were provided with the Internal Audit Charter for Worcestershire Internal Audit Shared Service (WIASS). It was reported that the WIASS had achieved and delivered the 2017/18 internal action plan with minor revisions.

The following points were highlighted:

- The Internal Audit Plan, along with any subsequent revisions had been delivered;
- 94% of the audits undertaken for 2017/18 had received an assurance of moderate or above;
- That five days had been planned for Corporate Audits in 2017/18, however, no days had been used, this was due to minor amendments to the plan due to risk management and it was appropriate for this to be deferred.

RESOLVED that the Internal Audit Annual Report for the period of 1st April 2017 to 31st March 2018 and the Audit Opinion be noted.

12/18

INTERNAL AUDIT EXTERNAL ASSESSMENT 2017/18 PROGRESS REPORT

The Head of Internal Audit Shared Service presented the Committee with the Internal Audit External Assessment for 2017/18 Progress Report.

It was reported that all Internal Audit Services were obliged to comply with the Public Sector Internal Audit Standards 2013 and undertake an independent external assessment every five years to ensure compliance with the Standards.

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The Committee was informed that the report was presented to the Client Officer Group in November 2017 and the key outcomes of the assessment were that:

- The service was solid and reliable;
- Nothing was wrong;
- No areas of non-compliance were identified.

The Committee was informed that the progress would be reported to Committee twice a year to give assurance that the extra assessment had been undertaken.

RESOLVED that the Internal Audit External Assessment 2017/18 Progress Report be noted.

13/18

BENEFITS AND COMPLIANCE ANNUAL UPDATE REPORT 2017/18

The Revenue Service Manager presented the report which provided Members with 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 Services.

Arising from Members' questions the following responses were made:

- That 24 properties missing off the Council Tax data base had been identified through comparing the database systems and looked at where there had been a mismatch in the database;
- That the Council Tax had been removed to those properties that were new developments or had been demolished;
- The reimbursement of the overpayments in respect of the Housing Benefit and Council Tax Support would be reviewed on an individual case, depending on individual circumstances.

RESOLVED that the Benefits and Compliance Annual Report for 2017/18 be noted.

14/18

STATEMENT OF ACCOUNTS 2017/18

The Committee considered the Statement of Accounts for 2017/18. The Executive Director of Finance and Resources presented the report and informed the Committee that the Statement of Accounts was approved by 30th May 2018 and submitted to Grant Thornton, External Auditors.

Arising from Members' questions, the following responses were made:

- Clarity was sought in relation to the recycling waste collected per household which had reduced from 365kg in 2016/17 to 359kg in 2017/18;

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- In relation to the interest rates from the Treasury, advice received indicated that these were expected to remain low in the medium term for the next 18-24 months.

RECOMMENDED that Council approve the Statement of Account for 2017/18, including the Accounting Policies provided at pages 25 to 35 of the report.

15/18

FINANCIAL SAVINGS MONITORING REPORT 2017/18 - APRIL - MARCH

The Executive Director of Finance and Resources presented the Financial Savings Monitoring Report for 2016/17 which included the delivery of the savings projected for the full year against the efficiency plan.

The following areas were highlighted that:

- The total savings/use of balances was at £726k. Members' were informed that a saving of £1.2m was made through additional incomes;
- Managers continued to work through the ways that further savings could be delivered to meet the plans in the future;
- The additional business rate return was not yet known and would be reviewed when the formal return was submitted to Government in December, 2018. A prudent approach had been taken at quarter 2 to show no growth for 2017/18;
- Additional savings were included in the MTFP in relation to resetting the budget from previous years and this was shown again the reset baseline line with additional savings of £684k

RESOLVED that the April, 2017 – March, 2018 Financial Savings Monitoring Report for 2017/18 be noted.

16/18

CORPORATE GOVERNANCE AND RISK REGISTER

The Executive Director, Finance and Resources presented to Members the Corporate Governance and Risk Report and highlighted the red and amber risks.

RESOLVED that the Corporate Governance and Risk Report be noted.

17/18

RISK CHAMPION - ANNUAL APPOINTMENT

There being no other nominations for Risk Champion it was

RESOLVED that Councillor S. Peters be appointed Risk Champion for ensuing municipal year.

However, as Councillor Peters was not present at the meeting it was agreed that Officers would advise him of his appointment in order to confirm whether he wished to take up this post.

18/18

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the Audit, Standards and Governance Committee's Work Programme for 2018/19.

It was noted that the next meeting of the Committee would take place on 11th October, 2018. It was agreed to include the GDPR – Internal Audit Framework to the Work Programme.

Members sought clarification in relation to Worcestershire Regulatory Services Audit around the process for closing complaints made by residents.

The Chairman also raised concerns around the procurement process and it was confirmed that this was on the work programme for internal audit in the coming year. The Head of Internal Audit Shared Services agreed to liaise with the Chairman to ensure that his concerns were covered in the work to be carried out.

It was noted that the following items should be removed from the Work Programme for October, 2018:

- External Audit Finding Report;
- S11 Action Plan.

RESOLVED that the Audit, Standard and Governance Committee's Work Programme for 2018/19 be noted, subject to the minor amendments detailed in the preamble above.

The meeting closed at 7.30 p.m.

Chairman

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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 23rd July 2018.
- 1.2 It is proposed that a report of this nature be presented to each meeting of the Committee to ensure that Members are kept updated with any relevant standards matters.
- 1.3 Any further updates arising after publication of this report, including any relevant standards issues raised by the Parish Councils' Representative(s), will be reported on orally by Officers/the Parish Representative(s) at the meeting.

2. RECOMMENDATION

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

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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 All historic complaints have been resolved locally and since the last meeting of the Committee we have had one member to member complaint (District) which is currently ongoing.

Member training

- 3.4 Following discussions at the Member Development Steering Group sessions have been organised in respect of Data Protection, recent changes to the laws surrounding data protection mean that it is even more important than ever for Members to understand their role and responsibilities when handling personal data. Two sessions have been planned for 26th September and 10th October. An update in respect of attendance will be provided at the meeting on 11th October.
- 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 is starting to review the Member Induction programme in preparation for the new municipal year, together with reviewing Members' use of IT equipment and its suitability.
- 3.7 The Constitution Review Working Group has completed its review of the scheme of delegations and has agreed to include this as a standing item on future agendas. The Group will also be reviewing the "call In" process at its next meeting.
- 3.8 The Constitution Review Working Group has been working very effectively in enabling constructive changes to the constitution to be made and in keeping all Members informed.

Customer / Equalities and Diversity Implications

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

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4. RISK MANAGEMENT

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

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

5. APPENDICES

None.

6. BACKGROUND PAPERS

Chapter 7 of the Localism Act 2011.

AUTHOR OF REPORT

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GRANT THORNTON – SECTOR REPORT

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 present a sector update report from Grant Thornton relating to emerging public sector national issues.

2. RECOMMENDATIONS

2.1 That the Committee note the update.

3. KEY ISSUES

3.1 This report attached at Appendix 1 details a number of key issues that are emerging in the public sector environment that Grant Thornton feel the Council should be aware of. These include:

3.2 Financial Resilience Index

CIPFA has proposed a financial resilience index to provide reassurance to councils who are financially stable and to highlight areas that may need further consideration in relation to financial modelling and funding.

The decision to develop an index is driven by CIPFA’s desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The model is purely a proposal at present .

