



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

TUESDAY 12TH APRIL 2022

AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker (Vice-Chairman), A. J. B. Beaumont, R. E. Jenkins, J. E. King, A. D. Kriss, M. Middleton, C. J. Spencer and K. J. Van Der Plank

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 2nd February 2022 (Pages 1 - 10)**
4. **Standards Regime - Monitoring Officers' Report (Pages 11 - 16)**
5. **New Model Code of Conduct (Pages 17 - 42)**
6. **Grant Thornton - Sector Update (Pages 43 - 56)**

7. **Grant Thornton - External Audit Plan 2020/2021** (Pages 57 - 88)
8. **Grant Thornton - Informing the Audit Risk Assessment 2020/21** (Pages 89 - 122)
9. **Overall Risk and Corporate Governance Report including Risk Register** (Pages 123 - 128)
10. **Internal Audit Progress Report** (Pages 129 - 178)
11. **Internal Audit - Safeguarding Verbal Update**
12. **Audit, Standards and Governance Committee - Draft Annual Report 2021-2022** (Pages 179 - 196)
13. **Risk Champion - Verbal Update Report** (Councillor A. Beaumont)
14. **Audit, Standards and Governance Committee Work Programme** (Pages 197 - 198)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

4th April 2022

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

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GUIDANCE ON FACE-TO-FACE MEETINGS

At the current time, seating at the meeting will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants.

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

GUIDANCE FOR ELECTED MEMBERS ATTENDING MEETINGS IN PERSON

Members and Officers who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who do not have access to LFTs are encouraged not to attend a Committee if they have any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Whilst the Council acknowledges that it is no longer a legal requirement to wear face masks, we would really appreciate if the Members who attend a meeting in person would consider wearing a face covering throughout the meeting unless they are exempt or speaking.

The meeting venue will be fully ventilated, and Members and officers may need to consider wearing appropriate clothing in order to remain comfortable during proceedings.

PUBLIC ATTENDANCE AT MEETINGS

Members of the public will be able to access the meeting if they wish to do so. Seating will be placed in such a way as to achieve as much space as possible for social distancing to help protect meeting participants. Whilst the Council acknowledges that it is no longer a legal requirement to wear face masks, it would be really appreciated if members of the public who attend a meeting in person would consider wearing a face covering throughout the meeting unless they are exempt or speaking. It should be noted that members of the public who choose to attend in person do so at their own risk.

Members of the public who still have access to lateral flow tests (LFTs) are encouraged to take a test on the day of the meeting. Meeting attendees who do not have access to LFTs are encouraged not to attend a Committee if they have any of the following common symptoms of Covid-19 on the day of the meeting; a high temperature, a new and continuous cough or a loss of smell and / or taste.

Notes:

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.



INFORMATION FOR THE PUBLIC

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- 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.
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- 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.
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- Meeting Agendas
- Meeting Minutes
- The Council's Constitution

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Audit, Standards and Governance Committee
2nd February 2022

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

WEDNESDAY, 2ND FEBRUARY 2022, AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), A. J. B. Beaumont,
J. E. King, A. D. Kriss and M. Middleton

Observers: Councillor G. N. Denaro, Portfolio Holder for Finance
and Enabling

Officers: Mrs. C. Felton, J Howse, Mr. A. Bromage and
Mrs. P. Ross

Also in attendance: Mr. N. Preece, Manager, Grant Thornton

24/21

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors R. E. Jenkins, C.
J. Spencer and P. J. Whittaker.

25/21

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

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

The Chairman suggested that the running order of the agenda be
altered, so that Agenda Item 7 – Decision to opt into the National
Scheme for Auditor Appointments Managed by the PSAA be presented
to the Committee as the last agenda item. Therefore, allowing the
representative from Grant Thornton the opportunity to remain in the
meeting for all other agenda items. Committee Members agreed with
this.

26/21

MINUTES

The minutes of the meeting of the Audit, Standards and Governance
Committee held on 7th October 2021 were submitted for consideration by
the Committee.

The Executive Director of Resources responded to Councillor A. D. Kriss with regard to the number of working audit days, and in doing so explained that there would be more multiple people from the audit team delivering against the Audit Plan, hence 284 working audit days.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meeting held on 7th October 2021 be approved as a correct record.

27/21

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Monitoring Officer presented her report and in doing so, the following was highlighted for Members' attention:

- There had been a number of Member complaints received since the last meeting of the Committee, all with a common theme.
- Member training was detailed at paragraphs 6.6 and 6.7 on page 12 of the report.
- New Model Code of Conduct, Monitoring Officers across the county have been working to agree a version, based on the LGA's Model Code of Conduct. This work was now largely completed and a full report with the proposed new Code would be presented at the Committee meeting scheduled for 10th March 2022, for Members' consideration.

The Monitoring Officer responded to the concerns raised with regard to Member safety, following on from the recent tragic death of Conservative MP Sir David Amess. Members were mindful that there was a lack of security at Council meetings, with doors being left open for public access.

The Monitoring Officer stated that this was a difficult issue as members of the public were permitted to attend public meetings. It was stated that Members needed to decide if they wanted to refer member safety to the Member Development Steering Group for consideration. The Monitoring Officer reiterated that there were a number of issues to take into consideration before restricting public access to public meetings.

It was noted that Members agreed to their concerns with regard to member safety at public meetings, being raised with the Member Development Steering Group.

Councillor G. N. Denaro, Portfolio Holder for Finance and Enabling, briefly informed the Committee, that volunteers were currently taking part in the Lone Working trial.

The Chairman commented that it was important that the Committee were made aware of the common theme in respect of Member complaints received, without the Monitoring Officer disclosing any specific details of the investigation. In response to the Chairman, the Monitoring Officer informed the Committee that there would come a point whereby she would be in a position to inform the Committee, but currently it was still forming part of her investigation.

RESOLVED that the Monitoring Officers' Report be noted.

28/21

GRANT THORNTON - SECTOR UPDATE

Mr. N. Preece, Manager, Grant Thornton presented Members with the Grant Thornton, Sector Report.

The report provided the Committee with a summary of emerging national issues and developments that may be relevant for local authorities.

In response to a question raised in respect of the comment shown on page 30 of the main agenda report "The commercial attractiveness to audit firms of auditing local authorities has declined". Mr. Preece highlighted that, as detailed on page 30 of the main agenda report; there was a growing complexity of local authority accounts, with audit firms now being asked to carry out more work in each audit, to comply with new regulatory demands and to adapt to the new multifaceted landscape in which local authorities operated, whilst also struggling to hire and retain experienced auditors; making the work quite challenging, which not everyone welcomed.

Mr. Preece further explained that there were 3 key areas:

1. The public sector was not as attractive as the private sector. Grant Thornton could recruit, local authorities could not.
2. Fees had been deflated, so were not acceptable to most audit firms.
3. There was an increased focus on the quality of public sector auditing, with a heightened degree of monitoring.

Mr. Preece responded to further questions regarding fees and in doing so, informed the Committee that, fees had been reduced very

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2nd February 2022

significantly during the last tender process (approximately 4 years ago). Nationally fees were driven down to a level that was not sustainable. Fees only increased due to the additional work required. The core fee had not really changed and needed to increase.

Mr. Preece further stated that a range of further pressures documented in the Redmond Report (as referred to on page 31 of the main agenda report), were also continuing to impact performance.

The Executive Director of Resources further added that it was absolutely a national trend. Bulk buying had driven down audit fees, which were now generally tens of thousands and were historically hundreds of thousands. The amount of work for external auditors to finalise local authority accounts has significantly increased, with added pressure on local authorities, as highlighted in the Redmond Report.

Further discussions were had on management capacity in local government, recruiting and retaining staff in local authorities and the broader sector, salary increases to retain good staff, agile working and graduate trainees. The impact of hybrid working, with people being able to work outside of London whilst earning a London salary, making it a far more competitive market.

The Chairman took the opportunity to express his thanks to Mr. Preece.

RESOLVED that the Sector Report update, as detailed at Appendix 1 to the report, be noted.

29/21

GRANT THORNTON - ANNUAL AUDIT LETTER 2019/20

Mr. N. Preece, Manager, Grant Thornton presented Members with the Grant Thornton, Annual Audit Letter 2019/20.

The Annual Audit Letter 2019/20 provided Members with a high-level summary and overview of the key findings arising from the work carried out for the year end 31st March 2020.

An unqualified opinion on the group's financial statements on 5th October 2021. There were significant delays to the financial statements audit for 2019/20 which led to the late sign off of the audit opinion, which Committee Members were aware of.

Members' attention was drawn to the Overall Value for Money conclusion, as detailed on page 53 of the main agenda report.

In response to a question raised on 'Risks identified in our audit plan, management override of internal controls; Mr. Preece highlighted that, as stated on page 51 of the main agenda report, that their work in this area did not identify any issues regarding journals, there was nothing untoward. Journals were used for correcting of mis-coding and correcting any wrong amounts entered.

In response to a question raised with regard to the need for auditors to improve the quality of audit challenge on PPE valuations across the sector, the Executive Director of Resources, assured Members that the 2021 period would see steps undertaken to improve in this area. It was confirmed that officers needed to ensure that we did have this information and that lots of work was being undertaken to make sure that the information was robust.

It was noted that the Recommendation on page 39 of the main agenda report should read as follows:

RESOLVED that the Committee (not Cabinet) note the Annual Audit Letter 2019/20, as detailed at Appendix 1 to the report.

30/21

INTERNAL AUDIT - PROGRESS REPORT

The Head of the Worcestershire Internal Audit Shared Service presented the Internal Audit Progress Report to Members, which provided commentary on Internal Audit's performance for the period 1st April to 31st December 2021, against the performance indicators agreed for the service and further information on other aspects of the service delivery.

The final full audit, as detailed at Appendix 3 to the report, were provided for the following reviews:

- Strategic Acquisitions
- General Data Protection Regulations (GDPR)
- Treasury Management
- Worcester Regulatory Services
- Benefits

Reviews that had commenced and at planning or testing stages included:

- Procurement
- Grants

- NNDR
- Council Tax

Members were informed that due to the implementation of the new financial system and an extended delay in providing audit with a 'read only' access profile the rolling testing programme that should have continued during Quarters 1 and 2 for Debtors and Creditors had been delayed.

One high priority audit area had been identified within the GDPR – Document Retention 2021/22, final audit report, as detailed on page 89 of the main agenda report. Officers were working closely to resolve this, and ICT resources had been targeted to deal with this issue. A further update to be provided at the next meeting of the Committee.

All recommendations before Members, have a clear management plan and implementation dates. Several implantation dates had not been reached; however, auditors would be going back to the relevant service areas to follow up on these actions. A further update would be provided at the next meeting of the Committee.

It was noted that whilst Worcestershire Regulatory Services (WRS) was hosted by Bromsgrove District Council, the final internal audit report had been shared with all WRS partner authorities.

Follow up reviews were an integral part of the audit process. There was a rolling programme of review that was undertaken to ensure that there was progress with the implementation of the agreed action plan.

Some Members raised concerns with regard to Safeguarding and the number of 'follow up' reviews that were taking place. It was emphasised that Safeguarding was important to everyone. It was highlighted that, as detailed on page 116 of the main agenda report, that there was a 3rd follow up report, with actions not being implemented and that a further follow up report was scheduled six months later. However, Members felt that this follow up report should be made a priority.

The Head of the Worcestershire Internal Audit Shared Service commented that Safeguarding was a sensitive area, an area of risk and a risk-based approach was taken. A further full audit would consider all areas within the District Audit Plan 2022/23, when compiling the plan, with actions or in actions being considered. The District Audit Plan 2022/23 would be presented to the Committee for scrutiny.

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Safeguarding was revisited on a number of occasions in order to satisfy auditors, who when revisiting an area, would check that all implementation dates had been addressed. Where there was a transition period, this could cause a delay and management would consider this as part of the roll out of any new systems.

The Head of Worcestershire Internal Audit Shared Service further stated that he would revisit this, to ensure that the requirement to reduce risk was undertaken and he would continue to review until satisfied and would endeavour to report back to Committee Members. The report before Members was a fully transparent report.

The Executive Director of Resources reassured Members that this was a very important issue and, he would remind the relevant Head of Service (HOS). We needed to ensure that at the next follow up review, if all of the actions had not been completed, Members could invite the HOS to the next meeting of the Committee.

The Chairman reiterated the concerns raised by some Members and queried whether the Council took these issues seriously and that the Corporate Management Team (CMT) should prioritise safeguarding, and that an organisation could not be run safely with these issues not being addressed. It appeared that there was somewhat of a disconnect between Internal Audit and the CMT and for such an important issue, CMT needed to work hand in hand with Internal Audit.

The Executive Director of Resources highlighted that he had noted the concerns raised and would feed these back to the CMT.

The Head of Worcestershire Internal Audit Shared Service further explained that Internal Audit were concerned as they liked to see implementation dates adhered to. Having to revisit service areas was not a good use of their resources.

