



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 10TH SEPTEMBER 2020
AT 6.00 P.M.

VIRTUAL MEETING - SKYPE - VIRTUAL

MEMBERS: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker (Vice-Chairman), S. J. Baxter, A. J. B. Beaumont, S. G. Hession, J. E. King, A. D. Kriss, C. J. Spencer, K. J. Van Der Plank and John Cypher (Parish Councils' Representative)

AGENDA

1. Apologies for Absence and Named Substitutes
2. Declarations of Interest and Whipping Arrangements

To invite Councillors to declare any Disclosable Pecuniary interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.
3. To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 22nd July 2020 (Pages 1 - 8)
4. Grant Thornton - Progress Report (Pages 9 - 26)
5. Internal Audit - Progress Report (Pages 27 - 46)
6. Internal Audit - Safeguarding Verbal Update Report
7. Internal Audit - Health and Safety Verbal Update Report
8. Risk Management Group Monitoring Update - Verbal Update Report
9. Risk Champion - Verbal Update Report (Councillor K. Van Der Plank)

10. Audit, Standards and Governance Committee Work Programme (Pages 47 - 48)

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

2nd September 2020

K. DICKS
Chief Executive

If you have any queries on this Agenda please contact
Jo Gresham

Parkside, Market Street, Bromsgrove, B61 8DA
Tel: (01527) 64252 (Extn.3031)
e.mail: joanne.gresham@bromsgroveandredditch.gov.uk

GUIDANCE ON VIRTUAL MEETINGS

Due to the current Covid-19 pandemic Bromsgrove District Council will be holding this meeting in accordance with the relevant legislative arrangements for remote meetings of a local authority. For more information please refer to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police Crime Panels meetings) (England and Wales) Regulations 2020.

Please note that this is a public meeting conducted remotely by Skype conferencing between invited participants and live streamed for general access via the Council's YouTube channel.

[Link to Audit, Standards and Governance Committee Meeting - 10th September 2020](#)

You are able to access the livestream of the meeting from the Committee Pages of the website, alongside the agenda for the meeting.

If you have any questions regarding the agenda or attached papers please do not hesitate to contact the officer named above.

Notes:

As referred to above, the virtual Skype meeting will be streamed live and accessible to view. Although this is a public meeting, there are circumstances when Council might have to move into closed session to consider exempt or confidential information. For agenda items that are exempt, the public are excluded and for any such items the live stream will be suspended and that part of the meeting will not be recorded.



INFORMATION FOR THE PUBLIC

Access to Information

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can attend all Council, Cabinet and Committee/Board meetings, except for any part of the meeting when the business would disclose confidential or “exempt” information.
- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council’s Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council’s Constitution

at www.bromsgrove.gov.uk

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

22ND JULY 2020, AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), S. J. Baxter, A. J. B. Beaumont, J. E. King, C. J. Spencer, K. J. Van Der Plank and Cypher (Parish Councils' Representative)

Officers: Mr. A. Bromage, Ms. J. Pickering, Mrs. C. Felton, Mr A. Bromage, Mr N. Preece (Grant Thornton), Ms. P Ross and Mrs. J. Gresham

1/20 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillor A. Kriss. Councillor P. Whittaker was unable to join the meeting due to technical issues, therefore submitted his apologies. Councillor S. Hession was not in attendance but no apologies were received.

2/20 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

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

3/20 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 5TH MARCH 2020**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 5th March 2020 were submitted.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meeting held on 5th March 2020 be approved as a correct record.

4/20 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the report and in doing so highlighted that the Parish Council complaints highlighted in the report were resolved and the District Complaints were managed locally. Members were informed that there had been a significant amount of productive cross-party working during the period of Covid-19 lockdown.

Agenda Item 3

Audit, Standards and Governance Committee
22nd July 2020

Members expressed that they deemed the virtual meetings a success and that officers had played an enormous part in that success. It was explained to Members that the number of meetings had increased and that most meetings were now successfully being held on a virtual platform.

There was a detailed discussion about the technology that was used by Members in order to access virtual meetings and what plans were being considered going forward to improve the accessibility for Members. The Head of Legal, Equalities and Democratic Services explained that there were various reasons as to why there had been some difficulties including: -

- Connectivity across the District
- IT equipment
- Delayed roll out of Microsoft Teams

Members were reassured that the roll out of Teams, alongside training and new IT equipment would aid the accessibility to virtual meetings for Members.