3.3 Social Housing Green Paper

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

3.4 Business Rates Pilots

As Members are aware Worcestershire has submitted a bid to become a Business Rate Pilot for 2019/20. From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services

3.5 Fair Funding Review

The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based

3.6 Other emerging issues include the Health and Social Care interface, the Vibrant Economy Index and the new Supply Chain Insights tool.

3.7 Legal Implications

None as a direct result of this update

3.8 Service/Operational Implications

The impact of any changes would be managed by services delivered by the Council

4. Customer / Equalities and Diversity Implications

None, as a direct result of this report.

5. RISK MANAGEMENT

The Corporate Risk register includes risk associated with changes to national policy

6. APPENDICES

Appendix 1 – Sector Update

7. BACKGROUND PAPERS

Available from Financial Services

AUTHOR OF REPORT

Name: Jayne Pickering – Executive Director Finance and Resources
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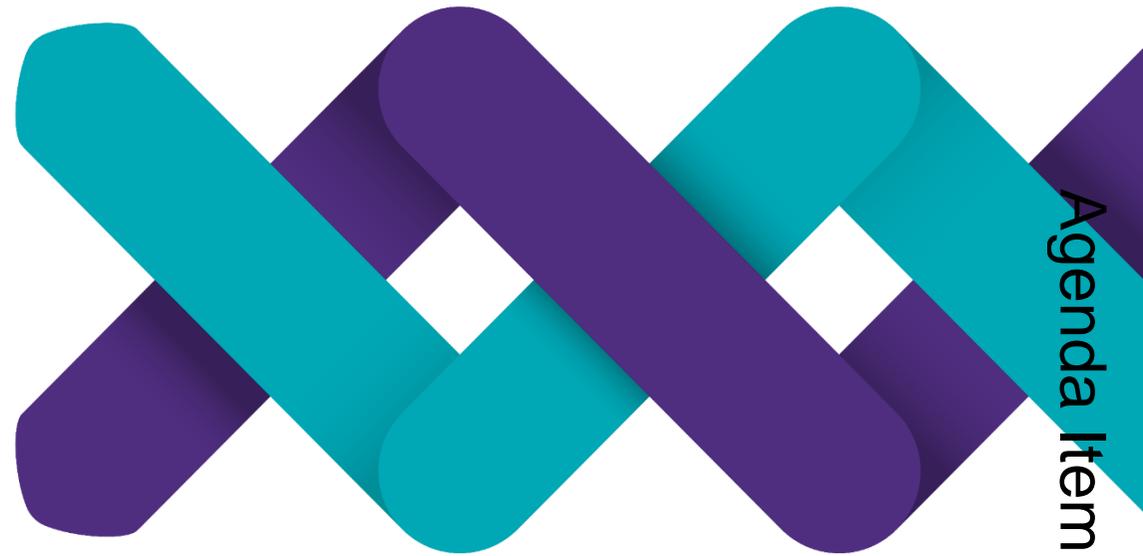
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Sector Update

Bromsgrove District Council

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Introduction



Richard Percival
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This report includes a summary of emerging national issues and developments that may be relevant to you as a District Council.

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

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



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Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, wider local government and the public sector as a whole. Links are provided to the detailed reports to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

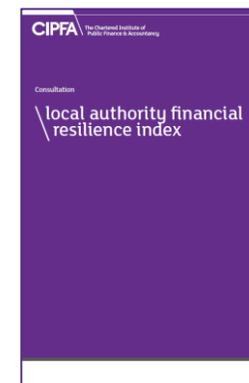
- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- tackling stigma and celebrating thriving communities
- expanding supply and supporting home ownership
- effective resolution of complaints
- empowering residents and strengthening the regulator
- ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

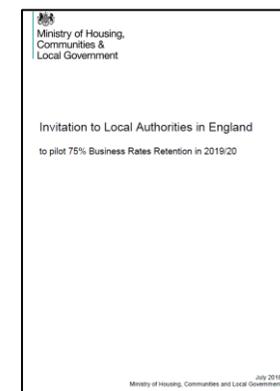
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25th September 2018.



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece’ on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

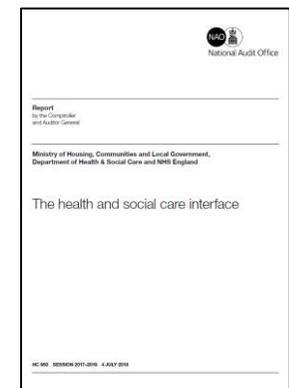
Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

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APRIL – JUNE 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 April – June 2018/19. This report presents the savings delivered projected for the full year against those identified in the medium term financial plan (MTFP)

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 2018/19 as detailed in the MTFP and approved by Council in February 2018.

3.2 The statement shows that it is projected that the savings of £580k for 2018/19 are on track to be delivered during the financial year.

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 was recommended to be undertaken by this Committee and Grant Thornton 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 statement attached reflects 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 April – June 2018/19

7. BACKGROUND PAPERS

Available from Financial Services

AUTHOR OF REPORT

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

Agenda Item 6

BROMSGROVE - SAVINGS & ADDITIONAL INCOME FROM 18-19 BUDGET ROUND

Department	Description of saving	2018-19 £'000	Comments	Quarter 1			
				On target Y/N	Additional (add to to in yr savings) £'000	below target Y/N	Pressure £'000
Business Transformation	Annual Revenue Budget Saving	-123	Saving from efficiencies and contract reviews	Y			
Community Services	acommodation charges	-12	Already included in support recharges	Y			
Community Services	telephone charges	-6	Savings from new contract	Y			
Community Services	staff savings from reduced mileage and reduced hours	-3	Savings from staff member reducing working hours	Y			
Community Services	removal of budget historical DFG monies	-7	Review of budget efficiencies	Y			
Community Services	acommodation charges	-12	Already included in support recharges	Y			
Community Services	various	-28	Review of budget efficiencies	Y			
Corporate Resources	Reduction in External Audit Costs	-16	Reduced as per new contract arrangements	Y			
Corporate Resources	Appeals in Asset of Community	-20	Savings to be offered, subject to any future appeals to be drawn down from balances	Y			
Customer Access & Financial Support	Reduction in Hrs	-5	Savings from staff member reducing working hours	Y			
Environmental Services	Utilities	-36	More efficient lighting and boiler	Y			
Environmental Services	Maintenance	-9	Saving on Depot Maintenance	Y			
Environmental Services	Additional Garden Waste income	-54	Price increase to £45 in 18/19	Y			
Environmental Services	Fuel and Veh R&M	-117	Fuel and R&M due more efficient working lower fuel costs.	Y			
Environmental Services	Domestic Bin Replacements	-53	Revenue saving achieved by moving replacement of bins to capital.	Y			
Environmental Services	Trade Bin Replacements	-10	Revenue saving achieved by moving replacement of bins to capital.	Y			
Environmental Services	Garden Waste Bin Replacements	-3	Revenue saving achieved by moving replacement of bins to capital.	Y			
Leisure & Cultural Services	Efficiency Saving	-5	Review of budget efficiencies	Y			
Leisure & Cultural Services	Savings on accomodation costs	-8	Review of budget efficiencies	Y			
Leisure & Cultural Services	NNDR on George House	-18	Savings following demolition of building	Y			
Leisure & Cultural Services	R & M for Parkside Building	-25	This saving relates to the repairs and maintenance of the building that are less than initially. This will be used to offset the income pressure against Parkside Hall which has been difficult to achieve but additional marketing will aim to mitigate the shortfall	Y			
Planning & Regeneration	Additional cross boundary partnership working	-2	Additional income generated following marketing of service.	Y			
Planning & Regeneration	Reduction in car mileage costs	-8	Review of budget efficiencies	Y			
		-580			0		0

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AUDIT STANDARDS & GOVERNANCE COMMITTEE

11th OCTOBER 2018

GRANT THORNTON ANNUAL AUDIT LETTER 2016/17

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

1. SUMMARY OF PROPOSALS

- 1.1 To present to Members the Grant Thornton Annual Audit Letter which summarises the key findings arising from the work carried out at the Council for the year ended 31 March 2018.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to note the Audit Letter as included on Appendix 1.**

3. KEY ISSUES

Financial Implications

- 3.1 The Grant Thornton fee for 2017/18 was £53k. This included an additional £5k which related to additional work undertaken. This was met from savings within the accountancy team. The grant fees is a further £8k.