Members were informed that follow up reviews were an integral part of the audit process. The outcomes of the follow up reviews were reported in full so that the risk exposure could be considered by the Committee. An escalation process involving CMT, and the Senior Management Team (SMT) was in place to ensure more effective use of resource regarding follow up visits to reduce the number of revisits necessary to confirm the recommendations had been satisfied.

In response to further questions with regard to the implementation of the new financial system and an extended delay to provide audit with a 'read

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only' access profile. Light touch audits were undertaken with auditors using their local knowledge. Auditors usually used a 'read only' profile, however this was not made available until December, so auditors experienced difficulty accessing information. However, they were able to use those particular local knowledge skills to run the audit.

Members were further informed that there was no additional cost to the Council for the additional resources needed.

RESOLVED that the Internal Audit Progress Report be noted.

31/21 **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR A. BEAUMONT)**

Councillor A. J. B. Beaumont briefly stated that there was currently no verbal update and that he would provide a verbal update at the next meeting of the Committee.

32/21 **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Democratic Services Officer undertook to update the work programme to include the items agreed during the course of the meeting.

RESOLVED that the Committee work programme be noted and updated.

33/21 **DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA**

Prior to the commencement of this item, Mr. N. Preece, Manager, Grant Thornton left the meeting.

Members considered a report on the 'Decision to opt into the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments' (PSSA) as the 'Appointing Person'

The Executive Director of Resources presented the report and in doing so explained that the Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

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PSAA was now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28.

The Council has the option of arranging its own procurement and to make the appointment itself, or it has the option of running a joint procurement in conjunction with other bodies, or the Council can join and take advantage of the national collective scheme administered by PSAA.

The Executive Director of Resources further drew Members' attention to paragraph 2.4 on page 60 of the main agenda report and the recommendation, as detailed on page 59 of the main agenda report.

The Chairman informed the Committee that all Worcestershire Audit Treasurers had agreed that the PSSA was the way forward.

Members further commented that it made sense.

The Executive Director of Resources commented that it was less commercially attractive due to the technical nature of local authority auditing and a reduction in fees over the years, the current fees were not sustainable. The PSSA would rank quality driven metrics and would run a procurement process. Most authorities would join a collective procurement.

Following further brief discussions and a brief adjournment (from 19:36pm to 19:38pm), it was

RECOMMENDED that

- a) Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that was to say from 2023/24 to 2027/28).

The meeting closed at 7.39 p.m.

Chairman

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Audit, Standards & Governance Committee 2022

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MONITORING OFFICER'S REPORT

Relevant Portfolio Holder		Councillor Geoff Denaro – Portfolio Holder for Finance and Enabling (including Governance)
Portfolio Holder Consulted		Yes
Relevant Head of Service		Yes
Report Author Claire Felton	Job Title: Head of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk	
Wards Affected		N/A
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		An Effective and Sustainable Council
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Audit, Standards and Governance Committee is asked to RESOLVE that:-

- 1) subject to Members' comments, the report be noted**

2. BACKGROUND

- 2.1 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 update provided at the meeting of the Committee in February 2022.
- 2.2 It has been 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.

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- 2.3 Any further updates arising after publication of this report, including any relevant standards issues raised by Parish Councils, will be reported verbally by Officers at the meeting.

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 It is important to ensure that the Council manages standards regime matters in an appropriate manner. The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 5.2 There are no specific climate change implications

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 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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Operational Implications

6.2 Member Complaints

Since the last meeting of the Committee, no complaints have been received. The complaint that was reported at the last meeting of the Committee is still 'live' and being investigated and is therefore ongoing.

The New Normal

6.4 Since 7th May 2021, elected Members have needed to attend formal Committee meetings in person. These rules do not apply to informal meetings, such as Scrutiny Task Groups or Member training and consequently a lot of informal and private meetings continue to take place remotely.

6.5 Throughout the pandemic a risk-assessed approach has been adopted by the Council when organising and holding committee meetings. Arrangements continue to be reviewed on a monthly basis, taking into account local case numbers and national rules. Group leaders are consulted on arrangements.

6.6 The Constitution Review Working Group met on 28th February 2022. Any recommendations arising from meetings of this group will be reported to Council for Members' consideration.

6.7 Member Development Steering Group are due to meeting at the end of March 2022 and any updates will be provided for at the next meeting of the Committee in July 2022.

7. RISK MANAGEMENT

7.1 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.

8. APPENDICES and BACKGROUND PAPERS

No appendices.

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Chapter 7 of the Localism Act 2011.

**Audit, Standards &
Governance Committee
2022**

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9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro – Portfolio Holder for Governance	1 st April 2022
Lead Director / Head of Service	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	25 th March 2022
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	25 th March 2022

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New Worcestershire-wide Member Code of Conduct

Relevant Portfolio Holder	Councillor Geoff Denaro – Portfolio Holder for Finance and Enabling
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Report Author	Job Title: Clare Flanagan Contact email:clare.flanagan@bromsgroveandredditch.gov.uk Contact Tel: 01527 534112 x3173
Wards Affected	n/a
Ward Councillor(s) consulted	n/a
Relevant Strategic Purpose(s)	n/a
Key Decision / Non-Key Decision n/a	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Committee is asked:

- 1) to review the Worcestershire-wide draft Code of Conduct at Appendix 1 and its appendices, and consider whether it recommends its adoption by the Council**

2. BACKGROUND

2.1 The Committee will recall from previous reports that the National Committee on Standards and Public Life carried out a review of the operation of the Standards Regime under the Localism Act 2011. The report on the implementation of the Committee’s recommendations and resulting changes to the Council’s arrangements for handling member complaints was considered by this committee on 24 November 2020.

2.2 In December 2020 the Local Government Association (LGA) published a model Code of Conduct as part of its work in supporting the sector to

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continue to aspire to high standards of leadership and performance. It was broadly similar to the current Worcestershire-wide Code. The main areas where it differed were:

- The LGA Code included detailed guidance to explain the reasons for obligations and how they should be followed
- It included a statement about a right to respectful behaviour from the public which is not referred to in the Worcestershire-wide Code
- It included an obligation to undertake Code of Conduct training provided by the local authority
- The value for registering gifts and hospitality is £50 compared to £15 in the Worcestershire Code
- There was more detail about registering and declaring **Other** Interests. The LGA Code states (in table 2) that Councillors have a personal interest in any business where it relates to or affects anybody of which a Councillor is in general control or management and to which they are nominated or appointed by the Council. This is in direct contrast to the current situation in the Worcestershire Code where appointment to an outside body by the Council does not automatically mean that an Other Interest should be declared.

2.2 The LGA Model was offered as a template and it was recognised that councils might either adopt it or make local amendments to it.

2.3 Members have previously expressed a preference for a Code of Conduct that applies to all councils across the County and at all tiers of local government, as is currently the case in Worcestershire and so resolved at its meeting on 11 March 2021 to refer the LGA Model Code to the Monitoring Officers across the County to consider the feedback from this and the other Standards Committees, and bring back a new pan-Worcestershire Code for consideration / adoption.

2.4 Attached at Appendix 1 is the draft Code of Conduct as proposed by the Monitoring Officers following their discussions. The changes and/or additions to the LGA Model Code are highlighted in the attached draft so that members can see what they are. There are a number of appendices, which support the core document. These are:

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- Appendix A: The Ten Principles of Public Life;
- Appendix B: Guide to Registerable Interests set out in
 - Table A – Disclosable Pecuniary Interests
 - Table B – Other Registerable Interests;
- Appendix C: Best Practice Recommendations
- Appendix D: to be read alongside:
 - ACAS Guide and
 - Guidance on The Public Sector Equalities Duty

This suite of documents comprises the proposed Code of Conduct. These are being referred to all of the local authorities across Worcestershire for consideration and adoption.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report.

4. LEGAL IMPLICATIONS

- 4.1 Under the Localism Act 2011, the Council is required to adopt a Code of Conduct, which it has. Following a review of the operation of the Standards regime under the Localism Act, carried out by the Committee for Standards in Public Life, the Local Government Association issued a new Model Code for adoption or local amendment.
- 4.2 Adoption by the Council will ensure compliance with the requirements of the Localism Act and the Code proposed here will meet members' requirement for a pan-Worcestershire Code of Conduct.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 n/a

Climate Change Implications

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5.2 n/a

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 n/a

Operational Implications

6.2 n/a

7. RISK MANAGEMENT

8. APPENDICES and BACKGROUND PAPERS

- Appendix 1 –Member Code of Conduct and supporting documents.

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro – Portfolio Holder for Finance and Enabling	Various
Lead Director / Head of Service	Claire Felton	Various
Financial Services	N/A	
Legal Services	Claire Felton	Various
Policy Team (if equalities implications apply)	n/a	

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Climate Change Officer (if climate change implications apply)	n/a	
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Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area, taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

The LGA Model Councillor Code of Conduct has been reviewed by councils across Worcestershire together with Hereford & Worcester Fire Authority and slightly amended to provide a pan-Worcestershire Code. The relevant Monitoring Officers will undertake further reviews of this Code should further significant changes be recommended by the LGA.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Ten Principles of Public Life](#), also known as the Nolan Principles. See Appendix A

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Where you act as a representative of the Council:

- (a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or
- (b) on any other body, you must, when acting for that other body, comply with the authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor **engaging in a political debate with other councillors** you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations, to personal attack.

The robust manner in which councillors engage with each other during political debate is not appropriate when engaging with local authority employees, employees and representatives of partner organisations and those volunteering for the local authority. As strategic leaders and employers, it is expected that councillors will set a positive example to staff by treating them with politeness and courtesy at all times.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any

conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services. **Councillors must not do anything that is likely to cause the Council to breach its public commitment to equality and fostering good relations with all communities.**

Appendix D sets out additional guidance that Councillors must read alongside this Code of Conduct.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would

undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

You must:

- (a) when reaching decisions on any matter have regard to any relevant advice provided to you by the Council's officers and in particular by the Monitoring Officer and Section 151 Officer; and**
- (b) give reasons for all decisions in accordance with any statutory requirement and any reasonable additional requirements imposed by the Council.**

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include information relating to ongoing negotiations or personal data relating to individuals.

With regards to personal data relating to individuals, you must not do anything that is likely to cause your authority to breach Data Protection law. You must seek to ensure you are familiar with how the Data Protection Act applies to your role in handling personal data through training, and if you are not sure you should seek advice from the Monitoring Officer.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

(a) act in accordance with the local authority's requirements.

(b) ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed; and

(c) have regard to any applicable Local Authority Code of Publicity during elections.

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You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think

that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least **£15** within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

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Appendices

Appendix A – The **Ten** Principles of Public Life

The principles are:

Selflessness – Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.

Honesty and Integrity – Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should, on all occasions, avoid the appearance of such behaviour.

Objectivity – Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

Accountability – Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

Openness – Members should be as open as possible about their actions and those of their Authority and should be prepared to give reasons for those actions.

Personal judgement – Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

Respect for others – Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.

Duty to uphold the Law – Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

Stewardship – Members should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

Leadership – Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register. **The Monitoring Officer may state on the register that the councillor has an interest the details of which are withheld.**

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. **If the interest has not already been recorded, notify the Monitoring Officer of the interest within 28 days beginning with the date of the meeting.** If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. [Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative or close associate; or
 - c. a financial interest or wellbeing of a body included under Other Registerable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. [Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the

	councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.

Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor's knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were
	spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class.

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You must register as an Other Registrable Interest :

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you not are **not** nominated or appointed by your authority
- c) any body
 - (i) exercising functions of a public nature
 - (ii) directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

Appendix C – the Committee on Standards in Public Life and Best Practice Recommendations

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

Best Practice Recommendations

As included in The Local Government Ethical Standards report. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

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Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

Appendix D

This Code of Conduct must be read alongside:

ACAS Guidance “If You’re Treated Unfairly at Work”

<https://www.acas.org.uk/if-youre-treated-unfairly-at-work/being-bullied>

Equality and Human Rights Commission – Public Sector Equality Duty Guidance

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Audit, Standards & Governance Committee 2022

12th April

GRANT THORNTON – SECTOR REPORT

Relevant Portfolio Holder		Councillor Geoff Denaro, Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		-
Relevant Head of Service		Peter Carpenter – Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Head of Finance and Customer Services Contact email: peter.carpenter@bromsgroveandredditch.gov.uk	
Wards Affected		All Wards
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		An effective and sustainable Council
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

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

2. BACKGROUND

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.

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Climate Change Implications

- 5.2 There are no Climate Change implications arising out of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no Equality and Diversity implications arising out of this report.

Operational Implications

- 6.2 The report attached at Appendix 1 updates Members on the progress on work undertaken by Grant Thornton since the last Committee meeting. It sets out key audit deliverables and a sector update which includes a number of matters that are relevant to Local Government. It is also important to note that the report details a new approach to the value for money element of the audit.