It was questioned as to why the Parish Council complaints were considered more onerous, as mentioned in the report and the Head of Legal, Equalities and Democratic Services clarified that it was due to the greater community engagement in Parish Council and lack of resource at Parish Council level.

The Chairman thanked the officers for all of their hard work in setting up the virtual meetings and welcomed the roll out of Microsoft Teams by the end of August 2020.

RESOLVED that the Monitoring Officer's report, be noted.

5/20

MODEL CODE OF CONDUCT

The Head of Legal, Equalities and Democratic Services presented the Model Code of Conduct and in doing so highlighted the following: -

- Members of the Audit, Standards and Governance Committee had already been involved and had done a significant amount of work on the Model Code of Conduct process
- Members were invited to make contributions to the consultation process in the area of 'Other Interests' and how they are recorded.

Members invited officers to attend a webinar for the Local Government Association in order to understand the discussions that were taking place and the Head of Legal, Equalities and Democratic Services expressed that she was keen to understand the thrust of the discussions that were taking place regarding that area of the Model Code of Conduct

The Chairman thought the current process had caused confusion as to what interest needed to be declared and that the former process was much more robust. Members agreed with this and acknowledged that this was the case however in order to avoid confusion and train Members where necessary might be a protracted process. There was agreement that declaration of interests was an area that needed clarification in the Model Code of Conduct.

RESOLVED that the Model Code of Conduct report, be noted.

6/20

REGULATION OF INVESTIGATORY POWERS ACT

The Executive Director, Finance and Resources introduced the Regulation of Investigatory Powers Act 2000 (RIPA) report and explained that this update was as a result of the change in legislation in 2018 advising that elected members should review the RIPA policy at least on an annual basis.

RESOLVED that

- a) The Council's RIP Policy as reviewed, be endorsed; and
- b) the update on RIPA activity be noted, described in the report.

7/20

GRANT THORNTON - BROMSGROVE DISTRICT COUNCIL AUDIT PLAN ADDENDUM - COVID 19

The Engagement Manager, Grant Thornton presented the Bromsgrove District Council District Council Audit Plan Addendum - Covid 19 report and explained that Covid-19 had a significant impact on the way Councils produce their accounts. It was explained that both the Engagement Manager for Grant Thornton and the Engagement Lead for Grant Thornton regularly met with the Executive Director, Finance and Resources and Head of Finance and Customer Services and were content that there was no detrimental effect on the Council's processes and controls in terms of finances.

Agenda Item 3

Audit, Standards and Governance Committee
22nd July 2020

The audit for the Final Statement of Accounts will begin in September which will still be in the required timescales.

It was explained to Members the processes that Grant Thornton had undertaken when carrying out remote audits. It had not been without challenges and sometimes took a longer amount of time in some instances and delays in responses. Grant Thornton are confident that an audit will be undertaken successfully in September but that it may take longer than in previous years.

Engagement Manager for Grant Thornton highlighted some National issues that may affect the Council. They were as follows: -

- Valuation of Property
- Pensions (in particular assets)

RESOLVED that the Bromsgrove District Council Audit Plan Addendum - Covid 19 be noted.

8/20

INTERNAL AUDIT - PROGRESS REPORT 2019/20 & 2020/21

The Head of Internal Audit Shared Service presented the Progress Report 2019/20 & 2020/21 to the Committee and in doing so, highlighted the following: -

- Progress Report 2019/20 & 2020/21 covered the audit plan 2019-2020 and Quarter 1 for 2020-2021
- 7 finalised reports (plus 2 further reports) had been completed
- There was a robust management plan was in place to ensure that all 'high priority' recommendations are completed and progress on implementation reported back to the Committee
- Audit work for 2019-2020 was mostly completed prior to Covid-19 lockdown
- Priority placed on Core Financials audit and picked up in Quarter 3

The Executive Director, Finance and Resources explained to Members that there had been six moderate or above audit assurances which was a marked improvement on the previous year and that this reflected the controls that had been put in place following recommendations made by the Audit team. Members agreed that it would be helpful to invite the Head of Service for Community Safety and Housing Services to the next meeting to discuss the 'high priority' recommendation regarding Safeguarding. Members requested more clarification on the

Agenda Item 3

Audit, Standards and Governance Committee
22nd July 2020

Safeguarding procedures and stated that it needed to be prioritised as an urgent issue. The Head of Internal Audit Shared Service also undertook to circulate an update on Safeguarding prior to the next meeting.