Legal Implications

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

Service/Operational Implications

- 3.3 The Annual Audit Letter 2017/18 from Grant Thornton details their findings and recommendations as a result of the work undertaken as part of the final accounts for 2017/18 and reflects the Audit opinion reported to this Committee in July 2018. This approval met the new statutory deadline.
- 3.4 Unqualified opinions were given for the accounts and Value for Money Judgements. This was an improvement from 2016/17 when a qualified judgement was given in relation to Value for Money. Officers

AUDIT STANDARDS & GOVERNANCE COMMITTEE

11th OCTOBER 2018

acknowledge there remain financial pressures for the Council and these will be considered as part of the MTFP 2019/20.

Customer / Equalities and Diversity Implications

3.5 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 - Annual Audit Letter from Grant Thornton 2017/18

AUTHOR OF REPORT

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Annual Audit Letter

Year ending 31 March 2018

Bromsgrove District Council

August 2018

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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Bromsgrove District Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Standards and Governance Committee as those charged with governance in our Audit Findings Report on 23 July.

Our work

Materiality	We determined materiality for the audit of the Council and group's financial statements to be £842,000, which is 2% of the Council's gross revenue expenditure for the prior year.
Financial Statements opinion	We gave an unqualified opinion on the Council and group's financial statements on 27 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 27 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit, Standards and Governance Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Bromsgrove District Council in accordance with the requirements of the Code of Audit Practice.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Key messages

Financial statements

The financial statements were available for audit before the end of May deadline and we were able to conclude our audit and issue our unqualified audit opinion before the end of July deadline. This is a significant improvement on previous years, reflecting the work carried out by the finance team to achieve this.

We did, however, have some issues with the quality of the working paper supplied and the volume of matters arising from our audit work. Although officers responded positively to our questions and were very helpful, our audit took longer than planned. There is scope for further improvement in the accounts production process. In particular ensuring that there is sufficient time included in the process for effective quality assurance of both the financial statements and the working papers.

We agreed a range of presentational and disclosure amendments to the accounts. We did not find any adjustments that would have resulted to a change in the reported financial position in the draft accounts.

Value for money conclusion

We are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money in the use of its resources. Our work focused on:

- financial sustainability; and
- in year financial reporting to Members.

The Medium Term Financial Plan (MTFP) to 2020/21 shows that significant savings need to be delivered. There is also a planned use of balances of £1.6 million and potential income from the Investment Strategy of up to £2.0 million.

We concluded that the approach to savings is proportionate. While the Council has sufficient reserves and balances to ensure any slippage in the MTFP can be covered, Officers and Members need to ensure that financial sustainability is delivered. The management restructure has slipped and it needs to be progressed as part of the wider response to the issues identified in the LGA Peer Review.

In year financial reporting to Members continues to improve. The high level figures presented to Members are underpinned by appropriate levels of information and analysis. However, Members would be provided with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP targets, rather than the Efficiency Plan.

Based on the work we performed, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered the accounts audit before the earlier deadline of 31 July, which is a significant achievement for officers and the audit team alike. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.
- Providing training – we provided your Officers with bespoke training on Housing Benefit certification, specifically tailored to their needs. We also provided final accounts production training.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council accounts (including the group accounts) to be £842,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a separate lower materiality level for the disclosure note on senior manager's remuneration. In view of the sensitivity of this note to the reader of the accounts, we have set a materiality level of £100,000.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £42,000.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report and annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we give our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its land and buildings on a five year rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work considered the competence, expertise and objectivity of any management experts used discussed with the valuer the basis on which the valuation was carried out and challenged the key assumptions reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding tested revaluations made during the year to ensure they were input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit work identified changes to the disclosure of property, plant and equipment, but these did not affect the net book value as reported in the accounts.</p>

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Audit of the Accounts

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 43</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We also gained an understanding of the basis on which the valuation was carried out undertook procedures to confirm the reasonableness of the actuarial assumptions made checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work identified changes to the pension fund disclosures, but these did not affect the net liability as reported in the accounts.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council and group's financial statements on 27 July 2018, in advance of the national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

However, our audit identified a higher number of relatively minor amendments than we would expect. A number of the working papers initially supplied did not provide the requisite assurance, or could not be agreed to the financial statements. While officers responded very positively to our questions the Council needs to ensure that next year sufficient time is allowed for a robust and thorough quality review of the accounts and working papers before they are presented for audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit, Standards and Governance Committee on 24 July 2018. These were:

- there were no unadjusted misstatements;
- the Narrative Report was enhanced and expanded in order to meet the Code requirements;
- a number of changes were made to the detailed note on Property, Plant & Equipment (Note 14) in order to ensure correct disclosure and values for asset categories;
- pension fund disclosures were amended to show the correct sensitivity analysis, as required by the Code, and to correct typographical errors;
- the cash and cash equivalent figures were amended to disaggregate the debit and credit balances, rather than netting them off.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in line with the national deadlines.

Both documents were enhanced to ensure they are in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Bromsgrove District Council in accordance with the requirements of the Code of Audit Practice.

We issued our certificate of audit completion with our audit opinion on 27 July 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. In arriving at our conclusion, our main considerations were:

- financial sustainability; and
- year financial reporting to Members.

Our key findings were as follows

The Medium Term Financial Plan (MTFP) to 2020/21 shows that significant savings need to be delivered. There is also a planned use of balances of £1.6 million and potential income from the Investment Strategy of up to £2.0 million. While the Council has sufficient reserves and balances to ensure any slippage in the MTFP can be covered, Officers and Members need to ensure that financial sustainability is delivered.

In year financial reporting to Members continues to improve. However, Members would be provided with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP targets, rather than the Efficiency Plan.