7. RISK MANAGEMENT

- 7.1 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.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 - Grant Thornton Sector Update Report

Audit, Standards & Governance Committee 2022

12th April

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro, Portfolio Holder for Finance and Governance	N/A
Lead Director / Head of Service	Peter Carpenter – Head of Finance and Customer Services	April 2022
Financial Services	Peter Carpenter – Head of Finance and Customer Services	April 2022
Legal Services	N/A	
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

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Bromsgrove District Council Sector Update

12 April 2022
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit, Standards & Governance Committee with a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit, Standards & 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.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.

Sector Update

Authorities 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

Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

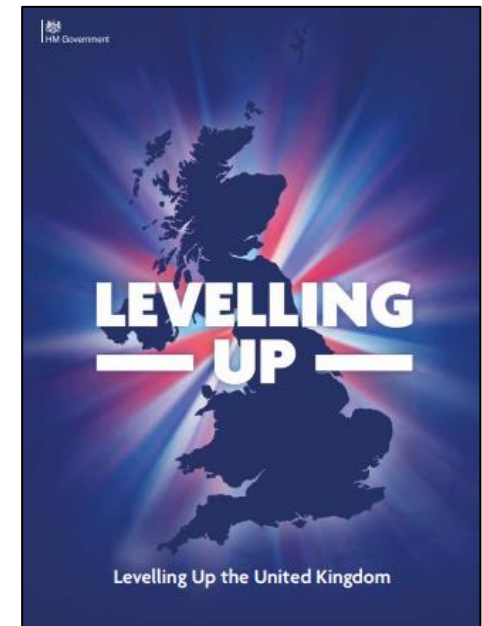
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)
(www.gov.uk)



Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation

2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

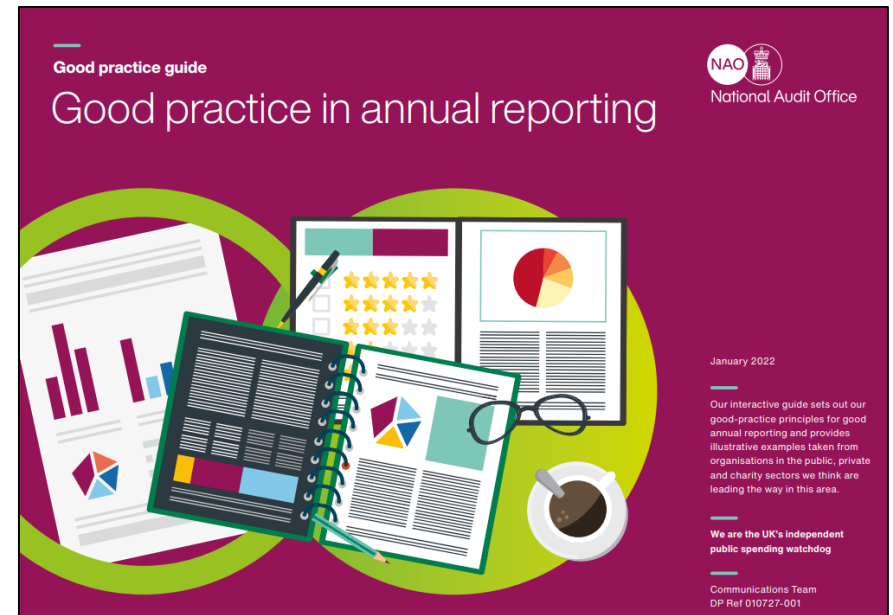
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

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Audit, Standards & Governance Committee 2022

12th April

GRANT THORNTON AUDIT PLAN 2020-2021

Relevant Portfolio Holder		Councillor Geoff Denaro, Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		-
Relevant Head of Service		Peter Carpenter – Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Head of Finance and Customer Services Contact email: peter.carpenter@bromsgroveandredditch.gov.uk	
Wards Affected		All Wards
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		An effective and sustainable Council
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

Members are asked to note and agree the 2020-2021 Audit Plan

2. BACKGROUND

3. FINANCIAL IMPLICATIONS

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £61,272.

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Audit, Standards & Governance Committee 2022

12th April

Relevant Strategic Purpose

- 5.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 5.2 There are no Climate Change implications arising out of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no Equality and Diversity implications arising out of this report.

Operational Implications

- 6.2 Attached at Appendix 1 is the 2020-2021 Audit Plan. The Plan sets out work that the Grant Thornton propose to undertake in relation to the Audit of the financial accounts for 2020-2021 and any risks that have will require additional review and consideration.
- 6.3 The Audit will include an understanding of the organisational operations together with issues that may impact on the Council in the future. This assessment results in the External Audit consideration of the risks associated with the accounts and the Appendix details the level of risk allocated to the services we provide.
- 6.4 The work by the Grant Thornton will enable a robust opinion to be made across all the internal control and accounting arrangements that the Council has in place. This includes full consideration of the Key Matters set out on pages 3 and 4 of the report.
- 6.5 The Auditors will also make an assessment of the Councils arrangements to secure value for money to include systems and processes to manage financial risks and improving efficiency. This will include an assessment of the recommendations in relation to the

Audit, Standards & Governance Committee 2022

12th April

reporting of financial information and monitoring to members and the delivery of savings and additional income.

7. RISK MANAGEMENT

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

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 - Annual Audit Plan 2020 - 2021

Audit, Standards & Governance Committee 2022

12th April

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro, Portfolio Holder for Finance and Governance	N/A
Lead Director / Head of Service	Peter Carpenter – Head of Finance and Customer Services	April 2022
Financial Services	Peter Carpenter – Head of Finance and Customer Services	April 2022
Legal Services	N/A	
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

Bromsgrove District Council audit plan

Year ending 31 March 2021



Contents



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 Significant risks identified
 Accounting estimates and related disclosures
 Other matters
 Progress against prior year recommendations
 Materiality
 Value for Money Arrangements
 Risks of significant VFM weaknesses
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Key matters

Factors

Financial Reporting

Our audit of the 2019/20 financial statements was not completed until 5 October 2021. As a result of the COVID-19 pandemic the statutory deadline had been extended to 30 November 2020.

The 2020/21 financial outturn was not reported to Cabinet until 24 November 2021. We would expect this report to be presented around three months after the year end, so in June or July 2021. The previous finance monitoring report, covering the period to Quarter 3 (December 2020), was presented on 31 March 2021, which is within the expected timeframe. As at March 2022 there has not been any reporting of the 2021/22 financial position.

The 2020/21 financial statements should have been published and presented for audit by 30 July 2021. As at March 2022 the financial statements have not been prepared, and we were expecting them to be prepared by the end of March or early April. We now understand there will be further delays until the end of May at the earliest.

There has therefore been a significant deterioration in the timeliness of financial reporting. The excessive delay in completing the audit of the 2019/20 financial statements, and in receiving draft 2020/21 statements, has potentially serious consequences. In its report "Local auditor reporting on local government in England", published on 8 July 2021, the House of Commons Committee of Public Accounts stated "If local authorities are to effectively recover from the pandemic, it is critical that citizens have the necessary assurances that their finances are in order and being managed in the correct manner." And "The Department [the Ministry of Housing, Communities & Local Government] considered that a local authority was in a stronger position to complete its budget setting process each Autumn if its auditors had already completed their audit of the previous year's accounts, as the audited accounts often formed the underlying basis for the budget setting process. The Department felt that audited accounts provided confidence, assurance and transparency for the budget setting process. It noted that there had been recent cases where an audit had revealed information that affected the value of a local authority's reserves and which had knock-on effects on future budgets."

PSAA reported that at the target date of 30 September 2021 only 9% of local government bodies' 2020/21 audits had been completed. The position compares to completion of 45% of 2019/20 audits and 57% of 2018/19 audits by the respective target dates of 30 November 2020 and 31 July 2019.

Our response

As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Executive Director of Resources.

We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.

Our 2019/20 Audit Findings Report made five recommendations for improvement. These were agreed with management, and an action plan presented to the Audit, Standards & Governance Committee as part of that report. We will monitor progress against these previously agreed recommendations.

The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the COVID-19 pandemic and we expect uncertainty may continue in 2020/21 valuations. We identified a significant risk in regards to the valuation of properties – refer to page 9.

Key matters (continued)

Factors

Our response

Staffing in the finance team

There are capacity issues, including systems knowledge shortages, within the finance team which has a number of vacancies. This has been exacerbated by unanticipated departures from some key roles and difficulties in recruiting. Whilst steps have and are being taken to respond to this challenge, including two national recruitment campaigns and the appointment of experienced permanent and temporary resource, more work needs to be done to secure a sustainable solution to ensure that the control environment is robust and the required skills and experience for accounts production are in place.

We identified a significant audit risk relating to the finance team capacity. Please refer to page 8.

New financial ledger

The Corporate Peer Challenge Action Plan, reported to Members in October 2018, set out that “The business case for the Enterprise System has been approved by both Councils. Implementation by October 2019”. Delays in implementing the new system led to “Go Live” being delayed from October 2019 to February 2021. As at March 2022 there are still issues with implementing the new system and it is still not functioning as fully as planned.

We identified a significant audit risk relating to implementation of the new financial ledger and the data migration to the new ledger. Please refer to page 8. Our IT auditors will review the Council’s process for ensuring the data migration was complete and accurate and the IT General Controls in place around the new financial ledger.

Impact of COVID-19 pandemic

The Council had to adapt service provision and also saw significant impact on various income streams as a result of the pandemic. However, various sources of government funding have offset this. The Council has invested in improved technology for Officers, which has made communicating with others while working from home easier.

We will consider the accounting treatment of COVID-19 funding and ensure that this has been appropriately reflected within the Council’s financial statements.

Alongside “business as usual”, the Council administered significant values of Government grant schemes to businesses in 2020, and also distributed the Council Tax Hardship Funding received from Central Government. Accounting for this increased expenditure, and specifically the multitude of Government grants received in year, will require the Council to consider each funding stream separately.

We will continue to provide you with sector updates via our updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Standards & Governance Committee).

We are also responsible for undertaking sufficient work to be able to satisfy ourselves as to whether, in our view, the Council has put arrangements in place that support the achievement of value for money.

The audit of the financial statements does not relieve management or the Audit, Standards & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Bromsgrove Arts Development Trust.

Significant risks

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

- Management over-ride of controls;
- Valuation of land and buildings;
- Valuation of the pension fund net liability;
- Staffing within the finance department; and
- New financial ledger implementation.

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

Materiality

We have determined planning materiality to be £0.940m (PY £0.904m) for the group and £0.900m (PY £0.900m) for the Council, which equates to 2% of your prior year gross expenditure. 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 £45k (PY £45k).

Introduction and headlines (continued)

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

Value for Money arrangements

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

- Medium Tern Financial Plan and Financial Sustainability;
- Risk management;
- Performance management reporting; and
- How the Council measures benefits realisation from commissioned or procured services.

Audit logistics

Our interim visit took place in January / February 2022 and we currently envisage that our final visit will take place from July 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit at the planning stage is £61,272 (PY: £64,734), subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Group audit scope and risk assessment

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Bromsgrove District Council	Yes	Audit of the financial information of the component using component materiality	See pages 8-11.	Full scope audit performed by Grant Thornton UK LLP
Bromsgrove Arts Development Trust (Artrix)	No	Specified audit procedures relating to significant risks of material misstatement of the group financial statements	Valuation of Artrix building	Specified audit procedures relating to the likely significant risks of material misstatement of the group financial statements

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Group & Council	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition; opportunities to manipulate revenue recognition are very limited; and the culture and ethical frameworks of local authorities, including Bromsgrove District Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Bromsgrove District Council. Group revenues are not materially different to Council revenues and hence the same rebuttal applies.</p>
Fraudulent expenditure recognition (rebutted)	Group & Council	Practice Note 10 states that as most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.	<p>We have rebutted this risk for Bromsgrove District Council because:</p> <ul style="list-style-type: none"> expenditure is primarily related to employee costs; and there is a lack of incentive to manipulate financial results. <p>We therefore do not consider this to be a significant risk for Bromsgrove District Council.</p> <p>We will continue to review material expenditure transactions as part of our audit ensuring that it remains appropriate to rebut the risk of expenditure recognition for Bromsgrove District Council. Group expenditure is not materially different to Council expenditure and hence the same rebuttal applies.</p>
Finance team capacity	Council	The finance team has a number of vacancies which mean it is not currently in a sustainable position. The draft financial statements for 2020/21 have yet to be produced and there is also a risk that this adversely impacts upon the control environment.	<p>We will:</p> <ul style="list-style-type: none"> keep in regular contact with senior officers to closely monitor the staffing levels and capacity in the finance department, including the arrangements put in place to address the situation; and consider findings from internal audit reviews and the impact that these may have on our audit approach.
New financial ledger implementation	Council	The new financial ledger was implemented in February 2021. As at March 2022 there are still issues with implementing the new system and it is still not functioning as fully as planned.	Our IT auditors will review the Council's process for ensuring the data migration was complete and accurate and the IT General Controls in place around the new financial ledger.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Council	<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 have also considered the impact of COVID-19 on the risks of and opportunities for management override of controls and we are satisfied that opportunities have not been increased.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	Group and Council	<p>The Council and group revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>As a result of the impact of COVID-19 the 2019/20 financial statements were subject to a material uncertainty in regard to property valuations. As the pandemic is ongoing there remains an increased level of uncertainty that we will reflect in our work.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they have been input correctly into the Council's asset register; • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • ensure that any RICS guidance in relation to material uncertainty around property valuations has been considered by the valuer and is appropriately reflected in the financial statements.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Worcestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified one recommendation in our 2019/20 audit in relation to the Council's estimation process for the valuation of land and buildings.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- how management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- how the entity's risk management process identifies and addresses risks relating to accounting estimates;
- the entity's information system as it relates to accounting estimates;
- the entity's control activities in relation to accounting estimates; and
- how management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Standards & Governance Committee members:

- understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- evaluate how management made the accounting estimates?