Members questioned the audit regarding the Health and Safety and it was agreed that the Health and Safety officer attend the next meeting of the Committee to provide an update on any key Health and Safety outstanding issues contained in the Progress Report 2019/20 & 2020/21.

RESOLVED that the Internal Audit - Progress Report 2019/20 & 2020/21 be noted.

9/20

INTERNAL AUDIT ANNUAL REPORT INCLUDING AUDIT OPINION 2019/20

The Head of the Internal Audit Shared Service presented Internal Audit Annual Report including Audit Opinion 2019/20 and noted that there was not a huge impact to the Audit Plan after Covid-19 lockdown and that there was an improved picture in terms of far fewer Limited Assurances. It was clarified in the Audit Opinion that the internal control arrangements in 2019-2020 were, by and large, effectively managed and the Council's corporate objectives were predominantly met.

RESOLVED that the Internal Audit Progress Report be noted.

10/20

FINANCIAL SAVINGS MONITORING REPORT FOR SEPTEMBER TO DECEMBER 2019

The Executive Director, Finance and Resources presented the Financial Savings Monitoring Report for September to December 2019 and in doing so introduced Mr. Forrester, the newly appointed Head of Finance and Customer Services. The Chairman congratulated Mr Forrester on his appointment. It was acknowledged that report was out of date and that later reports had not been presented to the Committee due to the Covid-19 lockdown.

It was confirmed to Members that significant savings had been made at the end of Quarter 2 of 2019-2020 and in addition to those further savings were made at the end of March 2020.

The Executive Director, Finance and Resources undertook to bring to the next meeting a report of the Financial Implications of Covid-19 which had previously been considered by Cabinet and the Overview and Scrutiny Board. Members were informed that Leisure was a service area

that had, so far, received no financial assistance from Central Government during the Covid-19 lockdown.

RESOLVED that the Financial Savings Monitoring Report for September to December 2019.

11/20

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR K. VAN DER PLANK)

Councillor K. Van der Plank provided the Committee with a verbal update, in her capacity as Risk Champion. The update focussed on the Council's response to the Covid-19 pandemic. The following was highlighted to Members: -

- How prepared were the Council for this emergency?
- How did the Council respond?
- How did the Council operate?

There were some very positive areas in the Council's response, which included daily emergency response meetings, identification of services areas which required increased staffing levels and redeployment of staff into priority areas.

Councillor K. Van der Plank provided feedback on some key areas including:

- Information Technology (IT)
- Human Resources (HR)
- Community Volunteering Response
- Financial Services and impact of Covid-19

It was recommended by the Risk Champion that an analysis of our response to the pandemic should be a priority and that the Deputy Chief Executive and the Civil Contingencies Manager be invited to the next meeting of the Committee to explain further the Council's response to the pandemic. The Chairman agreed that this was a good recommendation.

The Chairman thanked Councillor K. Van der Plank for her comprehensive update.

The Executive Director, Finance and Resources commented that the officers and Members response to the pandemic had been exceptional. Some Members expressed their disappointment at some of the

Agenda Item 3

Audit, Standards and Governance Committee
22nd July 2020

communications received and the lack of Member meetings early on in the pandemic but acknowledged that the officers had done a magnificent job in their response overall.

RESOLVED that the verbal update from the Risk Champion be noted.

12/20

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the Audit, Standards and Governance Committee's Work Programme for 2020/21.

RESOLVED that the Audit, Standards and Governance Committee's Work Programme for 2020/21, be updated to include the items discussed and agreed during the course of the meeting.

The meeting closed at 7.43 p.m.

Chairman

This page is intentionally left blank

GRANT THORNTON – Sector report and 2019/20 audit progress update

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

1. SUMMARY OF PROPOSALS

To present a sector update report from Grant Thornton relating to emerging public sector national issues and 2019/20 audit progress to date.

2. RECOMMENDATIONS

2.1 The Committee is asked to note updates as included in Appendix 1.

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

3.3 The report attached at Appendix 1 updates Members on the progress on the 2019/20 accounts work undertaken by Grant Thornton since the last Committee meeting. The 2019/20 Statement of Accounts was due to be published by 31st August 2020. Unfortunately due to the resources available and other working commitments this deadline has been missed with officers working to complete the accounts by mid September. Therefore the Audit will commence later in September. Officers are committed to delivering the formal accounts sign off and approval at the next meeting of this Committee in late November to meet the statutory deadline of

AUDIT STANDARDS AND GOVERNANCE COMMITTEE 10th SEPTEMBER 2020

30th November 2020. Members will be sent the draft accounts as soon as they are available.