Our consideration of these key risks is set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability How robust is the MTFP and how well developed are savings plans?</p> <p>We have previously identified that improvement is needed to planning finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions.</p> <p>We said we would follow up recommendations from our 2016/17 Audit Findings Report to determine whether sufficient progress has been made in addressing our recommendations:</p> <p>1) All savings plans are appropriately supported by a business case, all aspects of the savings are identified, it is clear when the planned savings will be delivered and what needs to happen to realise the savings;</p> <p>2) Priority is given by Cabinet to ensuring that the management restructure is progressed on a timely basis.</p>	<p>1) The MTFP to 2020/21 shows that significant savings are required. There is also a planned use of balances of £1.6 million and potential income from the Investment Strategy of up to £2.0 million.</p> <p>We tested seven different savings schemes to assess whether improvements have been made to the identification and timing of savings delivery. While there are not formal business cases for other than the biggest schemes (the new Leisure Centre for example), the level of benchmarking and analysis is appropriate for smaller savings. A robust approach has been taken to reducing the budget by adopting a zero based approach. Review of the minutes of the Finance and Budget Working Group indicates robust discussion on the MTFP and budget, with Members clearly understanding the scale of the challenge and that action is needed. The additional level of scrutiny this Group provides around financial issues is extremely useful in providing challenge to officers.</p> <p>While there is no financial impact on the current MTFP, the Council Acquisition and Investment Strategy is proposing borrowing £20m from PWLB to finance investments within the Bromsgrove District Council area. Officers will need to prepare a paper for Members that assesses the impact of the revised Statutory Investment Guidance on their plans. In particular, the Guidance is clear that: "Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed." [paragraph 46, Statutory Guidance on Local Authority Investment].</p> <p>2) The management restructure has not progressed, mainly due to issues with Redditch Borough Council's senior management arrangements. This makes any joint restructuring very difficult. In addition, Leaders of both Bromsgrove DC and Redditch BC wanted to see the outcome of the LGA Peer Review before making any decisions. The LGA Peer Review highlighted the need to "define a new shared culture from the bottom up" and "establish a single workforce and reduce duplication and time spent navigating two structures and systems of governance". The management review is an essential part of responding to this challenge.</p>	<p>The approach adopted is proportionate for the savings involved. While the Council has sufficient reserves and balances to ensure any slippage in the MTFP can be covered, Officers and Members need to ensure that the pace of change to a long-term financially sustainable Council, without the need to use balances, is sufficient to allow an appropriate level of balances to be maintained.</p> <p>Should the Council decide to proceed with the Acquisition and Investment Strategy a paper will be needed which clearly sets out how the Council is complying with the Statutory Investment Guidance.</p> <p>The management restructure has not progressed due to issues with Redditch Borough Council's management arrangements. As this is a joint restructuring we have concluded that there are valid reasons for this delay. It is however important that the restructure is now progressed as part of the wider response to the issues identified in the LGA Peer Review.</p> <p>We concluded that the Council has proper arrangements to plan finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>In year financial reporting to Members</p> <p>How informative is in year financial reporting to Members?</p> <p>We have previously identified that improvement is needed in reliable and timely financial reporting that supports the delivery of strategic purposes.</p> <p>We said we would follow up recommendations from our 2016/17 Audit Findings Report to determine whether sufficient progress has been made in addressing our recommendations:</p> <p>3) Further improvement to the overall reporting of savings, including a clear picture of planned savings to be delivered, progress to date, risk to full achievement and mitigating actions;</p> <p>4) Monitoring of progress against the actions plans supporting the delivery of the Council Plan and quarterly reporting to Cabinet.</p>	<p>3) Savings are reported against the Efficiency Plan monitoring report in a one page summary. As such it does not contain much detail, but Members are able to ask questions or see more detail if they wish. Our work demonstrated that Service Managers and accountants have worked together to reduce budgets or increase income projections where appropriate. There are no business cases to support this, but we have seen email correspondence and workings to support the figures we have tested. The work undertaken is proportionate for the type and amount of savings. We discussed with Officers that, as time moves on, it may now be more appropriate to monitor and report savings and income generation against the MTFP, rather than the Efficiency Plan, as this is more current.</p> <p>4) Corporate Performance is now presented bi-monthly using a new format. The first report was presented to Cabinet on 7 March 2018. The report is very comprehensive and thorough, and is also easily understandable. This report notes the strategic measures that are currently used to understand the purpose 'keep my place safe and looking good'. These are reported, along with others relevant to the strategic purpose. The Council is now adequately reporting progress against the Council Plan and the key indicators for each strategic purpose to Cabinet.</p>	<p>Savings reporting continues to improve. The high level figures presented to Members are underpinned by appropriate levels of information and analysis. However, in reporting against the Efficiency Plan officers are reporting against old measures, which are difficult to reconcile to the latest MTFP. It would be more transparent and provide Members with better assurance that the MTFP is on track, if savings and income generation were reported against the MTFP.</p> <p>The Council is now adequately reporting progress against the Council Plan and the key indicators for service areas to Cabinet.</p> <p>We concluded that the Council has proper arrangements in reliable and timely financial reporting that supports the delivery of strategic purposes.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees for non-audit services

Service	Fees £
Audit related services	Nil
- None	
Non-Audit related services	7,500
- CFO Insights (TBC)	

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Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	48,680	53,180	50,818
Housing Benefit Grant Certification	8,260	TBC	12,692
Total fees	56,940	TBC	63,510

The final audit fee has yet to be agreed. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. This work will be completed in November. Fee variations are subject to approval by Public Sector Audit Appointments Ltd.

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th OCTOBER 2018

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

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance for 2018/19 along with residual 2017/18 audit work

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

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

3.4 This section of the report provides commentary on Internal Audit’s performance for the period 01st April 2018 to 31st August 2018 against the performance indicators agreed for the service.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th OCTOBER 2018

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (15th March 2018):

3.5 2017/18 AUDIT SUMMARY UPDATES AS AT 31st AUGUST 2018:

Creditors

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

- Payments are made in line with internal procedures
- Change of supplier details are monitored and checks are undertaken prior to the changes being processed
- Non Purchase order invoices

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

- Efficiency of the overall creditor procedures

There was 1 'medium' priority recommendation reported.

Type of Audit: Limited Scope

Assurance: Significant

Final Report Issued: 16th March 2018

Benefits

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

- The controls in place for managing new claims and changes in circumstances.
- The controls in place for managing hardship schemes.
- The general identification and notification of overpaid benefits, albeit with some issues identified below regarding ongoing recovery action.
- The reconciliation between the Benefits module with other financial systems.
- The implementation of Universal Credit within both authorities, and ongoing management of the benefits service.

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

- Ensuring that overpayment recovery actions are undertaken in a timely and effective manner for all outstanding amounts, and ensuring sufficient actions have been undertaken prior to request for write-off.
- The timely updating and maintaining of performance measures on the Dashboard.
- Ensuring there is a regular formal review of system users.

There were 3 'medium' and 2 'low' priority recommendations reported.

Type of Audit: Full System

Assurance: Significant

Final Report Issued: 30th July 2018

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th OCTOBER 2018

General Ledger and cash collection

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

- A sound budget monitoring process continues to be provided by Finance
- Journal processing was found to be timely
- Suspense accounts were found to be well managed
- A detailed and comprehensive security review has now been completed and this has resulted in:
 - Identified inappropriate access
 - Removed redundant access points
 - Identified unnecessary/redundant access profilesThe number of access profiles has been reduced to simplify administration. This review has not only 'tidied up' the system but will make future security reviews simpler to perform.

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

- Reconciliations need to be better managed to ensure that these are timely and any delays are promptly identified and corrective action taken
- Supporting evidence for virements is promptly filed electronically to minimise the loss of records

There was 1 'medium' and 1 'low' priority recommendation reported.

Type of Audit: Full system

Assurance: Significant

Final Report Issued: 25th April 2018

Worcestershire Regulatory Services

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

- The audit has revealed good evidence to support our view that the service is adopting a pro-active approach to identify new and/or unauthorised installations within the districts(s) of the partner councils e.g. recent exercise on biomass boilers
- The Team are currently pursuing Primary Authority status with a number of organisations and, if successful, will result in service being recognised as the single point of contact for nationwide applications and be seen as a significant achievement.

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

- The raising of annual subsistence invoices needs to be consistent particularly with regard to records provided to partner councils
- The completion of manual risk assessment forms needs to be reviewed to ensure that adequate supporting information is retained particularly in respect of A2 type applications or where an inspection has determined an increase in the level of risk
- Outstanding fees should be promptly recovered and, where necessary action should be commenced to revoke licences

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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There were 4 ‘medium’ and 2 ‘low’ priority recommendations reported.