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Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings;
- Depreciation;
- Valuation of defined benefit net pension fund liabilities;
- Fair value estimates (inc Surplus Assets); and
- Accruals & provisions (if material).

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- all accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate; and
- there are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

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how management understands the degree of estimation uncertainty related to each accounting estimate; and

how management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- what the assumptions and uncertainties are;
- how sensitive the assets and liabilities are to those assumptions, and why;
- the expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- an explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have prepared and agreed with management a separate document (Informing the audit risk assessment 2020-21) that is being presented to the Audit, Standards & Governance Committee alongside this audit plan.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; or
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

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Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:



- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).


PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 20).

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in five recommendations being reported in our 2019/20 Audit Findings Report. We have followed up on the implementation of our recommendations and all of them are still to be addressed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 75  High		<p>Statement of Accounts production</p> <p>The Council did not publish pre-audit financial statements until 18 September, nearly three weeks after the deadline. With the Covid-19 pandemic ongoing it appears increasingly likely that the production of the 2021/22 financial statements will be impacted.</p> <p>Recommendation</p> <p>The Finance Team needs to ensure that robust arrangements are put in place to ensure that the financial statements are produced by the deadline, and that more time is available for review of the financial statements before they are published to reduce the number of typographical errors and amendments needed to better comply with the Code requirements.</p> <p>Management response</p> <p>The impact of Covid-19 in tandem with the launch of the new Enterprise Resource Planning system and day to day business of the Council stretched the resources of the finance team. Moving forwards management intends to increase the amount of resource available for year end tasks and processes and fully utilise the new system and as such is confident that year end will improve going forwards.</p>	<p>As noted on page 3, the 2020/21 financial statements should have been published and presented for audit by 30 July 2021. As at February 2022 the financial statements have not been prepared, and we now expect them to be completed by the end of March or early April.</p> <p>The situation has therefore deteriorated significantly from financial statements being prepared three weeks late in 2019/20 to an expected eight months in 2020/21.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p data-bbox="190 459 235 497"></p> <p data-bbox="183 517 241 544">High</p> <p data-bbox="383 456 405 480">x</p>	<p data-bbox="499 448 965 475">Quality of working papers and responses</p> <p data-bbox="499 488 1283 715">This is the third year that we have made a recommendation in relation to the quality of working papers and responses to audit questions. The quality of working papers this year has not improved. While some of this is related to the challenges of Covid-19, most of the issues relate to lack of attention to detail, superficial explanations, and providing inaccurate or incomplete information. There is a direct cost to the Council of this – both internally through engaging contractors to support the audit, and externally through additional audit fees.</p> <p data-bbox="499 770 696 794">Recommendation</p> <p data-bbox="499 810 1279 890">The Finance Team needs to properly address the recommendations made in previous years and to ensure that responses to audit questions are “right first time”.</p> <p data-bbox="499 906 757 930">Management response</p> <p data-bbox="499 946 1283 1257">The Council acknowledges that the quality of working papers has led to a number of difficulties this year end, as with previous year ends, for the closure of the accounts and audit process. Covid-19 has driven some of this as officers were unable to sit down with auditors to go through working papers to explain them which can often resolve issues. Aside from this an old ledger system which was not fit for purpose made date extraction hard to support sampling and robust working papers. A new system has now gone live and it is anticipated that this will improve the quality of working papers in coming years. Additional resource will also need to be deployed in this area to ensure a smooth year end process next year.</p>	<p data-bbox="1305 456 2074 512">As the 2020/21 financial statements have not yet been prepared we are unable to comment on the quality of the supporting working papers.</p>


Progress against prior year audit recommendations

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>● Medium</p>	<p>✘ Fully depreciated assets</p> <p>The Fixed Asset Register shows over £5.6m of fully depreciated Vehicles, Plant & Equipment. We asked Management to consider whether these should be written out (they are no longer used) or prove they are still in existence and in use. Management have advised that they are still in use. We would therefore ask Management to reconsider their useful lives as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.</p> <p>Recommendation</p> <p>Management should reconsider the useful lives of these assets as, if the assets are fully depreciated but still in use, they would not appear to be appropriate.</p> <p>Management response</p> <p>Management will undertake a review of these assets as part of the closedown next year and determine an appropriate course of action as a result.</p>	<p>As the 2020/21 closedown process has not yet begun we are unable to comment on this recommendation.</p>
<p>● Medium</p>	<p>✘ Property, Plant and Equipment valuations</p> <p>This is a major focus of our work, and will continue to be so in 2020/21. Our work this year took an excessively long time to complete – both for auditors and officers. The amount of time needed to complete this aspect of our audit is not sustainable.</p> <p>Recommendation</p> <p>Management needs to:</p> <ol style="list-style-type: none"> 1) Ensure previous years valuation reports are readily available. 2) Ensure that a Letter of Engagement is agreed with the valuer, clearly setting out the requirements and expectations. 3) Ensure that evidence to support the floor area of revalued buildings is retained and readily available. 4) Conduct a review of assets not revalued in year to determine whether they continue to be fairly stated. <p>Management response</p> <p>This was a particularly challenging area of the audit this year, in part due to the increased demands by the regulator. In addition to this, it was determined during the audit that the Council did not hold detailed records of assets owned. As a result the external valuer was required to supply this information such as floor areas. Moving forwards the Council will use the external valuers as a “first port of call” on all valuation and assets queries to allow for a smoother audit process rather than trying to do this internally.</p>	<p>The Council has yet to receive valuations for property as at 31 March 2021. Regardless of the challenges around the new financial ledger, as this work is conducted by expert valuers, external to the Council, we would have expected this to be have been completed in a timely manner.</p>

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Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p data-bbox="190 454 235 494"></p> <p data-bbox="380 454 414 486">x</p> <p data-bbox="168 518 257 542">Medium</p>	<p data-bbox="504 446 851 470">Annual Governance Statement</p> <p data-bbox="504 486 1276 598">Our work on the Annual Governance Statement identified a significant number of typographical errors, referring to the wrong Committee, not referring to the CIPFA / SOLACE requirements, and saying nothing about the "Significant Governance Issues".</p> <p data-bbox="504 654 705 678">Recommendation</p> <p data-bbox="504 694 1288 805">Management needs to ensure that the Annual Governance Statement complies with the CIPFA / SOLACE requirements. In particular referring to the S.151 Officer responsibilities and ensuring that "Significant Governance Issues" are appropriately explained.</p> <p data-bbox="504 821 761 845">Management response</p> <p data-bbox="504 861 1220 909">Management agreed with the feedback from auditors and amended accordingly and this will be reflected in future sets of accounts.</p>	<p data-bbox="1310 454 2139 510">As the 2020/21 Annual Governance Statement has yet to be prepared we are unable to provide an update on this recommendation.</p>

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.940m (PY £0.904m) for the group and £0.900m (PY £0.900m) for the Council, which equates to 2% of your gross expenditure for the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision. We deem senior officer remuneration as a specific sensitive area for users of the accounts and have applied a lower threshold of materiality of 2% of earnings disclosed in the remuneration disclosure, which in 2019/20 was £7k.

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

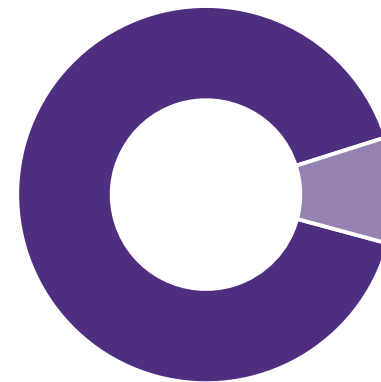
Matters we will report to the Audit, Standards & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Standards & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £45k (PY £45k).

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

Prior year gross operating costs

£47.0m group
£45.6m Council



■ Prior year gross operating costs

Materiality



Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table overleaf.

Risks of significant weakness

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

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Financial Sustainability

How robust is the Medium Term Financial Plan (MTFP) and how well developed are savings plans?

The Medium Term Financial Plan 2021/22 – 2023/24 presented to Cabinet on 17 February 2021 sets out in the proposed use of £300k reserves that are no longer needed to help balance the budget for 2021/22. The MTFP also includes "Savings and Additional income" of £426k in 2021/22; £474k in 2022/23 and £405k in 2023/24. Even with those savings, further use of balances of £1,099k will be required in 2022/23 and £1,472k in 2023/24. At 31 March 2024 general balances are forecast to be £1,735k, compared to a target of £2,000k.

To address this risk we will:

- review the MTFP which Cabinet approved in February 2021 and select a sample of savings or income generation schemes to test in order to obtain assurance that they are robust and realistic;
- monitor the progress made to identify non priority areas and to begin to disinvest in those areas; and
- review the longer term plan to bridge the structural deficit.



Risk Management

How the Council monitors and assesses risk.

An Internal Audit report from June 2019 identified significant weaknesses in risk management arrangements. The Council engaged external experts (Zurich) to build on this report, and reported the findings to the Audit, Standards & Governance Committee in October 2019. Since that date there have not been any formal update reports to Members, nor has a corporate risk register been presented. Members are therefore not provided with appropriate assurance over effective risk management and whether the issues raised by Internal Audit and Zurich have been addressed.

To address this risk we will:

- review the arrangements in place to ensure that Members are provided with appropriate risk management information in order for them to obtain assurance over the processes and to make informed decisions.

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Risks of significant VFM weaknesses

Risks of significant weakness

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



Performance information reporting

How financial and performance information has been used to assess performance to identify areas for improvement.

During 2017/2018 the Council began presenting a “Corporate Performance Report”, presented to Cabinet on a regular basis. In our Audit Findings Report for the year we commented “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.”

The last such report was 30 May 2018 which pre-dates the COVID-19 pandemic by around two years. It is now nearly four years since a Corporate Performance Report was presented.

To address this risk we will:

- review how the Council is reporting performance to Members, or making information available to them on an ongoing basis in order for them to obtain assurance over the processes and to make informed decisions.



Benefits realisation

How the Council assesses whether it is realising the expected benefits from outsourcing and procurement.

We have not seen any evidence on how the benefits realisation of projects is measured. We have therefore assessed this as a risk of significant weakness.

To address this risk we will:

- review the arrangements in place for how the Council measures benefits realisation from commissioned or procured services.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as ‘key recommendations’.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body’s arrangements

Audit logistics and team



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Jackson Murray, Key Audit Partner

Jackson's role will be to lead our relationship with you and take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



Neil Preece, Audit Manager

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



Cathy Smith, Audit Incharge

Cathy's role will be to have day to day responsibility for the running of the audit and first point of contact.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

In 2017, PSAA awarded a contract of audit for Bromsgrove District Council to begin with effect from 2018/19. The fee agreed in the contract was £37,484. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 20, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £61,272 (63%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Executive Director Resources.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Bromsgrove District Council Audit	£45,484	£64,734	£61,272

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements; and
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA		£37,484
<i>Ongoing increases to scale fee first identified in 2019/20</i>		
Raising the bar/regulatory factors	£2,000	
Enhanced audit procedures for Property, Plant and Equipment	£2,000	
Enhanced audit procedures for Pensions	£1,750	
PSAA inflationary uplift	£1,438	
		£7,188
Revised base audit fee 2019/20		£44,672
<i>New issues for 2020/21</i>		
Additional work on Value for Money (VfM) under new NAO Code	£9,000	
Increased audit requirements of revised ISA 540 (Estimates)	£2,100	
Additional work relating to journals and COVID-19 grants	£3,000	
Additional work on new ledger system	£2,500	
<i>Proposed increase to base 2019/20 fee</i>		£16,600
Total audit fees (excluding VAT)		£61,272

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

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

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing benefit subsidy claim	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £61,272 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

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Audit, Standards & Governance Committee 2022

12th April

GRANT THORNTON – INFORMING THE RISK ASSESSMENT 2020-2021

Relevant Portfolio Holder		Councillor Geoff Denaro, Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		-
Relevant Head of Service		Peter Carpenter – Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Head of Finance and Customer Services Contact email: peter.carpenter@bromsgroveandredditch.gov.uk	
Wards Affected		All Wards
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		An effective and sustainable Council
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Committee is asked to note the report and management responses and comment on if those responses are consistent with their understanding on the control regime at the Council.