- 3.4 In addition the appendix includes updates and links to Grant Thornton Publications in relation to issues that are relevant to Local Government at the current time. These mainly relate to the impact of Covid and how Councils can address the associated risks of financial implications and service delivery.
- 3.5 Officers are continuing to work with the auditors to ensure the Council meets its statutory financial obligations

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 - Grant Thornton Report

6. BACKGROUND PAPERS

None

7. KEY

N/A

AUTHOR OF REPORT

Name: Chris Forrester

E Mail: chris.forrester@bromsgroveandredditch.gov.uk

Tel: 01527 54252

Audit Progress Report and Sector Update

Bromsgrove District Council
Year ending 31 March 2020
Page 11
10 September 2020



Contents

Section	Page
Introduction	3
Progress at August 2020	4
Audit Deliverables	7
Sector Update	8

Introduction



Jackson Murray

Engagement Lead

T 0117 305 7859

E Jackson.Murray@uk.gt.com



Neil Preece

Engagement Manager

T: 0121 232 5292

E: neil.a.preece@uk.gt.com

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit, Governance & Standards 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.grantthornton.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.

Progress at August 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. In March we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We had initially planned to begin our work on your draft financial statements in early August, but this was put back to the beginning of September as the financial statements were not ready. On 27 August Officers notified us that they would not be able to prepare and publish the financial statements by 31 August as required by the amended regulations. We now plan to begin our audit work towards the end of September.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the end of November. However, given the delay to the start of our audit there is a significant risk that this timescale will not be achieved.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 5 March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. On 28 April we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan.

We aim to report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the end of November.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

Progress at August 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is underway. In response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021. We will report our findings to the Audit, Governance & Standards Committee in January 2021.

Meetings

We met with Finance Officers in May and July as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Covid-19 Update

Impact on working arrangements:

Following the government's announcement on Monday 16 March 2020 we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home.

We will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.

There may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of Covid-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations;
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment;
- impact on collectability of debt and assumptions made in bad debt provisions;
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed;
- disclosure of impact in Narrative Report;
- disclosure of critical judgements and material estimation uncertainties;
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation;
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion); and
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

The Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.

For principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.

IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit, Governance & Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p> <p>Note we issued an addendum to our Audit Plan in April 2020 following the Covid-19 pandemic.</p>	March 2020	Complete
<p>Audit Findings Report</p> <p>We aim to report the Audit Findings Report to the November Audit, Governance & Standards Committee.</p>	November 2020	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	November 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing 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 by clicking on the logos below:

Public Sector

Local
government

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



Guide for Audit and Risk Committees on Financial Reporting and Management during Covid-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the Covid-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to Covid-19.”

Page 21

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of Covid-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the Covid-19 outbreak, including on:

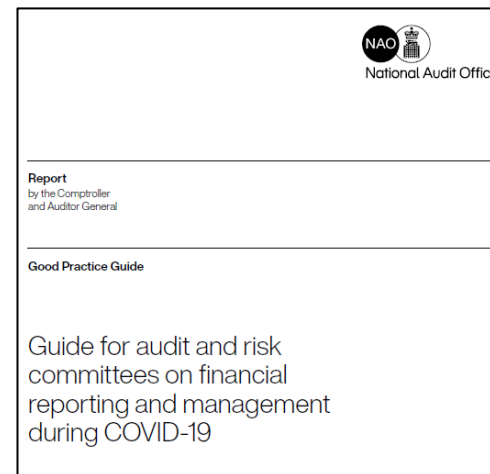
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

Public housebuilding. This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

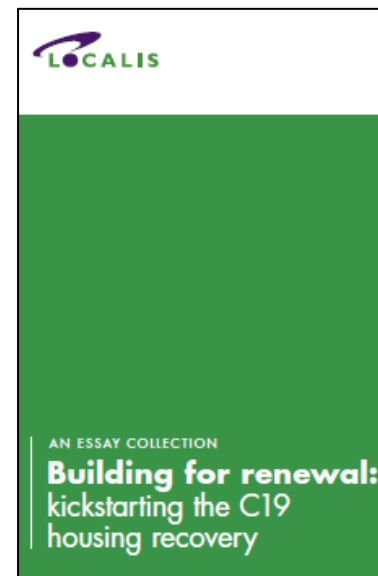
- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- **Putting key workers at the heart of the Housing strategy.** The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in Covid-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the Covid-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the Covid-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

© 2020 Grant Thornton UK LLP. Confidential and information only.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement. The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

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

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, Financial and Customer Services
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 for 2020/21.