Type of Audit: Limited Scope

Assurance: Moderate

Final Report Issued: 19th July 2018

Summary of Assurance Levels:

Audit	Assurance Level
<u>2017/18</u>	
Creditors	Significant
Benefits	Significant
General Ledger and Cash Collection	Significant
Worcestershire Regulatory Services	Moderate

3.6 2018/19 AUDITS ONGOING AS AT 31st AUGUST 2018

The following audits were at clearance stage:

- Health and Safety
- General Data Processing Regulations

Audits progressing through fieldwork stages included:

- Car Parking
- Essential Living Fund
- Discretionary Housing Payments
- Council Tax Hardship Fund
- Universal Credit

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

3.7 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31st August 2018 a total of 63 days had been delivered against a target of 230 days for 2017/18.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 15th March 2018 for 2018/19.

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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

3.8 OTHER KEY AUDIT WORK

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

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

There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extraction and uploading to enable matches to be reported. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Bromsgrove District Council.

WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards. WIASS recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

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

3.9 Monitoring

To ensure the delivery of the 2018/19 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk. Should a variation on the plan be required the s151 Officer will be consulted and revisions agreed on a risk priority basis.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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3.10 **Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

4. **RISK MANAGEMENT**

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

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

5. **APPENDICES**

Appendix	1 ~ Internal Audit Plan delivery 2018/19
Appendix	2 ~ Key performance indicators 2018/19
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

6. **BACKGROUND PAPERS**

Individual internal audit reports are held by Internal Audit.

7. **KEY**

N/a

AUTHOR OF REPORT

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AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th OCTOBER 2018

APPENDIX 1

Delivery against Internal Audit Plan for 2018/19 1st April 2018 to 31st August 2018

Audit Area	2018/19 Total Planned Days	Forecasted days to the 30 th September 2018	Actual Days Used to the 31 st August 2018
Core Financial Systems (see note 1)	71	10	0
Corporate Audits	5	13	19
Other Systems Audits (see note 2)	118	57	33
SUB TOTAL	194	80	52
Audit Management Meetings	15	8	7
Corporate Meetings / Reading	5	3	2
Annual Plans, Reports and Committee Support	8	4	2
Other chargeable (see note 3)	0	0	0
SUB TOTAL	36	15	11
TOTAL	230	95	63

Notes:

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end, however, a rolling programme has also been trialled this financial year.

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

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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APPENDIX 2

Performance against Key Performance Indicators 2018-2019

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

	KPI	Trend/Target requirement	2018/19 Position (as at 31 st August 2018)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13 Delivered = 2 @ draft report and 5 in progress	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	27%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	*58%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to report	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	Nil to report	When Audit Committee convene
6	'Follow Up' results (2017/18 reviews onwards)	Management action plan implementation date exceeded (nil)	1	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	Nil to report	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

* Below target figure due to 4 new starters in April 2018 therefore settling in and training requirements in the early part of the year.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

Definition of Audit Opinion Levels of Assurance

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Definition of Priority of Recommendations

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

'High' & 'Medium' Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Creditors					
Assurance: Significant					
1	Medium	<p><u>Efficiency of the creditor's process.</u></p> <p>Post raising of a purchase order, the current process of goods receipting, processing and paying invoices is resource heavy on the creditor's team and this can then effect other areas of the process. For example, not being able to programme in regular tasks such as disputed invoice monitoring and increasing the Council's percentage of invoices paid within 30 days.</p> <p>Internal Audit acknowledges that the Financial Services Manager has implemented interim controls in the high risk areas to mitigate the risk to a tolerable level, for example review of invoices that are processed without an order, and that work is continuing to further reduce risk.</p>	<p>Possible reputational damage if creditors are paid late or invoices are paid without goods having been receipted.</p>	<p>That the overall Creditors procedures are reviewed and consideration is given to whether the current system remains fit for purpose.</p> <p>Once the review has been undertaken the procedures are enforced throughout the Council in order to make the process more efficient and reduce any risks that the Council is exposed to.</p>	<p>Management Response:</p> <p>I agree with the recommendation to undertake a full review of working practices, and the current system to ensure a robust approach to risk while enabling the council to carry out its day to day activities.</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: August 2019</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Benefits					
Assurance: Significant					
1	Medium	<p><u>Overpayments</u></p> <p>From a random selection of 30 outstanding overpayments for each authority at the time of the audit work, 2 Bromsgrove District Council overpayments and 1 for Redditch Borough Council did not show sufficient evidence of being progressed or resolved.</p>	<p>Risk of financial loss in instances where money is not recovered in a reasonable timeframe, which could potentially result in some reputational damage.</p>	<p>Ensure all outstanding overpayments are monitored, and suitable actions are taken in a timely manner and recorded against the relevant account.</p>	<p>Management Response:</p> <p>Revised operational measures implemented for HB overpayment – revision to working procedures to ensure timely notification of debt cases not progressing through recovery.</p> <p>Responsible Manager: Income Recovery Team Leader</p> <p>Implementation Date: 30th September 2018</p>
2	Medium	<p><u>Write-offs</u></p> <p>From a random sample of 15 write-offs processed during the 2017/18 financial year for each authority, 2 write-offs for Bromsgrove District Council and 1 write-off for Redditch Borough Council did not have sufficient evidence to show that suitable recovery actions had been made to attempt to retrieve the outstanding balances.</p> <p>In addition, most write-offs are currently processed at the end of the financial year, rather than as a periodic review during the financial year.</p>	<p>Failure to ensure sufficient actions have been evidenced to recover outstanding monies prior to write-off could result in reputational damage or potential financial loss in instances where monies could have been recovered.</p>	<p>Ensure that sufficient actions have been taken to recover the debts prior to write-off, and are fully recorded on the respective account in achieve maximum income for the Authority.</p> <p>To consider periodic reviews of write-offs to ensure these are completed in a timely manner, and that the year-end process does not become too onerous resulting in delays in completion.</p>	<p>Management Response:</p> <p>Reminder to team to ensure write off procedures are adhered to and actions are documented.</p> <p>Responsible Manager: Income Recovery Team Leader</p> <p>Implementation Date: April 2018</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Performance Information</u></p> <p>Responsibilities for measures on the dashboard have been defined for both authorities, but several identify staff who no longer work for the organisation.</p> <p>In addition, there is evidence to show many of the measures have not been updated for several months, with the last update showing in August 2017 (as at the time of the audit work).</p> <p>Average processing times recorded were very high at the start of the financial year when a new system was being introduced, and have since reduced. Further reductions may be required to ensure completion of workload within a reasonable timeframe.</p>	<p>Risk of reputational damage if performance is not transparent and correctly and fully reported timely manner.</p>	<p>The Performance Dashboard information should be updated regularly and in a timely manner e.g. monthly/quarterly.</p> <p>Changes to the responsibilities for managing this process should be updated in a timely manner and posts should be identified rather than individuals in order to future proof the process.</p> <p>Reasons for spikes in performance should be investigated and noted on the dashboard for transparency. Should the Service fail to improve performance, there should be an investigation to determine issues affecting the efficiency and effectiveness of the service and how these can be addressed.</p>	<p>Management Response:</p> <p>Revised operational measures implemented for HB overpayment. Measures will be updated and monitored on a monthly basis going forwards.</p> <p>Responsible Manager: Financial Support Services Manager</p> <p>Implementation Date: 1st May 2018</p>
Audit: General Ledger and Cash Collection					
Assurance: Significant					
1	Medium	<p><u>Reconciliation schedule</u></p> <p>A reconciliation schedule is used by Finance as a visual monitor to identify reconciliations that are outstanding. In the main this record indicated good compliance throughout the period under review.</p>	<p>Imbalances are not promptly identified leading to possible challenge and reputational damage especially if this causes delays to the completion of the year end Statement of Accounts.</p>	<p>Whilst appreciating there have been changes in staffing and duties during the year, it is important that reconciliations are managed to ensure they remain timely.</p>	<p>Management Response:</p> <p>Agreed to put in place a reconciliation schedule to ensure that they are carried out on a regular basis, as appropriate</p> <p>Responsible Manager: Financial Services Manager</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>However Audit testing confirmed some 'blanks' on the schedule i.e.</p> <ul style="list-style-type: none"> • Balance Sheet reconciliation • Holding code reconciliation <p>In both cases the responsible officer was Chief Accountant.</p>			<p>Implementation date: 4th April 2018</p>
Audit: Worcestershire Regulatory Services					
Assurance: Moderate					
1	Medium	<p>Risk Assessment</p> <p>It is not common practice within the Team to complete a manual risk assessment form when inspecting an installation. This is particularly so if the assessment is relatively straight forward and low risk.</p> <p>Data collected on site is manually entered directly to the UNIFORM.</p>	<p>There is a lack of supporting evidence in the event of a challenge and or an inspection by DEFRA leading to reputational damage.</p>	<p>The skills & qualifications within the Team are acknowledged but the approach being followed should be confirmed as being acceptable and not exposing the council(s) to any risk. Adopt standard practice that for A2 type installations and those where the risk has increased then a risk assessment form to be completed.</p>	<p>Responsible Manager: Agreed Senior Practitioner (Technical Services)</p> <p>Implementation date: 1st June 2018</p>
2	Medium	<p>Subsistence Fees</p> <p>1) Subsistence fees applied for Worcester City Council and Malvern Hills District Council were charged at the 2016/17 levels. Fees are chargeable from the 1st April each year. The fee increase was known but not formally implemented</p>	<p>Inconsistent information provided to partner councils leading to possible confusion, incorrect invoices being raised and, reputational damage.</p>	<p>Information given to all partner councils must be consistent to minimise the risk of error or misunderstanding</p>	<p>Responsible Manager: Agreed Senior Practitioner (Technical Services)</p> <p>Implementation date: 1st June 2018</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>until November 2017. However the Team were not consistent in their approach to notifying councils to delay invoicing to accommodate this.</p> <p>2) Detailed spread sheet records are maintained (detailing invoicing details) by Team members and these are sent to each partner council at the start of each year. Audit testing did identify some confusion as to what information had been provided to Wychavon DC and at one point it was thought to have been verbal.</p>			
3	Medium	<p>Outstanding Invoices Two invoices (£1774.00) remain outstanding in respect of Wychavon District Council. Late payment fees have been added.</p>	Licence conditions have been breached leading to potential unauthorised operation of businesses	The outstanding fees must be paid without delay and/or licence revocation proceedings be instigated.	<p>Responsible Manager: Agreed Senior Practitioner (Technical Services) Implementation date: 1st June 2018</p>
4	Medium	<p>Inspections Audit testing of a sample of 25 cases confirmed 2 (8%) where the inspection was found to be outstanding</p>	Non-compliance with the Permit may not be detected leading to reputational damage	Inspection frequencies must be observed to ensure compliance with the Permit is achieved.	<p>Responsible Manager: Agreed Senior Practitioner (Technical Services) Implementation date: 31st March 2019</p>
end					