2. BACKGROUND

3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

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

5. STRATEGIC PURPOSES - IMPLICATIONS

Audit, Standards & Governance Committee 2022

12th April

Relevant Strategic Purpose

- 5.1 The issues detailed in this report help to ensure that there is an effective and sustainable Council.

Climate Change Implications

- 5.2 There are no Climate Change implications arising out of this report.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 There are no Equality and Diversity implications arising out of this report.

Operational Implications

- 6.2 This report includes a series of questions on each of these areas and the response that Grant Thornton have received from Bromsgrove Council's management. The Audit, Standards and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

7. RISK MANAGEMENT

- 7.1 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.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 – Grant Thornton Informing the Risk Assessment report for 2020-2021

Audit, Standards & Governance Committee 2022

12th April

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro, Portfolio Holder for Finance and Governance	N/A
Lead Director / Head of Service	Peter Carpenter – Head of Finance and Customer Services	April 2022
Financial Services	Peter Carpenter – Head of Finance and Customer Services	April 2022
Legal Services	N/A	
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

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Informing the audit risk assessment for Bromsgrove District Council

2020/21

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Jackson Murray
Director
T 0117 305 7859
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Agenda Item 8

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

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Bromsgrove District Council's external auditors and Bromsgrove District Council's Audit, Standards and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Standards and Governance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Standards and Governance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit, Standards and Governance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit, Standards and Governance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Standards and Governance Committee and supports the Audit, Standards and Governance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management;
- Fraud;
- Laws and Regulations;
- Related Parties; and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Bromsgrove District Council's management. The Audit, Standards and Governance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	The key issues that will impact the financial statements for 2020/21 can be split between external and internal. The external impact will be determining the accounting requirements for IFRS 16 and the increased audit scrutiny with regards to fixed assets. Internally, the implementation of the new ERP system has now been completed, so it will be a learning process to ensure that working papers created meet audit requirements. Finally, the impact of COVID-19 and the passporting of grants as well as the multi year nature of the collection fund impacts must be accounted for correctly.
2. Have you considered the appropriateness of the accounting policies adopted by Bromsgrove District Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	The accounting policies are reviewed every year as part of the accounts closedown process. There are no proposed discretionary changes this year as there have been no fundamental changes in Council activities.
3. Is there any use of financial instruments, including derivatives?	No
4. Are you aware of any significant transaction outside the normal course of business?	The passporting of COVID-19 grants has been a significant piece of work which would be considered to be outside the usual course of business.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	A full review will be conducted as part of the closedown process with officers across the Council and insurance asked to feedback to determine if there have been any potential impacts on non current assets. To date there have been none notified.
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Bromsgrove District Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	During the year the Council as used Anthony Collins Solicitors, Browne Jacobson LLP, Bevan Brittan solicitors, St Philips, St Ives and Kings Chambers. Also Geldards LLP and BLM Solicitors. None working on open litigation or contingencies from previous years.

General Enquiries of Management

Question	Management response
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Black Radley have been hired by the Council to support its implementation of a commercial culture and bring challenge where appropriate to decision making.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit, Standards and Governance Committee and management. Management, with the oversight of the Audit, Standards and Governance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit, Standards and Governance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Bromsgrove District Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud;
- process for identifying and responding to risks of fraud, including any identified specific risks;
- communication with the Audit, Standards and Governance Committee regarding its processes for identifying and responding to risks of fraud; and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit, Standards and Governance Committee oversees the above processes. We are also required to make inquiries both management and the Audit, Standards and Governance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Bromsgrove District Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Bromsgrove District Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of material misstatement. Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on overall fraud risk areas and work on Council Tax and Housing Benefit fraud.</p> <p>There is on-going communication between external audit and responsible officers on emerging technical issues. Officers also attend technical updates. Financial monitoring reports also highlight areas of variance within the capital and revenue budgets and this assists management in identifying areas of material misstatement within the accounts.</p> <p>Management considers there is a low risk of material misstatement in the financial statements due to fraud and none has been detected to date.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There are some areas that are inherently at risk from fraud such as:</p> <ul style="list-style-type: none"> - Council Tax - Benefit Fraud - Single person discount

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Bromsgrove District Council as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Audit, Standards and Governance Committee receives any adhoc fraud reports.</p> <p>There are no material instances of fraud that have been identified during the year.</p> <p>The Audit, Standards and Governance Committee would consider the fraud and the actions put forward by officers to ensure fraud is mitigated in the future.</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Are there any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Bromsgrove District Council where fraud is more likely to occur?</p>	<p>Evidence published within the Annual Fraud Indicator report suggests that fraud is committed in all organisations to varying degrees, so it is likely that some fraud is occurring in the Council.</p> <p>Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, management does not consider these to be significant risks.</p>
<p>5. What processes does Bromsgrove District Council have in place to identify and respond to risks of fraud?</p>	<p>Financial monitoring reports highlight areas of variance within the capital and revenue budgets and this assists management in identifying areas of material misstatement within the accounts.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Bromsgrove District Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Internal Audit include fraud risks in their planning process and act as an effective internal control against fraud.</p> <p>Sound systems of internal control with roles and responsibilities are defined in various places such as constitution.</p> <p>The role of Internal Audit provides assurance that the Council's internal controls are in place. An annual report is produced and is available prior to the annual accounts being signed and approved.</p> <p>The regular monitoring of budgets and the allocation of financial professional support to budget holders provide control and mitigation against such overrides.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Due to the control environment in place, there are no areas which are particularly at risk of misreporting.</p>

Fraud risk assessment

Question	Management response
<p>8. How does Bromsgrove District Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>There is a Fraud Strategy and Whistleblowing procedure in place which explain the procedures to follow.</p> <p>These policies have been reviewed and are in place for 2020/21.</p> <p>Employees are aware of the anti-fraud and corruption strategy, details are available on the website. Staff are encouraged to report anything that they perceive as being “out of the ordinary”, and no issues have been raised to date.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>There are not any significantly high-risk posts identified.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>2019/20 financial statements disclosure of related party transactions does not identify potential fraud risk.</p> <p>Members and officers are required to make full disclosure of any relationships that impact on their roles. Members are required to declare any relevant interests at Council and Committee meetings.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Standards and Governance Committee?</p> <p>How does the Audit, Standards and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit provide the Audit, Standards and Governance Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken.</p> <p>Any adhoc investigations are reported to the Audit, Standards and Governance Committee.</p> <p>The Corporate risk register is reviewed by the Committee and the Member risk champion reports to the Committee at each meeting on updates from managers in relation to departmental registers.</p> <p>To date, no issues or concerns have been raised.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>We are not aware of any whistleblowing reports.</p> <p>If there was such a report then members would consider the appropriate course of action.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>We are not aware of any reports under the Bribery Act.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit, Standards and Governance Committee, is responsible for ensuring that Bromsgrove District Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditors, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit, Standards and Governance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Bromsgrove District Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Monitoring Officer will advise the Council's Management team and Councillors as appropriate.</p> <p>The reporting arrangements include sections for both financial and legal implications to ensure managers have considered compliance with laws and regulations. In addition staff have professional training and conduct in place to support compliance.</p> <p>We are not aware of any changes to Bromsgrove District Council's regulatory environment that may have a significant impact on the Bromsgrove District Council's financial statements.</p>
<p>2. How is the Audit, Standards and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance of complying with the Council's Constitution is provided through the Annual Governance Statement which is reported to the Audit, Standards and Governance Committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Bromsgrove District Council have in place to identify, evaluate and account for litigation or claims?	The legal and finance team liaise on a regular basis to identify and evaluate any potential claims.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

Related Parties

Matters in relation to Related Parties

Bromsgrove District Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Bromsgrove District Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel; and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

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

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Bromsgrove District Council's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Bromsgrove District Council; whether Bromsgrove District Council has entered into or plans to enter into any transactions with these related parties; and the type and purpose of these transactions . 	<p>The Council, by nature of its activities, has a significant list of related parties with which it transacts. There have been no material changes in relation to related parties since 2019/20, subject to the receipt of management and member declarations for 2020/21.</p>
<p>2. What controls does Bromsgrove District Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> Maintenance of a register of interests for Members, and a register for pecuniary interests in contracts for Officers and Senior Mangers requiring disclosure of related party transactions. Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and stating details of any known related party interests. Review of in-year income and expenditure transactions with known identified related parties from prior year or known history.

Related Parties

Question	Management response
	<ul style="list-style-type: none"> • Review of the accounts payable and receivable systems and identification of amounts paid to/from assisted or voluntary organisation. • Review of year end debtor and creditor positions in relation to the related parties identified. • Review of minutes of decision making meetings to identify any member declarations and therefore related parties.
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Transactions with related parties are subject to the same authorisation and approval arrangements as other transactions including controls enforced through the Technologyone system and the observance of the segregation of duties of officers. Significant changes to arrangements with related parties will be reported through the Council's political management processes as appropriate.</p>
<p>What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>All transactions including any outside the normal course of business are subject to the same authorisation and approval arrangements including controls enforced through the Technologyone system and the observance of the segregation of duties of officers. All business will be expected to be within Council policy and any new business will be subject to a formal decision through political management arrangements.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- how management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- how the entity's risk management process identifies and addresses risks relating to accounting estimates;
- the entity's information system as it relates to accounting estimates;
- the entity's control activities in relation to accounting estimates; and
- how management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Standards and Governance Committee members:

- understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- evaluate how management made the accounting estimates?

We would ask the Audit, Standards and Governance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The need for material accounting estimates is considered for property asset valuations, pensions assets and liabilities values and provision for credit losses and impairment allowances and provision for other liabilities.
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Each area is subject to robust scrutiny as part of the closedown process informed by input from external professional experts where appropriate and using evidence based approaches to assess the estimation basis.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Each area has a clear set of base information and/or accounting records including a significant degree of historical data where relevant. They will have established calculation bases which are reviewed and refined in response to external challenge (e.g. from the external auditor) or changing circumstances (e.g. the Covid pandemic).
4. How do management review the outcomes of previous accounting estimates?	Accounting estimates will be reviewed as the natural course of some of these estimates where historical data/performance provides the starting point of estimation. Other areas of estimation are subject to valuation from first principles each year.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Differentiation has been made between where external expert knowledge and access to wider market data is required to make an accounting estimate and where in-house expertise and experience can be reasonably applied. There is a value for money consideration in respect of the likely value and variability of accounting estimates and the cost of procuring external advice.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>There is a degree of reliance on the work of externally procured experts although all accounting estimated will be subject to a test of reasonableness. Actuarial and property valuation experts work within industry wide standards which provide a high degree of quality assurance.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>External experts provide comprehensive reports detailing the basis and output of their work which provides management the facility to understand and challenge accounting estimates.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> • management's process for making significant accounting estimates; • the methods and models used; and • the resultant accounting estimates included in the financial statements. 	<p>Areas of significant accounting estimates are clearly flagged in the financial reporting process to the Council's Audit, Standards & Committee through the note on 'Significant Assumptions made in estimating Assets and Liabilities'. Areas of volatility and those deemed to be of significant interest (by value or nature) will be given particular prominence in the presentation to Committee.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	The impact of Covid on the accounts may well impact on accounting estimates and result in significant judgement being applied.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A, reasonable?	Yes
12. How is the Audit, Standards and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	The professional judgement of the Section 151 officer is applied and then explained to committee with regards to the accounting estimates used.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The Council has a contract with Bruton Knowles to manage its asset base, including undertaking annual valuations. The Valuer is a RICS/CIB Member) and reviews are made inline with RICS guidance on the basis of 5 year valuations with interim reviews.	Technical Accountant notifies the valuer of the program of rolling valuations or of any conditions that warrant an interim re-valuation	Yes, Bruton Knowles	Valuations are made in line with RICS guidance – reliance on expert.	No
Depreciation	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	No	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> Assets acquired in the first half of a financial year and depreciated on the basis of a full year's charge; assets acquired in the second half are not depreciated until the following financial year. Assets that are not fully constructed are not depreciated until they are brought into use. 	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The estimates of actuarial movements in the pension fund liabilities are undertaken by a qualified actuary. The actuary uses estimates based on their professional knowledge within accepted parameters used by the sector and as reviewed by the Council.	The Council reviews the factors used by the actuary to determine that they are within the standard sector parameters and are reasonable	A certified actuary is used by the pension fund to provide the information	The underlying assumptions are based on the actuary's judgement within the standard sector parameters. Given the length of the liabilities a small change to one of the parameters could have a significant impact on the level of liabilities reported. The professional actuary is used to ensure that the estimate has been based on an appropriate basis. Asset valuations have been based on the best estimates available to the pension fund at the time of producing the report. Additional disclosures will be set out in the accounts on the potential uncertainties at the year end.	No
Fair value estimates	The calculations for the fair value of financial instruments and borrowings are provided by the Council's treasury management advisers, Arlingclose. These are generally for disclosure only.	Appropriately qualified experts used to derive valuations.	Yes, Arlingclose	The Council does not have any complex borrowings with high degrees of uncertainty. The Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value – being its professional treasury advisers, Arlingclose.	No

Appendix A Accounting Estimates

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

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A.	N/A.	No.
Credit loss and impairment allowances	An analysis has been made of the repayment profile of invoices raised. This has then been used to inform the judgement as to the level of expected credit losses required taking into account the nature of the debtors and whether there is any security over the debt	The estimates determined from the exercise have been compared to the amount of debt written off in prior years to ensure that estimates remained reasonable. Assumptions have been challenged on the robustness of provisions proposed.	A range of relevant Council staff have been consulted where appropriate.	The impact of the spread of Covid-19 on the local economy as a result of the measures taken may not be determined for some time. Whilst initial estimates have been made these will need to be reviewed as more information is gathered.	No



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RISK MANAGEMENT UPDATE

Relevant Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance and Governance
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter
Report Author	Job Title: James Howse Contact email:james.howse@bromsgroveandredditch.gov.uk Contact Tel: 0152764252
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	All
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. **RECOMMENDATIONS**

The Committee is asked to note the update and endorse the way forward.