2. RECOMMENDATIONS

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

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 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of 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 2020 to 31st July 2020 against the performance indicators agreed for the service.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

3.5 Summary Dashboard:

Total reviews planned for 2020/21 (originally):	13 (minimum)
Reviews finalised to date for 2020/21:	1
Assurance of 'moderate' or below:	1
Reviews currently awaiting final sign off:	0
Reviews ongoing:	6
Reviews to be completed (Q2 to Q4):	5
Number of 'High' Priority recommendations reported to date:	0
Satisfied 'High' priority recommendations to date:	0
Productivity:	50% (against targeted 74%)
Overall plan delivery to date:	14% (against target >90%)

One report has been finalised since the last sitting of the Committee and is reported in Appendix 3.

Follow Up reports that have been finalised since the last Committee sitting are reported in Appendix 4.

All 'limited' assurance reviews go before CMT for full consideration.

3.7 2020/21 AUDITS ONGOING AS AT 31st July 2020

One review that has been finalised since the last Committee sitting is:

- The Orb

No further reviews had progressed to clearance or draft report awaiting management sign off stage at the time of this report.

Audits progressing through the planning or testing stage included:

- Health and Safety
- Use of Agency and Consultants
- Markets
- Debtors
- Creditors
- Treasury Management

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.

A rolling testing programme on Debtors and Creditors is undertaken during quarters 2 and 3 inclusive. The rolling testing programme results will be amalgamated as at the end of quarter 3 and formal audit reports issued during quarter 4.

The 2020/21 plan reflects the delayed start and certain lesser risk reviews may need to be rolled to next years plan. Priority will be given to potentially higher risk areas e.g. limited assurance audits. As we return to the new normal the impact of restrictions of the

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

COVID-19 lockdown on the plan will be closely managed as the year progresses. The plan for 2020/21 will therefore remain very flexible but the core financial areas of the business will be considered and reported on and there is sufficient coverage for the Head of Internal Audit to provide an overall opinion. Committee will be regularly informed of developments throughout the year and any variations to the plan will be overseen by the Executive Director and s151 Officer.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.5 above.

Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans. The outcome of the follow up reviews will be reported in full from July 2020 onwards so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource in regard to follow up and reduce the number of revisits necessary to confirm the recommendations have been satisfied.

3.8 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31st July 2020 a total of 33 days had been delivered against a target of 230 days for 2020/21.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 5th March 2020 for 2020/21.

Appendix 3 provides copies of the reports that have been completed and final reports issued since the last sitting of Committee.

Appendix 4 provides the Committee with 'Follow Up' reports that have been undertaken to monitor audit recommendation implementation progress by management.

3.9 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:

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

- 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 overview.
- Investigations

3.10 **National Fraud Initiative**

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 for Bromsgrove District Council. An upload of Council Tax single person discount and Election data took place in January 2020 and was overseen by WIASS. A further substantial upload of data is due to take place between October 2020 and December 2020.

3.11 **Monitoring**

To ensure the delivery of the 2020/21 plan and any revision required 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 the revised plan for other systems which have been deemed to be 'high' and 'medium' risk. Due to changing circumstances and the impact of the COVID-19 pandemic a variation in the plan will be required. This will be agreed on a risk priority basis with the s151 Officer as the year progresses. With any adjustment to the plan there will remain comprehensive audit coverage for 2020/21.

3.12 **Quality Assurance Improvement Plan**

3.13 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) as published by the Institute of Internal Auditors. Further improvements were identified through the self assessment process which was carried out during August 2020 and will be reported to Committee.

3.14 **Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

- 3.15 WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards (as amended). 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.
- 3.16 WIASS confirms it acts independently in its role and provision of internal audit.

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 2020/21
Appendix	2 ~ Plan position and key performance indicators 2020/21
Appendix	3 ~ Finalised audit reports including definitions
Appendix	4 ~ Finalised 'follow-up' reports.