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APPENDIX 4

Follow Up

Planned Follow Ups:

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

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

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

Follow Up Assurance:

In summary:

- 2014/15 report; all satisfied
- 2015/16 reports; all satisfied
- 2016/17 reports; two reviews satisfied, one ongoing with progress taking place but exceeding the target delivery
- 2017/18 reports; five reviews satisfied, five being followed up in the coming months.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2nd Follow Up</u>	<u>3rd Follow Up</u>
					High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	
2014-15 Audits							
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and the 1 'high' priority recommendation and the other 'medium' priority recommendation in relation to training and terms of reference are in progress. Workshops are to be introduced first half of 2016.	<p>A follow up in September 16 found there was one recommendation outstanding relating to the Equality and Diversity training. All the others have been satisfied. A further follow up will take place in 3 months time.</p> <hr/> <p>Follow Up 14 February 2017: Discussion with E&D Manager - induction progress is still in progress. Quotes from contractors for in house training are currently being received. Follow up to take place in June when more progress made.</p> <hr/> <p>Follow Up 19th June 2017: Policy Manager confirmed although progress has been made towards implementing training for new starters and existing staff nothing has yet been</p>

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							implemented. Need to go to tender to procure training provider. Aiming for completion of this process and E&D training within 2017. Follow Up Sept 2018 found a series of sessions and workshops have been undertaken in the early part of year with mop up sessions planned Oct 18. Further sessions are planned so that the whole work force will have rec'd training by the end of the municipal year. No further follow up required.
2015-16 Audits							
Consultancy and Agency	13th June 2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation. A further follow up will take place in 6 months time.	Follow up undertaken in May 2017. Audit had a discussion with the Director of Finance and Resources on 10.05.17, the review of Matrix is still in progress. As several recommendations rely on the matrix review being completed no official follow up will take place until this date. Further follow up date November 2017	Audit met with Director of Finance and Resource on 4/1/18. The Matrix contract has been extended for 12 months therefore follow up will be scheduled for March 2018. The follow up in July 2018 found that all recommendations had been satisfactorily implemented. No further follow ups are required.
2016-17 Audits							
Human Resources Training and Development	30th December 2016	Human Resources Manager	Moderate	Business Transformation This audit report made 1 high priority recommendation relating to employee mandatory and refresher	A follow up took place in March 17 and found 2 recommendations are in progress relating to meeting training needs and	A follow up in June 2018 found that all recommendations had been satisfactorily implemented. No further follow up is required.	

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				training, and 3 medium priority recommendations relating to purpose of training, employee induction and identifying training needs. A follow up will take place in 4 months time.	mandatory / refresher training. 2 recommendations are still to be actioned dependent on the implementation of HR21.		
Dash Board & Performance Measures	3rd May 2017	Business Transformation	Limited	An audit took place in May 2017 and made 3 high and 1 medium priority recommendations relating to resilience, timeliness of reporting, integrity of information and information held.	A follow up in May 2018 found that 2 high priority recommendations in relation to resilience and timeliness and the 1 medium priority recommendation in relation to additional information had been implemented. The high priority recommendation in relation to integrity of information was in progress. A further follow up is being scheduled.		
Worcester Regulatory Services	26th May 2017	WRS	Moderate	This audit made 1 high priority recommendation and 2 medium priority recommendations relating to payment for licences granted, cheque payment and application forms. A follow up will take place in 3 months time.	1st follow up took place on 30/8/17 no recommendations have been implemented but work towards had been progressed and there is research looking at moving into electronic application which all districts will have to agree to. A further follow up will take place in 6 months	As some of the Partners have changed the way that they collect monies this has been superseded and therefore audit will complete a full review in 12 to 18 mths time. No further follow up required.	
2017-18 Audits							
Building Control	10th August 17	Planning & Regeneration	Significant	The report made one medium recommendation relating to the production of a financial statement regarding Building Control. This is to be produced at the end of the financial year.	The follow up in July 2018 found that the recommendation had been satisfactorily implemented. No further follow up required.		