2. **BACKGROUND**

Context

- 2.1 In 2018/19, an audit of Risk Management provided an assurance level of limited due to weaknesses in the design and inconsistent application of controls.
- 2.2 A review was then commissioned to further consider the Council's risk management arrangements and a Risk Management Strategy was developed.
- 2.3 A follow-up review was carried out by Internal Audit in March 2021. At that time there was a lack of evidence that the actions within the Risk Management Strategy had been fully completed and embedded within the Councils and therefore no assurance could be given.

At this time an action plan was agreed with management which focused on the following areas:

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- Understanding risk appetite
- Review the strategy and the way risks are identified
- Review the current 4risk system
- Provide training
- Consideration of the Role of Risk Champions
- Aligning processes so that risk is considered as part of management decision making

Update

- 2.4 While risk registers are in place and are used, and while all decisions do consider risk and risk mitigation (as demonstrated by the requirement to report on risk implications in all reports), progress in implementing all the above actions (aimed at embedding a more consistent risk management framework) have stalled during the 2021/22 financial year. This is primarily as a result of pressures within the Finance Team (where the corporate coordination responsibility for risk currently sits).
- 2.5 The Finance Team have experienced a significant number of vacancy and capacity issues. Workload has also increased during Covid-19 with circa £59m of Covid related government grants being paid to businesses. The implementation of a new Finance System has also been a priority over the past year which has inevitably diverted resources. Critically also, the Risk and Insurance Officer, was redeployed during the year to focus on the priority areas of income and payment processes.
- 2.6 The recent follow up review undertaken by Internal Audit has confirmed that more needs to be done to progress previously agreed actions aimed at embedding best practice risk management processes.
- 2.7 The Corporate Management Team (CMT) therefore considered a report on the way forward in March 2022, and agreed a set of actions as set out below as an important first step to regaining momentum in this area.
- 2.8 CMT agreed actions and way forward
- Risk Champions to be identified for each department

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- Data quality checks to be undertaken on current risk registers
- Officer Risk Board to be put in place to drive forward improvements (1st one to take place on 7th April)
- Update CMT on Progress and present draft updated Risk Register
- Officer Group to update Risk Register and formally report for CMT on a quarterly basis and consider other system and process improvements.
- Prepare updated reports for next cycle of ASG.

2.9 Following the above CMT will consider what further resources (including training and development) are required.

2.10 This is also an opportunity to involve the member risk champion. Consequently, the Executive Director of Resources will meet with member champion to discuss progress on the above actions later in the month.

3. FINANCIAL IMPLICATIONS

3.1 None Identified.

4. LEGAL IMPLICATIONS

4.1 The Local Government (Accounts and Audit) Regulations state that “A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk”.

4.2 Implementing the actions set out in this report will demonstrate compliance with this legislative requirement.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 Good risk management underpins the Council Plan.

Climate Change Implications

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5.2 No direct implications identified.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 No direct implications identified.

Operational Implications

6.2 As set out in the report and Appendix 1.

7. RISK MANAGEMENT

7.1 As set out in the report.

8. APPENDICES and BACKGROUND PAPERS

None.

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9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance and Governance	23/3/22
Lead Director / Head of Service	James Howse, Exec Director	23/2/22
Financial Services	Peter Carpenter, Interim Head of Service	23/3/22
Legal Services	Clare Flanagan, Principal Solicitor	23/3/22
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

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THE INTERNAL AUDIT PROGRESS REPORT

Relevant Portfolio Holder	Councillor Geoff Denaro
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, Interim Head of Finance and Customer Services
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: andy.bromage@worcester.gov.uk Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance Committee recommend:-

1) the report is noted.

2. BACKGROUND

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

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2021 to 28th February 2022 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Summary Dashboard 2021/22:

Total reviews planned for 2021/22	12 (minimum originally)
Reviews finalised to date for 2021/22:	8 (incl.DFG's)
Assurance of 'moderate' or below:	2
Reviews awaiting final sign off:	5
Reviews ongoing:	4
Reviews to commence (Q4):	0
Number of 'High' Priority recommendations reported:	1
Satisfied 'High' priority recommendations to date:	0
Productivity (end of Q3):	56%
Overall plan delivery to February 2022:	82% (against target >90%)

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Since the last progress report presented to the Committee, three reports have been finalised and five reviews are at clearance/draft report stage.

Follow Up reports that have been finalised since the last progress report presented before Committee are reported in Appendix 4.

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

2021/22 AUDITS TAKING PLACE AS AT 28th FEBRUARY 2022

Due to the implementation of the new financial system and an extended delay to provide audit with a 'read only' access profile the rolling testing programme that should have been continuing during quarters 1 and 2 for Debtors and Creditors did not take place. Partial access was established at the end of September but full read only access was not established until December. This has impacted the testing the result being a smaller sample overall and a reliance on the review testing taking place during Q3 and Q4 to provide formal assurance. Payroll has been completed on a rolling basis.

The reviews that have been finalised since the last committee:

- Benefits
- Risk Management
- Treasury Management

The reviews that are at draft report or clearance stage are:

- Debtors
- Budget Monitoring
- Procurement
- Main Ledger
- Payroll

Reviews that had commenced and at planning and testing stages included:

- Grants
- NNDR
- Council Tax
- Creditors

As the above are classified as 'on going' the assurance and outcome of the reviews will be reported at Committee on completion.

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 regarding the audit approach. Where there is significant change taking place due to transformation, restructuring,

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significant legislative updates or a comparison required a critical review approach will be used. To assist the service area to move forwards 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.

Internal Audit are continuing to consider new processes emerging from the changing working arrangements that have been necessary to continue to provide Bromsgrove residents with services because of the pandemic. Plan flexibility is continuing to be required to include and provide assurance on potential areas of change. Two areas that have been deferred are ICT and Refuse Scalability. There is a clear understanding of risk and much work is being undertaken in ICT to further enhance the security measures and ensure that industry standards are deployed. The risk regarding refuse scalability has changed with the introduction of the Environmental Act therefore a watching brief is being kept on this area in conjunction with the Head of Service as to potential audit service requirements.

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 outcomes of the follow up reviews are reported in full 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 regarding follow up to reduce the number of revisits necessary to confirm the recommendations have been satisfied.

3.4 AUDIT DAYS

Appendix 1 shows the progress made towards delivering the 2021/22 Internal Audit Plan and achieving the targets set for the year. At the 28th February 2022 a total of 190 days had been delivered against an overall target of 230 days for 2021/22.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were approved by the Committee on the 15th July 2021 for 2021/22.

Appendix 3 provides copies of the reports that have been completed and final reports issued since the previous progress report presented to Committee.

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

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Appendix 5 provides an overview of the Quality Assurance Improvement Plan.

3.5 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 appraisal’
- 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 coordination of uploads.
- Investigations

National Fraud Initiative

- 3.6 NFI data set uploads were completed by the end of December 2021. WIASS continue to provide advice and assistance regarding the process.

Monitoring

- 3.7 To ensure the delivery of the 2021/22 plan and any revision required there continues to be 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 to ensure an internal audit opinion can be reached using reviews from the authority’s core financial systems, as well as other systems which have been deemed to be ‘high’ and ‘medium’ risk. Any changes to the plan will be discussed with the s151 Officer and reported to Committee.

4. FINANCIAL IMPLICATIONS

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

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5. LEGAL IMPLICATIONS

- 5.1 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”.

6. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 6.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council’s operations.

Climate Change Implications

- 6.2 The actions proposed do not have a direct impact on climate change implications.

7. OTHER IMPLICATIONS

Equalities and Diversity Implications

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

Operational Implications

- 7.2 There are no new operational implications arising from this report.

8. RISK MANAGEMENT

- 8.1 The main risks associated with the details included in this report are to:
- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
 - a continuous provision of an internal audit service is not maintained.

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9. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan delivery 2021/22

Appendix 2 ~ Performance indicators 2021/22

Appendix 3 ~ Finalised audit reports including definitions.2021/22

Appendix 4 ~ 'Follow-up' reports

Appendix 5 ~ Quality Assurance Improvement Plan

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APPENDIX 1

Delivery against Internal Audit Plan for 2021/22 1st April 2021 to 28th February 2022

Audit Area	Original 2021/22 Plan Days	Forecasted days to the 31 st March 2022	Actual Days used to 28 th February 2022
Core Financial Systems (see note 1)	68	68	51
Corporate Audits	62	62	59
Other Systems Audits (see note 2)	64	64	52
SUB TOTAL	194	194	162
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	5	6	6
Annual Plans, Reports and Audit Committee Support	16	15	7
Other chargeable (see note 3)			
SUB TOTAL	36	36	28
TOTAL	230	230	190

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 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, but internal audit has been unable to deliver this during 2021/22 due to restricted system access. Partial access was provided during September 2021 with further access established during December 2021. The overall results will be reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days.

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

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Audit Area	Corporate Link (Corporate Priority / Strategic Purpose)	Risk Register Reference	Plan Priority	Resource 2021/22	Current Position	Indicative Quarter
FINANCIAL						
Debtors (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	12	Draft Report 21/02/2022	Q3 / Q4
Main Ledger/Budget Monitor/Bank Rec (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	14	Clearance Stage	Q4
Creditors (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	12	Testing Underway	Q4
Treasury Management (incl. Asset & Acquisitions) Light Touch (note 2)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	4	Finalised October 2021 & January 2022	Q2 / Q3
Council Tax	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	8	Testing Underway	Q3 / Q4

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Audit Area	Corporate Link (Corporate Priority / Strategic Purpose)	Risk Register Reference	Plan Priority	Resource 2021/22	Current Position	Indicative Quarter
Benefits (Transformation)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	10	Finalised January 2022	Q3 / Q4
NNDR	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	8	Testing Underway	Q3 / Q4
Sub TOTAL				68		
CORPORATE						
IT Audit (Server patching and disaster recovery) (note 3)	Fundamental to strategic purpose delivery	ICT 7 & ICT 8	Medium	9	Deferred	Q4
Risk Management (Critical Friend Support) (note 4)	Fundamental to strategic purpose delivery	S151 request	Medium	10	Finalised 22 nd March 2022	Q4
Procurement (note 5)	Fundamental to strategic purpose delivery		Medium	9	Draft Report 7 th March 2022	Q2 / Q3

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Audit Area	Corporate Link (Corporate Priority / Strategic Purpose)	Risk Register Reference	Plan Priority	Resource 2021/22		Current Position	Indicative Quarter
GDPR - Security of electronic data (note 6)	Fundamental to strategic purpose delivery	N/a	Medium	9		Finalised November 2021	Q1
Projects (note 3)	Fundamental to strategic purpose delivery	N/a	Medium	12		Finalised September 2021	Q1
Disabled Facility Grants	Enabling	N/a	Medium	3		Finalised November 2021	Q3
Grants (various)	Enabling	N/a	High	10		Testing Underway	Q2 / Q3
Sub TOTAL				62			
SERVICE DELIVERY							
Environmental							
Refuse Service scalability (new builds) (Critical Friend) (note 3)	Keep my place safe and looking good	Env 24	Low/ Medium	7		Deferred	Q4
Leisure							N/a
				0			

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Audit Area	Corporate Link (Corporate Priority / Strategic Purpose)	Risk Register Reference	Plan Priority	Resource 2021/22		Current Position	Indicative Quarter
Worcester Regulatory Services							
(note 3)	Statutory and Regulatory Requirement	Head of Service request	Medium	15		Finalised	Q1
Sub TOTAL				22			
Other Operational Work							
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	10		Draw Down Budget	Q1 to Q4
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	10		Draw Down Budget	Q1 to Q4
Completion of prior year's audits	Operational support	N/a	N/a	8		Complete	Q1
Report Follow Up (all areas)	Operational support	N/a	N/a	10		On going	Q1 to Q4
Statement of Internal Control	Operational support	N/a	N/a	4		Q1 Completed Q4 To commence	Q1 & Q4
Sub TOTAL				42			
Audit Management Meetings	Operational support	N/a	N/a	15		On going	Q1 to Q4

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Audit Area	Corporate Link (Corporate Priority / Strategic Purpose)	Risk Register Reference	Plan Priority	Resource 2021/22		Current Position	Indicative Quarter
Corporate Meetings / Reading	Operational support	N/a	N/a	5		On going	Q1 to Q4
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	16		On going	Q1 to Q4
Sub TOTAL				36			
TOTAL CHARGEABLE				230			

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Explanatory Notes:

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

The customer journey will be considered overall as part of the service audits.