6. BACKGROUND PAPERS

Individual internal audit reports are held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Head of Internal Audit Shared Service,
Worcestershire Internal Audit Shared Service

Tel: 01905 722051

E Mail: andy.bromage@worcester.gov.uk

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

APPENDIX 1

Delivery against Internal Audit Plan for 2020/21 1st April 2020 to 31st July 2020

Audit Area	Original 2020/21 Total Planned Days	Forecasted days to the 30 th September 2020	Actual Days Used to the 31 st July 2020
Core Financial Systems (see note 1)	60	6	5
Corporate Audits	66	28	17
Other Systems Audits (see note 2)	68	35	3
SUB TOTAL	194	69	25
Audit Management Meetings	15	8	5
Corporate Meetings / Reading	5	3	1
Annual Plans, Reports and Committee Support	16	8	2
Other chargeable (see note 3)			
SUB TOTAL	36	19	8
TOTAL	230	88	33

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. A rolling programme has also been introduced for Debtors and Creditors to maximise coverage and sample size. The results will be reported during Q4.

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

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

* Where the forecasted days are less than the planned days for the year this reflects the adjustments that have been made to the plan during the year.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

APPENDIX 2

Audit Plan Position as at the 31st July 2020

Audit Area	Planned days 2020/21	Proposed Review	Current Position and indicative delivery date		Assurance
Accountancy & Finance Systems					
Debtors	9	Full	Brief issued	Q3/4	
Main Ledger/Budget monitoring/bank rec	10	Full	To commence	Q3/4	
Creditors	9	Full	Testing underway	Q3/4	
Treasury Management	6	Full	Brief issued	Q3	
Council Tax	8	Full	To commence	Q3/4	
Benefits	10	Full	To commence	Q3/4	
NNDR	8	Full	To commence	Q3/4	
SUB TOTAL	60				
Corporate					
IT	8	Full	To commence	Q4	
Risk Management	6	Critical Friend Support	To commence	Q1/ 4	
Health and Safety	7	Limited Focus	Testing underway	Q1/ 2	
Procurement	8	Full	To commence	Q4	
GDPR	8	Limited Focus	To commence	Q4	
Orb	9	Full	Finalised	Q1	Moderate
Use of Agency & Consultants	9	Full	Testing underway	Q2	
Projects	11	Critical Friend	To commence	Q4	
SUB TOTAL	66				
System / Management Arrangements					
Refuse Service Scalability	6	Limited Scope	To commence	Q4	
Markets	10	Limited Scope	Testing underway	Q2	
Worcester Regulatory Services	10	Limited Scope	To commence	Q4	
Advisory and Consultancy	10	Pull Down Budget	Q1 – Q4		N/a
Fraud and Investigations inc. NFI	10	Pull Down Budget	Q1 – Q4		N/a
Completion of prior years work	8	Pull Down Budget	Q1 – Q4		N/a
Report follow up	10	Pull Down Budget	Q1 – Q4		N/a
Statement of Internal Control	4	Pull Down Budget	Q1 – Q4		N/a
SUB TOTAL	68				
NOTE: (D) = Draft.					








AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 10th September 2020

General				
Audit Management Meetings	15	Pull Down Budget	Q1 – Q4	N/a
Corporate Meetings/Reading	5	Pull Down Budget	Q1 – Q4	N/a
Reports, Annual Plans and Committee Support	16	Pull Down Budget	Q1 – Q4	N/a
SUB TOTAL	36			
PLAN TOTAL	230			

Performance against Key Performance Indicators 2020-2021

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2020/21. 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	2020/21 Position (as at 31 st July 2020)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = Minimum 13 Delivered = 1		When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	14%		When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	50% (Q1 average)		When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to date (2019/20 = 9)		When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	1 (2019/20 = 7)		When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	Nil to report		When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	Nil returns to date		When Audit Committee convene

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

2020/21 Audit Reports.

Appendices A & B are indicated below and are applied to all reports. To save duplication these have been produced once, listed below for information.