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Customer Service	14th November 2017	Customer services	Moderate	The report made five medium recommendations relating to minutes of meetings, phone recordings, training and awareness, complaints system and website	The Follow up in May 2018 found that all 5 medium priority recommendations had been implemented. No further follow up required		
Cash Collection	14th November 2017	Customer Services	Significant	the report was made up of 4 recommendations; 3medium and 1 low relating to refund checks, over and under investigations, scanned in giro slips and countersignatures.	The follow up in May 2018 found that all 3 medium priority recommendations had been implemented. No further follow up required.		
Disabled Facilities Grants	28th September 2017	Community Services	Moderate	The report found 1 high priority and 2 medium priority recommendations in relation to Records retention and security, Registration of Land Charges and Private Sector Home Repairs Assistance policy.	The follow up in February 2018 found that the one medium priority recommendation was in progress and the policy update would be reported to Cabinet in June 2018. No evidence that this took place therefore further follow up to take place. Follow up being scheduled.		
Land Charges	19th October 2017	Legal Services	Moderate	The report found 1 high and 1 medium priority recommendation in relation to Reconciliation of payments and updating the local land charges register.	The follow up in February 2018 found both recommendations to have been satisfactorily implemented. No further follow up required.		
Environmental Waste	27th November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.	Follow up scheduled for the 2 nd October 2018.		
Payroll	14th February 2018	Finance	Moderate	Reported 1 'high' and 2 'medium' priority recommendations ; sickness reporting and pay, establishment and expense claims form	Follow up in May 2018 found that all recommendations had been implemented. No further follow-up required.		

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Records Management	5th January 2017	Corporate	Limited	Reported 5 high and 1 medium priority recommendations; implementation of the information security policy, inventory of IT equipment, retention and disposal schedule, confidential waste collection, storage of documents on the Orb and GCSx email accounts.	Being followed up as part of the 2018/19 GDPR audit.		
Worcestershire Regulatory Services	19th July 2018	WRS	Moderate	Reported 4 medium priority and 2 low priority recommendations; Risk assessment, Subsistence Fees, Outstanding Invoices, Inspections	Oct-18		
Benefits	30th July 2018	Revenues & Benefits	Significant	Reported 3 medium and 2 low priority recommendations; Overpayment, Write-Offs, Performance Information, Overpayment Classification and User Access Reviews	Jan-19		
end							

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INTERNAL AUDIT CHARTER UPDATE REPORT

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 Worcestershire Internal Audit Shared Service revised Internal Audit Charter (see appendix 1).

2. RECOMMENDATION

2.1 **The Committee is asked to APPROVE the revised Internal Audit Charter 2018.**

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”.

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Service / Operational Implications

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

3.4 A key element of the 2013 standards is having a fit for purpose Charter in place. As part of a recent external assessment it was recommended that certain areas could be enhanced in the Charter to achieve better clarity and transparency.

3.5 Audit Objectives

3.6 The objectives of the Worcestershire Internal Audit Shared Service are to:

examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Council and recommend arrangements to address weaknesses as appropriate;

examine, evaluate and report on arrangements to ensure compliance with legislation and the Council's objectives, policies and procedures;

examine, evaluate and report on procedures to check that the Council's assets and interests are adequately protected and effectively managed;

undertake independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation; and

advise upon the control and risk implications of new systems or other organisational changes.

3.7 Purpose of Internal Audit Charter.

3.8 WIASS operates an Internal Audit Charter setting out the standards to which it operates for this Council. It acts as a quality control measure defining and providing details in regard to the purpose, authority, and responsibility of the internal audit activity to those in governance.

3.9 The Charter was last reviewed in July 2017 and will continue to be updated to reflect changing requirements in respect of the Audit Service, Standards

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and external assessment. The updates contained in this version have been documented in the version control of the Charter (8.0).

3.10 Due to the continuing changing environment that exists in Local Government the Charter must be seen as a framework for Internal Audit working arrangements. Any changes required to the Charter which are of a material nature will be reported before Committee at an appropriate time. A copy of the Charter will be included annually with the Internal Audit Annual Report and Opinion.

4. RISK MANAGEMENT

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

- If the Charter is not approved the Internal Audit Shared Service would be forced to operate without an approved Charter which would be contrary to the Public Sector Internal Audit Standards 2013 leading to non compliance with the Standards.

5. APPENDICES

5.1 Appendix 1 ~ Worcestershire Internal Audit Shared Service Internal Audit Charter

6. BACKGROUND PAPERS

None.

7. Key

N/a

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APPENDIX 1



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 October 2018 and was approved by the Audit Standards & Governance Committee on

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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 will provide internal audit services to third parties under contractual arrangements.

Worcester City Council hosts the Shared Service provision under an on-going Administrative Collaborative Agreement. It is governed by a Client Officer Group (COG) 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. Mission and Definition

- 2.1 Mission:

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Additional information can be found on the local intranet site:

<https://staffroom.worcester.gov.uk/internal-audit>

- 2.2 Definition:

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:

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(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 the Partner in which the internal audit service is being provided.

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

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- 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 management¹, 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 management¹ have made proper provision for resources within the annual plan
 - management understands that the work being undertaken is not internal audit work.
- 3.4 IA's remit extends across the entire control environment of the organisation and is not limited to certain aspects or elements.
- 4. Responsibility of Management¹ 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

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- 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 relevant Head of Service and/or Section 151 Officer is briefed on any matter coming to the attention of internal audit, either through a review or otherwise, that could have a material impact on the finances, create an unacceptable risk or be fraudulent for 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 are to be reported in line with the anti-fraud and corruption policy. The most appropriate action/engagement of the relevant Head of Service will be determined by the HoWIASS depending on the circumstances.

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- 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 Management¹ 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 including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. Where there is a potential difference between strategy/plan and resource this is reported to the Board²;
 - 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 management¹ with challenges to consider

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depending on its 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 Board² 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 manager¹ 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 manager¹ prior to sending the draft audit report. The manager¹ 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.

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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 Board².

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 management¹. 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 organisation, circulation, audit scope and objectives, an audit opinion, an executive summary and an audit assurance rating as well as a clear indication of what action is required by management.

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 Management¹ 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 and reported on an exceptions basis.

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;

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- 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.
- 5.7 Escalation for late or non return of audit reports will be instigated when after two requests the reports have not been provided by management. The escalation will commence with the s151 Officer being informed of the late return. If the report remains outstanding then the Board² will be informed of the inaction with a view to them calling in the Officer to justify the late return.

6. 7 Principles of Public Life and how WIASS interprets and applies them.

1. Selflessness - protecting the public purse and ensuring all actions taken are solely in the public interest.

2. Integrity - completely independent and above undue bias or influence in the work that we do.

3. Objectivity – demonstrate impartiality and fairness in all aspects of our work and when reporting uses only the best evidence without discrimination or bias.

4. Accountability – provide transparency and assurance holding people to account in regard to decisions and actions and provide assurance to those in governance roles.

5. Openness – to promote and ensure through good governance that decisions are taken in an open and transparent manner and no information is withheld from the public unless there are clear and lawful reasons for so doing

6. Honesty – to provide independent assurance to those in governance of confirmation of truthfulness

7. Leadership – through the audit work actively promotes and robustly supports the principles and shows a willingness to challenge poor behaviour wherever it occurs.

For further information on the principles of public life:

<https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>

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7. Core Principles for Professional Practice and how WIASS interprets and applies them.