Note 1: New financial system therefore audit budget increase.

Note 2: Light touch due to improved processes.

Note 3: Rolled from 2020/21.

Note 4: Risk management relaunch reviewing ongoing progress against action plan and reporting.

Note 5: Rolled from 2020/21. Consultant outcome - reviewing action plan delivery.

Note 6: Previous audit was a 'limited' assurance outcome.

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Appendix 2

Performance against Key Performance Indicators 2021-2022

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2021/22. 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	2021/22 Position (at 28 th February 2022)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 12 Minimum Delivered = 8 (incl. DFG's) & 5 at draft/clearance 4 Ongoing		When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	82%		When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	Q3 56% (2020/21 average 62%)		When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	1 (2020/21 = 3)		When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	2 (2020/21 = 7)		When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	1 (2020/21 = 0)		When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward(increasing)	1x issued 1x Excellent Received (2020/21 1x excellent)		When Audit Committee convene

WAISS conforms to the Public Sector Internal Audit Standards (as amended).

Appendices A & B are indicated below and are applied to all reports. To save duplication these have been produced once and listed below for information but can also be applied to Appendix 4.

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 its 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 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 6 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 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

Appendix B
Definition of Priority of Recommendations

Priority	Definition
High	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.
Medium	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.
Low	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.

2021/22 Audit Reports.

Finalised reports since the last Committee sitting.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report

Benefits Audit 2021-22

Date 19th January 2022

Distribution:

To: Customer Support Manager
CC: Chief Executive
Head of Financial and Customer Services
Executive Director of Resources (Section 151 Officer)

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1. Introduction

- 1.1 The audit of the Benefits process was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2021/22 which was approved by the Governance and Standards Committee on 29th July 2021 and for Bromsgrove District Council by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a risk-based systems audit of the Benefits as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review relates to the strategic purposes of:
- BDC Plan 2019-23: Strategic Purpose - Work and Financial Independence. Priorities - Financial Stability.
 - RBC: Plan 2020-24: Strategic Purposes - Aspiration, Work & Financial independence

1.3 The following entries on the service risk register are relevant to this review.

BEN 1 Fail to effectively resource the service to meet demands

BEN3 Impact of Welfare Reform Act

BEN 4 Impact of Introduction of Local Council Tax Scheme

BEN 7 Benefits Subsidy

BEN 9 Failure to meet audit requirements

BEN 11 Failure of Corporate Fraud and Compliance Team

REV 6 Fail to make a timely decision (political direction) to manage changes to the Council Tax Support Scheme

REV 9 Impact of introduction of Local Council Tax Scheme

1.4 This review was undertaken during the month(s) of October 2021 and November 2021

2 Audit Scope and objective

2.1 The audit provided assurance on the accuracy of the award for the revised Council Tax Reduction Scheme, the Test and Trace Support payments, the action plan in place to deal with any backlog of work and that the service is operating as business as usual in these unprecedented times. Assurance was also given regarding the regular monitoring of Discretionary Housing Payment refusals and that the new performance measures are transparent, updated and Quality Monitoring also focuses on the areas of highest risk.

2.2 The scope covered:

- A review of the updated position in relation to the 2019/20 audit recommendations.
- Management of any backlogs of work and getting back to business as usual.
- Test and Trace Support payments are being awarded in line with the procedures for the main and discretionary scheme.
- Awards are being made in line with the revised Council Tax Reduction Scheme for 2021/22.
- Quality Assurance monitoring is taking place.
- Discretionary Housing Payment refusals are being monitored.
- New Performance measures are accurate, transparent, updated monthly and reported regularly.

2.3 This reviewed covered the period from 1st April 2021 to completion of the testing

2.4 This review did not cover

- Compliance with internal processes and external legislation to allow the prompt and accurate processing of new Housing Benefit claims and changes of circumstance as third-party assurance (DWP and External Audit Assessment) will be used to provide assurance.
- The process of recovery, including the classification of overpayments and its effect on subsidy.
- Payments made under the discretionary hardship scheme.

3 Audit Opinion and Executive Summary

3.1 From the audit work carried out we have given an opinion of **significant 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 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 **significant assurance** in this area because there is a generally sound system of internal control in place but that our testing has identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.

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

- Implementation of the revised Council Tax Reduction scheme
- Processing of the Council Tax Reduction Scheme claims with good meaningful file notes.
- Processing the Test and Trace payment within a timely manner with unknown quantity of applications.
- Adapting to remote working and change during the pandemic and retaining business as usual.
- The work carried out within the quality assurance team.
- Monitoring of the spend against the Discretionary Housing Payments (DHP)

- 3.4 The follow up recommendation regarding reconciliations will be followed up within the Main Ledger Audit which is due to be carried out in quarter 4. The remaining follow up actions, review of the modules for efficiency and the implementation of the new Housing System are ongoing and will be reviewed again within the 2022/23 audit.
- 3.5 The Benefits team are still waiting the outcome from the proposed re-structure that has taken over 3 years to complete. This has left certain staff in secondment roles and carrying out duties that are not within their current job role description. This has led to ongoing pressures including within the quality assurance team.
- 3.6 This service has had to continue to deliver business as usual throughout the pandemic and in addition have had to take on additional activities such as the test and trace payments which has presented challenges with resourcing as it was unfamiliar and unknown quantity of applications. There was also pressure by Central Government to get these payments out to the customers quickly. The Team have also introduced and rolled out a revised council tax reduction scheme. Staff managed with little disruption to the service during the first lock down to continue with business as usual while obtaining the equipment to work remotely. With the current restrictions a return to the office is unlikely but it is important that any return to the office in future needs to be planned to minimise any disruption to the officers and customers due to the statutory nature and importance to the customer provided by this service. Based on previous audits there are clear indications of the positive direction of travel achieved by the Team and Service in very difficult times and the adoption of a more proactive approach.
- 3.7 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Outstanding Work Queue/Backlogs	Medium	1
Test and Trace Support Payments	Medium	2
Dashboard – Performance Measures	Medium	3

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
Issues brought forward from previous audit					
Reconciliation. This follow up action will be reviewed within the Main Ledger Audit in Quarter 4 2021/22.					
The remaining follow up actions, review of the modules for efficiency and the implementation of the new Housing System are ongoing and will be considered again within the 2022/23 audit.					
New matters arising					
1	M	<p>Outstanding Queue/Backlogs</p> <p>New Claims</p> <p>At the time of review the outstanding work is manageable and not considered to be a backlog. There are however a handful of cases that are older than desired (Oldest RBC case 8 weeks, oldest BDC case 10 weeks) These claims have been assigned to officers and are waiting on information before a decision is able to be made.</p>	<p>Work</p> <p>This has the potential to increase the average processing times which get reported to DWP and published in the public domain which could lead to reputational damage and DWP intervention similar to before,</p>	<p>Investigate if a report can be generated that separates defective claims so that the queue can be monitored for outstanding work/backlogs and defective claims so that customers can be reminded information is still outstanding or that, if appropriate the application is closed.</p> <p>If older cases are not closed, then a file note is added to</p>	<p>Response and Action:</p> <p>I agree with the recommendations with regards to monitoring outstanding work. This is already looked at and actioned by the team leaders and reported monthly. From January we will monitor the reasons behind the delays to gain a greater insight to what is causing the delays; for example – waiting information from customer, from the DWP, from housing provider. Or is it staff members not making</p>

		<p>Change of Circumstance Claims (COC)</p> <p>At the time of review the outstanding work is manageable and not considered to be a backlog. There are however a handful of cases that are older than desired (The bulk of the items within the work queue dated back 2 weeks for both RBC and BDC). These claims have been assigned to officers and are waiting on information before a decision is able to be made.</p>		<p>explain why the case remains within the outstanding queue and if a claim is made defective, it is clear within the file note that information has been requested and the date its due back by.</p>	<p>claims defective at the earliest opportunity.</p> <p>With regards to the change in circumstance days this is a known Civica fault which has caused delays in receiving ATLAS and UC documents at the time of the audit. This work has now been cleared and on average a change of circumstance takes 5 days to be processed.</p> <p>Responsible Manager: Assistant Financial Support Manager</p> <p>Implementation date: March 2022</p>
2	M	<p>Test and Trace Support payments</p> <p>There are several claims where I was unable to open the attachments. The audit trail was not always clear if customer had provided a response to questions such as, do they have any accessible savings/capital and do</p>	<p>Potential risk if the full audit trail cannot be viewed regarding the checks made and information received in the event of a challenge if unable to open attachments.</p>	<p>Ensure Officers record the responses to any information requested.</p> <p>Investigate why certain attachments cannot be opened.</p>	<p>Response:</p> <p>The loading of the documents is again a Civica fault that has been reported. It is intermittent and not on every case.</p>

		they have to pay any rent/mortgage?			<p>Action:</p> <p>I have noted concerns with regards to notes on these cases and will action. The scheme is currently only being worked on by 2 officers and there are lots of things to consider and appreciate in the work they are doing under testing circumstances.</p> <p>Responsible Manager: Assistant Financial Support Manager</p> <p>Implementation date: Pending a Civica fix, so date for this unknown. Clarity in notepads from January 2022</p>
3	M	<p>Dashboard – Performance Measures</p> <p>Not all the new performance measures have a number allocated to the measure. The graph was not always up to date for certain measures such as New Claims Speed of processing and Change of Circumstance Speed of processing. Not all</p>	<p>Lack of transparency and context which could lead to inaccurate assumptions by senior managers and members that review this information and Service performance.</p>	<p>Ensure the performance measures on the dashboard are complete and updated monthly where applicable for transparency or there is context within the graph so that the audience can understand if the</p>	<p>Response and Action</p> <p>Some of the measures are not showing on the dashboard again due to a Civica fault. The issue surrounds us being 2 separate authorities on one database. The error is with Civica to fix.</p>

		<p>measures provided context to understand if the performance is good, or not especially where there were no notes within the comment history either advising on any variation positive or negative. There was no performance information for 2 measures. There were no weekly measures on the dashboard.</p>		<p>performance shown is good, expected etc.</p>	<p>With regards to no notes or comment history we will look to add these; suggest that we have national average and local average were possible so we can see how we are performing compared to our neighbouring authorities.</p> <p>The weekly measures that were provided to you are purely for operational purposes and are not strategic measures. They were never intended to be added to the dashboard.</p> <p>Responsible Manager: Customer Support Manager</p> <p>Implementation date: Pending a Civica fix, date for this unknown.</p> <p>Clarity and narrative on measures will be introduced from January 2022</p>
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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 able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented 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

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Internal Audit Report

Risk Management (Follow-up of the 2020/21 Audit) 2021/22

22nd March 2022

Distribution:

To: Executive Director of Resources (Section 151 Officer)
Interim Head of Finance

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1. Introduction

In 2018/19, an audit of Risk Management provided an assurance level of limited assurance (See Appendix A) due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.

A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given.

As a result of the June 2021 audit report, it was agreed that the next step would be to produce an action plan to identify responsibilities, actions, timescales and expected output so that there was a clear plan on what needed to happen and would allow the action plan to be monitored. It was proposed that this should include but would not be limited to:

- Understanding the risk appetite of the Councils
- Review the strategy and the way risks are identified
- Review the current 4risk system to ensure it fits the needs of the Council and that if this is to be the central recording system that it is kept up to date so that current and emerging risks are transparent and there is evidence by a footprint within the system that the risk are being reviewed regularly.
- Provide training and consider different training styles such as workshops, group discussion (this can still take place virtually) in order to have officers buy in at an early stage and start to embed risk management throughout the Councils. There was lack of evidence that training on the 4risk system or on risk management has taken place and this was highlighted within the Internal Audit Report 2018/19 and a key recommendation following the Zurich review.
- Consideration of the Role of Risk Champions, Insurance and Risk Officer, Risk Management Groups and defining expectations.
- Aligning processes such as reporting to members, project proposals, etc. so that risk is considered as part of management decision making.

It was agreed that a follow up would be carried out to ensure that an action plan was in place and to review the progress against it.

2. Current Position

This review was to be undertaken on the basis that an action plan to identify responsibilities, actions, timescales and expected output would be produced so that there is a clear plan on what needs to happen which would allow the action plan to be monitored.