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	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. 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.
Moderate Assurance	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 it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system. Follow up of high and medium priority recommendations only will be undertaken after 3 to 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Limited Assurance	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. Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
No Assurance	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. Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. 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.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

The Orb 2020/21

Thursday 27th August 2020

Distribution:

To: Head of Transformation
Communications and Marketing Manager
ICT Transformation manager
Web Developer
Senior Communications and Marketing Officer

CC: Chief Executive

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Contents

1. Introduction	12
2. Audit Scope and objective	13
3. Audit Opinion and Executive Summary	13
4. Detailed Findings and Recommendations	15
Independence and Ethics:	19
APPENDIX A.....	9
APPENDIX B.....	10

1. Introduction

The audit of the orb was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2020/21 as presented as Draft to the Audit, Governance and Standards Committee on 30th January 2020 awaiting approval due to Covid-19 and for Bromsgrove District Council as approved by the Audit, Standards and Governance Committee on 5th March 2020. The audit was a risk based systems audit of the orb as operated by Redditch Borough Council and Bromsgrove District Council.

- 1.1. This area of review covers the internal document and communication system which underpins the Governance of the Councils.
- 1.2. The following Strategic risks were relevant to this review:

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- ICT4 - Breach of Data Protection – disclosure of data / staff not aware of guidelines.
- COR13 - IT systems and infrastructure has a major failure.

1.3. This review was under during the months of May and June 2020.

2. Audit Scope and objective

2.1. This review has been undertaken to provide assurance that Redditch Borough Council and Bromsgrove District Council

- Have a communication hub for internal staff which is fit for purpose and is set at an appropriate level to provide a robust environment for information sharing.
- The Orb is a shared point system which is user friendly, relevant to the needs of the service areas and is fit for purpose.

2.2. The scope covered:

- The Orb system – (Framework, procedures and security)
- Documentation and use of the Orb.

2.3. This reviewed covered the orb system in its current state at the time of the audit taking place.

2.4. This review did not cover specific service areas such as IT, but did cover the orb as a whole.

3. Audit Opinion and Executive Summary

3.1. From the audit work carried out we have given an opinion of **moderate assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

- 3.2. We have given an opinion of **moderate assurance** in this area because the system of control is generally sound however some of the expected controls are not in place and are not operating effectively therefore increasing the risk that the system will not meet its objectives.
- 3.3. The review found the following areas of the system were working well:
- Microsoft shared point is a robust and tangible system with a lot of positive assets.
 - As the system is a Microsoft package, there is a tangible framework in place by Microsoft.
 - The oracle has been and is a positive tool for staff to gain notifications
 - My orb space is a good area for staff to customise their own space to add favourite links.
 - Corporate communications have been working well.
 - The layout for links to programmes such as HR21 has been an asset for staff to navigate through quickly.
- 3.4. The review took place during Covid-19 and due to this the auditor also found during the crisis the following worked well: -
- Oracle newsletters have been sent daily via email to staff.
 - A specific section named “Covid Announcements” was created on the orb to update staff that do not receive the oracle newsletter. .
- 3.5 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section Recommendation number	4
Ownership	Medium	1	
User Friendly	Medium	2	
Orb Communication	Low	3	

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action plan
New matters arising					
1	M	<p>Ownership</p> <p>The review found that there is no true ownership for the development of the orb and it is driven by services requirements rather than being driven by the needs of the Council as a whole.</p> <p>Testing of the Orb found:</p> <ul style="list-style-type: none"> • There are corporate areas that are empty • Policies are stored in various places • Documents have no dates to know how old they are or if they are out of date • There is no cleansing of the documents and therefore some are beyond their retention date <p>There is no corporate policy for the use of the Orb. There is only a</p>	<p>With no ownership of the Orb there is no drive to develop the system further leading to a shared area that is not fit for purpose has no corporate identity and becomes an out of date resource that is not fully utilised.</p>	<p>An assessment to be undertaken on whether a corporate steer is required to drive the orb forwards with a strategic action plan, to shape how the orb is to be used over the next several years.</p> <p>This needs to include exactly what the organisation wants a corporate shared area to achieve and how best to achieve this, especially with the introduction of a new windows platform and Microsoft packages. It should also allocate ownership for the delivery of any proposals.</p>	<p>Responsible Manager: -</p> <p>Head of Transformation, OD & Digital Services</p> <p>Senior Marketing & Communications Officer</p> <p>Implementation Date: - April 2021.</p> <p>An intranet strategy and action plan will be developed to outline the future direction of the ORB.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