1. Demonstrates integrity:

WIASS works independently, without influence or undue bias. The audit plan is created so that there are no conflicts of interest between the officer and the audit. Potential conflicts of interest are formally checked annually with all members of the WIASS team. Areas of risk for WIASS are identified and mitigated. Potential areas of risk include, but are not limited to, auditors re-auditing Risk Management, NFI, and Regulatory Services in consecutive years and Services that they have transferred from. Officers that have conflicts of interest, or if they are / have been working in the area of audit, will not undertake any audits in the conflicting area for a minimum of three years, safeguarding the officers and WIASS' integrity. Further protection is in place by using randomly selected testing samples and a series of independent review stages. All audit working papers, reports and findings are reviewed and if necessary challenged before being issued to the client by either the Head of Service or Team Leader.

2. Demonstrates competence and due professional care:

All reports are reviewed and signed off by either the WIASS Head of Service or Team Leader both of which are highly qualified and governed by professional institution standards. Regular 1-2-1 meetings are held with each officer to ensure progress and personal development. An "open door" culture is adopted throughout WIASS allowing all team members to ask for assistance advice and support at any time. Training (both in-house and external) is available and is provided should it be deemed relevant and appropriate by Head of Worcestershire Internal Audit Shared Service (HoWIASS) / Team Leader.

3. Is objective and free from undue influence:

Independence and safeguarding is a key element of internal audit provision. All WIASS staff are vetted via the Basic Disclosure Check, as well as making a Declaration of Interest on an annual basis declaring any potential conflicts of interest with upcoming audit programme and the partners that WIASS work with. No auditor, who has transferred from a Service, will audit that Service for a minimum of three years. The Service is organisationally independent for all Partners. Although the HoWIASS reports directly to the s151 Officers of the Partner organisations the role has direct and unrestricted access to the senior management team and Committee Chair. The Client Officer Group, who governs the Service, meets on a quarterly basis and is made up of the Partner s151 Officers. They each have an equal vote and consider the strategic

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direction of the Service as well as progress and performance. Further independence and safeguard checks are reported throughout this Charter in the form of checks, actions and process.

4. Aligns with the strategies, objectives, and risks of the organisation:
The audit plan and it's content is discussed with Management¹and s151 Officers to ensure that risks are identified; appropriate processes, systems and strategies are tested and that areas of risk are monitored and mitigated. Corporate and service risk registers are used along with corporate knowledge and the promises and objectives. Five year plans are also considered as part of the risk profiling and plan definition.
5. Is appropriately positioned and adequately resourced:
As a shared service, WIASS is hosted by Worcester City Council, but audit allocations ensure a presence in all authorities that it serves across the year. Resources are monitored and tracked throughout the annual audit plan, with forecasting used as often as possible to prevent resources becoming too stretched resulting in reduced coverage. WIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management¹ and the Board² Chairs. Delegated powers are used should there be any resourcing issues.
6. Demonstrates quality and continuous improvement:
Continuous monitoring of the teams performance via trackers is conducted. Quarterly and annual reports are issued to committee and board members demonstrating trends in productivity and value. Individual reviews via 1-2-1 meetings are held monthly with the Team Leader, and include personal development plans for all team members. Improvements and changes will also be made using external assessment as well as internally generated client feedback forms. A self assessment will be completed each municipal year to further provide assurance of quality and improvement. The Service is working with partners to ensure that it continues to provide a 'fit for purpose' Service by developing techniques that will complement requirements, continue to add value and work in a changing environment e.g. critical friend reviews. There is a continuous desire to ensure that the Service changes and adopts best practice methods as identified by the professional institutions e.g. IIA, CIPFA.
7. Communicates effectively
Various forms of communication are adopted (verbal, written, diagram / graph) throughout the review process by all members of the WIASS team. Continued monitoring and improvements to the methodology are conducted,

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- making the report and testing documents clearer for all users. Findings are discussed verbally with management¹ prior to the issue of a formal report. Reports are issued to Officers and Committee¹ on a regular basis.
8. Provides risk-based assurance
The audit plans are risk based with reviews being classified from high to low risk. The review scope is risk based which drives the review without creating restrictions on the areas covered. All findings are rated high, medium or low risk. Risks associated with the findings are linked directly to the recommendation and the management action to mitigate it. The review risk is combined to create the overall assurance level of the audit, which will be presented to the client with explanation and reasoning in the form of a report.
9. Is insightful, proactive and future-focused
Insightful – where possible WIASS officers with relevant background experience will be assigned to conduct audits in similar fields. Continued monitoring of current “audit and fraud affairs” is distributed to all WIASS team members. A sharing of knowledge is encouraged in the Service and pre engagement research. Identification of best practice is shared amongst the authorities. Reports identify areas that are working well as well as those that require improvement. Reviews look for efficiencies and better ways of working.
Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.
Future-focused – The Service will scan the horizon for risks and issues that are emerging. Networking using, for example, the Midlands Audit Group is used to help inform the audit plans and consultancy assignments to provide information to the partners before it becomes a potential issue for them. Monitoring of the next generation initiatives from Central Government and having a team of auditors aware of the potential risks and impact along with environmental control issues will assist in adding value for our partners.
10. Promotes organisational improvement
Ethics and culture are key aspects to organisation improvement. WIASS reviews consider ethical and cultural aspects and the potential impact and associated risk. Liaison with s151 Officers, Senior Management Teams and governance boards where applicable to promote continuous organisational

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development. Audit Reports are issued to management¹ to ensure oversight of the organisation and areas of concern including common themes are looked at and improved on. High and Medium priority findings are followed up after a 3 or 6 month period respectively using an established methodology to ensure that potential risks are being mitigated and there is continuous improvement. Findings will be followed up until such time that they are satisfied. Follow up on findings will be documented and reported to Management, Heads of Service and or the appropriate s151 to give assurance of action and risk mitigation.

For further information please reference:

<https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Core-Principles-for-the-Professional-Practice-of-Internal-Auditing.aspx>

8. External Relationships

8.1 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.

- 8.2 Assurance will be accepted and reported from 3rd parties as long as WIASS can rely on their work and they are suitably qualified to carry out the assessment. The relevance of the work will also be a consideration in using a 3rd party certification e.g. IT integrity testing.
- 8.3 Where work is undertaken on a contractual basis assurance will be provided to 3rd parties outside of the partnership as appropriately agreed. The methodology applied to audit 3rd party organisations will be the same as the methodology used for the members of the partnership. All of the safeguards used to protect the integrity of the audits carried out for the partnership will

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be extended to 3rd parties as well and appropriate reporting protocols established as part of any contractual agreement. These will be established as part of the engagement with a clearly identified engagement officer and requirements. No contract will be entered into if it is considered that the independence or integrity of the Service will be compromised. If, during the delivery of a contract, it becomes apparent that there is undue influence being brought to bare and/or that the actions of the client is undermining the ethos of internal audit the HoWIASS will inform the Client Officer Group without delay so a strategic decision can be made to avoid any potential reputational damage or compromised independence. Any assurances provided to 3rd Parties will be based on the established internal methodology and the defined definitions of the different levels and priorities.

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

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Version Control:	Date of Change	Action	Updated by
1.0	2 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st 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	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 rd Parties Inclusion of 8.3, assurance to 3 rd Parties	HG, AB, HT

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WORK PROGRAMME 2018/19

11 October 2018

- Monitoring Officer's Report
- Sector Update
- Financial Savings Monitoring Report for April to June 2018
- Annual Audit Letter 2017/18
- Internal Audit – Progress Report
- Internal Audit Charter
- 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

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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