		<p>mention within the ICT policy from a security perspective.</p> <p>There is no project or plan in place for the development of the orb. Although it is accepted and acknowledges by IT that there has been some natural development in the last 10 years of the orb being used.</p> <p>As the orb is the heart of the council for all internal staff to connect, there is a risk that the purpose of the orb is being lost.</p>			
2	M	<p>User friendly</p> <p>Testing found that employees rated the communications section of the Orb and found this both informative and useful. However in relation to the governance and other documentation held on the orb testing of 10 employees found:</p> <ul style="list-style-type: none"> • 7 stated the orb is not user friendly and they did not get on well with the current design of the homepage or corporate pages. • 7 stated the orb is too wordy and could do with a facelift to 	<p>Resource time used searching for documents, reputational damage if out of date policies are used and a live system that is underused.</p> <p>Employees are not having the correct platform to voice their opinions to help improve the system further.</p>	<p>Survey the staff in order to get a full understanding of their requirements in relation to a shared area for reference material and Governance Policies.</p> <p>The results should be built into the review above.</p>	<p>Responsible Manager: - IT Manager</p> <p>Implementation Date: - Feb 2021</p> <p>Create a user group of internet and intranet staff to look at out of date content and how it will be resolved by their departments. Members of this group to agree an action plan with their respective Head of Service if content is out of date. The content on the Intranet is the responsibility of each service area.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

		<p>enable users to quickly find information.</p> <ul style="list-style-type: none">• 7 found it difficult to navigate through the Orb website and find it difficult to locate information they seek to find. <p>In addition</p> <p>Search functionality : -</p> <ol style="list-style-type: none">1.) There are weaknesses within the SMART intelligence of the search functionality, instead of a defined search, the search engine pulls all information that may not be relevant to what the user has searched for, leading to the risk that the search option functionality is not fit for purpose.2.) When users conduct a search on the orb, it does not automatically put files in any type of date order and is not user friendly.3.) The search option will only pick up the file on a search if users know the exact file path or name of the file they are searching for.4.) No training was given to staff to allow staff to understand how to use the current search functionality fully.			<p>The Web Team will look at the site design and make the search more user friendly. Training will also be provided through the user group. N Perrett and N Chapman will be the lead officers for this work.</p>
--	--	---	--	--	--

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

		<p>Surveys: -</p> <p>The review identified that the authority has not undertaken a survey since the orb has gone live.</p>			<p>The Web Team will create a survey to address issues raised in this audit. N Perrett and J Carradine will be the lead officers for this work.</p>
3	L	<p>Orb communication</p> <p>Staff social communications -</p> <p>The staff social communication area on the orb was found to be a positive space for staff to be social about upcoming events.</p> <p>There is a small area of risk as there is no control in place to review a social post before submissions are made.</p>	<p>If there are no preventions put in place, there is a risk of reputational damage to the authority.</p>	<p>Although there is an onus on trust, a review to be undertaken to assess if a control needs to be introduced where social posts are reviewed and accepted before being posted, to keep a sound amount of monitoring in place, to avoid any potential negative outcomes.</p>	<p>Responsible Manager: - IT Manager</p> <p>Implementation Date: - Feb 2021</p> <p>ICT to review what 'Microsoft Teams' may offer as an alternative to this social space which would remove this risk.</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms with the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and are able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented in order to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Appendix 4

FOLLOW-UP REPORTS:

Safeguarding was being progressed at the time of reporting. There were no other finalised 'Follow-Up' reports to report since the last Committee sitting of the 22nd July 2020.

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

WORK PROGRAMME 2020/21

10 September 2020

- Grant Thornton - Progress Report
- Internal Audit – Progress Report
- Internal Audit - Safeguarding
- Internal Audit - Update on Health and Safety
- Risk Management Group Monitoring Verbal Update
- Risk Champion - Verbal Update Report (Councillor K. Van Der Plank)
- Audit, Standards and Governance Committee Work Programme

10 November 2020

- Standards Regime - Monitoring Officers' Report
- Statement of Accounts 2019/2020
- Grant Thornton – Audit Findings 2019/2020
- Grant Thornton - Progress Report
- Internal Audit Monitoring Report
- Housing Compliance Report
- Covid-19 Civil Contingencies Response
- Risk Management Group Monitoring Update
- Risk Champion - Verbal Update Report (Councillor K. Van Der Plank)
- Audit, Standards and Governance Committee Work Programme

Virtual Meetings 2020

- Annual Appointment of Risk Management Champion for the Committee
- ASG Work Programme
- Dispensations Report
- Final Statement of Accounts
- Treasury, Capital, and Investments Strategy
- Treasury Report Update (6 monthly)

This page is intentionally left blank