Verbal updates relating to Risk Management were provided to the Redditch Borough Council Audit, Governance and Standards Committee by the Head of Finance and Customer Services on 29.07.2021 regarding Corporate Governance and Risk - and the new Risk and Assurance Officer post with a focus on risk, and on 28.10.2021 regarding the Corporate Risk Register and the ongoing work being undertaken with the Council's insurance provider, Zurich Municipal.

Verbal updates relating to Risk Management were provided to the Bromsgrove District Council Audit, Governance and Standards Committee by the Head of Finance and Customer Services on 15.07.2021 regarding the Corporate Risk Register and work with Zurich which included looking at best practice and internal policy from a risk perspective, and on 07.10.2021 regarding further work with Zurich and updates to the Risk Register.

A Risk Strategy outlining the approach to Risk Management was taken before CMT on 16th March 2022. This addresses the requirement to understand the risk appetite of the Councils and the way risks are identified.

Several other actions have also been proposed:

- Nominate a Representative from each Department as Risk Representative
- Each Department to complete an updated Risk Register by Wednesday 6th April (linked to the Zurich Recommendations)
- First Officer Risk Board to take place on (Thursday 7th/Friday 8th April)
- Verbally update Audit Committees w/c 11th April on Progress
- Update CMT at meeting on 13th April on Progress and present draft updated Risk Register for approval
- Prepare updated reports for next cycle of Audit Committees
- Officer Group to update Risk Register and formally report for CMT on a quarterly basis

3. Conclusion

From the follow-up carried out in early March 2022, we gave an opinion of **no assurance** over the control environment in this area. The level of assurance having been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and 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.

We gave an opinion of **no assurance** in this area because the action plan that was to form the basis of this review had not been produced and implemented therefore no assurance could have been provided. It was acknowledged that there is a risk management system in place, and there are areas of good practice however this is not uniform across the Councils. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils.

However, since the issue of the draft report, in order to progress the current position in relation to Risk Management, a paper was presented to CMT on 16th March 2022 with the actions as detailed above in Section 2.

These actions represent a positive step forward for the Councils in addressing the requirements set out in the action plan mentioned in the previous review. However Internal Audit cannot at this stage provide an assurance over the actions and their effectiveness in addressing the weaknesses previously identified but will carry out a follow up in three months' time to assess progress against these actions.

4. 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 able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented 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

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council

www.bromsgrove.gov.uk

Final Internal Audit Report

Light touch Treasury Management Audit 2021/22

Date 5th January 2022

Distribution:

To: Financial Services Manager
CC: Head of Financial and Customer Services
Executive Director of Resources (Section 151 Officer)
Chief Executive

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APPENDIX B..... **Error! Bookmark not defined.**

1. Introduction

- 1.1 The audit of the Light touch Treasury Management Audit was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a light touch risk-based systems audit of the Treasury Management system as operated by Bromsgrove District Council.
- 1.2 This area of review is a back-office function and therefore underpins all of the Strategic Purposes
- 1.3 The service risks relevant to this review:
 - Fin 2 Poor Treasury Management
- 1.4 There is a potential for fraud in this area with the transfer of funds fraudulently to personal or third party bank accounts.

1.5 This review was undertaken during the month of December 2021

2 Audit Scope and objective

2.1 A full audit was undertaken in 2020/21. No concerns were raised so this year a light touch audit has been undertaken to provide assurance that controls are still in place and operating effectively.

2.2 The review covered authorisation of investment and borrowings, compliance with the Treasury Management Strategy in relation to Institutions invested in and the limits invested, and the interest received and paid. In addition to this the 2020/21 audit findings were also followed up.

2.3 This review covered processes in place at the time of the audit.

3 Audit Opinion and Executive Summary

3.1 From the audit work carried out we have given an opinion of **significant 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 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 **significant assurance** in this area because there is a generally sound system of internal control in place but that our testing has identified an isolated weakness in the design of controls and / or inconsistent application of controls in one area.

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

- Management approval had been obtained for the Investments/Borrowing
- Ledger shows the money being paid out and back in.

- Investments were made in line with the Counterparties lists and were within investment limits

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

	Priority (see Appendix B)	Section 4 Recommendation number
Reconciliation and Borrowing Sign off	Medium	1
Treasury Members Training	Medium	2

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
Issues brought forward from previous audit					
1	M	<p>Reconciliation and Borrowing Sign off (Follow up from the 2020/21 Audit)</p> <p>The Treasury Management is undertaken by several officers on a day to day basis and although there is an authorisation of transfer of funds on investments there is no</p>	<p>Risk of financial loss borrowings are agreed when they are not required, or the</p>	<p>As a minimum and in order to ensure that the process does not suffer undue delay the Treasury Management</p>	<p>Responsible Manager: Financial Services Manager</p>

		<p>formally established authorisation of borrowings. A discussion does take place with the Head of Finance and Customer Services, and there is a period of grace whereby an agreement to borrow can be cancelled but there is no formal record of the decision made, and reconciliations although undertaken are not signed off by Management except at the year end.</p> <p>Therefore, there is no official monitoring to ensure that monies that should have been received are received.</p> <p>The implementation of a new system and the turnover of staff has resulted in the resources being reallocated to high risk areas.</p>	<p>interest rate is not a good deal for the Council</p>	<p>reconciliation should be reviewed and signed off by Management on a quarterly basis as part of the quarterly reporting to Members.</p> <p>This will ensure that all monies that should have been received have been</p>	<p>Agreed that this is a sensible approach.</p> <p>Implementation date:</p> <p>By end of June 22</p>
<p align="center">2</p>		<p>Treasury Members Training (Follow up from the 2020/21 Audit)</p> <p>During testing it was ascertained Members of Bromsgrove District Council elected in May 2019 had not been offered treasury management training by an accredited provider.</p> <p>Due to Covid-19 and the reliance on a third party this training was not possible to complete.</p>	<p>The council may be open to unacceptable risks that could have been mitigated by the implementation of additional controls.</p>	<p>Training is offered to those Members newly appointed to relevant Committees as soon as practical with an accredited provider to allow members to be further informed when making decisions on the strategy and procedures relating to treasury management.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Agreed that this is a sensible approach.</p> <p>Implementation date:</p> <p>By end of June 22</p>

New matters arising

There have been no areas of control issues or risks highlighted by this light touch review that require reporting.

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 2013 (revised 1st April 2017) and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented 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

FOLLOW-UP REPORTS:

Worcestershire Internal Audit Shared Service



**The Orb 2020/21
1st Follow-up Report - 30th September 2021**

Distribution:

- To: Head of Transformation
Communications and Marketing Manager
ICT Transformation manager
ICT Operations Manager
Web Developer
Senior Communications and Marketing Officer
- CC: Chief Executive

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Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 27/08/2020 and was followed up because:

- 2 medium priority recommendations were made.

The following audit approach was therefore applied:

- The 2 medium priority recommendations have been updated with the current position.
- Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave moderate assurance over the control environment and this was the 1st follow-up.

From the explanations received and the evidence provided, internal audit is satisfied that in relation to the user-friendly recommendation it has been partially implemented. Due to other work priorities e.g. implementation of new systems, Covid-19 requirements and work on the public website the other recommendation has not yet been implemented.

A further follow up will be undertaken in 6 months to assess the progress against actions which are not yet fully implemented.

This follow up was undertaken during the month of September 2021.

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as of 30th September 2021</u>
1 Medium	<p>Ownership</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</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>	<p>Not Implemented</p> <p>Although changes have started to be made to the orb (see recommendation 2), this action is still to be commenced and has been delayed due to other work commitments.</p> <p>It is hoped that this will be undertaken in December 2021.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as of 30th September 2021</u>
	and Microsoft packages. It should also allocate ownership for the delivery of any proposals.		
2 Medium	<p>User friendly</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:</p> <p>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> <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> <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>	<p>Partially Implemented</p> <p>There is a positive direction of travel as some changes have started to take place on the orb following the audit review – a new and updated homepage has been implemented and work has been conducted to remove items that should not be on the orb.</p> <p>ICT have created a feedback survey which can be found on the orb. This was to allow staff to provide feedback in relation to how they find the orb to navigate through, the orb search engine, how useful oracle news is, if they use their team area and also to provide comments as to where they would like improvements to be made. Covid derailed the initial launch, but this now live.</p> <p>The search engine has had a background overhaul to enable it to be nimbler on searching for specific documents and as a result of the work, the results coming back are more relevant. ICT have stated that the user will not notice a change to the appearance of the search engine</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as of 30th September 2021</u>
			<p>but will experience the improvement when searching items.</p> <p>However, since the pandemic resources have been used on the public website to improve certain items and this has caused delays in some areas of lower risk.</p> <p>ICT have had to delay the implementation on the remaining items that require implementation to March 2022.</p>

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
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Safeguarding - Children 2019/20
(Evidence to Support the Section 11 Audit Return)

4th Follow-up Report - 28th March 2022

Distribution:

To: Head of Community and Housing Services
Human Resources & Development Manager
Cc: Head of Transformation, Organisational Development and Digital Services

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Section A - Justification of Audit Follow-up Approach

The date of the final audit report was 05/03/2020 with the first follow up report on 31/07/2020, the second follow up report on 4th March 2021 and the third follow up report on 20th September 2021. The review is being followed up again because:

- 1 high priority recommendation remained outstanding: and
- At least three months have passed since the previous follow-up:

Please note that recommendation implemented from the previous follow ups have not been included in this report

The following audit approach has therefore been applied:

- The 1 high priority recommendations still outstanding from the third follow up has been updated with the current position. (Please see Section C)
- Where required recommendations against weaknesses in key controls have been tested substantively/evidenced.

Section B - Conclusion - Current Position statement

The original audit report gave **Moderate Assurance** over the control environment and this is the fourth follow-up. The first follow up was reported to committee on the position as at 31st July 2020. This was compiled with information provided by the Head of Service. The second follow up was reported to committee on the position as at 11th January 2021. The third follow up report was issued on the 20th September 2021.

Since the third follow up was carried out, the safeguarding training through NetConsent is now uploaded and has been rolled out. This provides basic safeguarding awareness training to all staff. The outstanding actions from the audit were waiting on system implementation. Therefore, interim measures have been put in place to minimise any risk while waiting on the systems. It is recognised training is not where it needs to be and needs to be secured through the procurement process but with the interim measures such as the updated spreadsheet and quarterly monitoring, means the authorities can secure the appropriate training and utilise the skills of officers within the Council.

Internal Audit are satisfied that good progress has been made and that the actions within the report have been completed. As the measures implemented are an interim measure and all training should be carried out by the end of 2022 Internal audit will revisit Safeguarding as an audit in 2023/24 allowing time for systems to be implemented and training to be fully updated.

This follow up was undertaken during the month of February and March 2022.

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>3rd Follow up Position as at 13th September 2021</u>	<u>4th Follow up Position as at 2nd February 2022</u>
1 High	<p>Training and Monitoring</p> <p>To ensure there is a clear Corporate Safeguarding training plan in place for each year.</p> <p>A review of the safeguarding training record and establish a protocol to ensure that where mandatory training is required its completion is monitored and timely reminders are issued and followed up for non-completion. Procedures for the provision of regular fresher training should be established.</p> <p>Send out a communication to staff reminding them of who the safeguard leads within Redditch Borough Council and Bromsgrove District Council are.</p> <p>If feasible, request that the consent the staff agree to which</p>	<p>Responsible Manager Head of Community and Housing Services</p> <p>Action To review and improve the training record to ensure it is up to date with the ability to set up reminders including escalation to Managers</p> <p>Implementation Date 31st October 2020</p> <p>Action To identify replacement training resources for staff who are in regular contact with children.</p> <p>Implementation Date 31st May 2020</p> <p>Action</p>	<p>Not Implemented (In progress)</p> <p>NETconsent is now up and running. However there has been a gap where the safeguarding training has not been available for staff to complete the basic safeguarding training on this system. A presentation and test questions in line with the new policy is in the process of being uploaded and this is due to be completed by the middle of October 2021 and then rolled out to staff.</p> <p>Not Implemented</p> <p>The new HR Training has not gone live as intended and waiting on a revised implementation date.</p> <p>Partially implemented</p>	<p>Implemented (NetConsent Training)</p> <p>The training has been uploaded on to NetConsent and has been rolled out to staff which includes a quiz for staff to complete. This will be mandatory as part of the induction and then a refresher every 3 years.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>3rd Follow up Position as at 13th September 2021</u>	<u>4th Follow up Position as at 2nd February 2022</u>
	<p>confirms they have understood the safeguarding training is moved to the end of the training so that the presentation has to be read and test completed before they can agree their understanding.</p> <p>Source and implement suitable training for those staff dealing with vulnerable children on a regular basis.</p> <p>Review the purpose and process of the Safeguard log as it is not capturing referrals across all services including housing and no output is being recorded.</p> <p>Review what Safer Recruitment training is in place and if this training is being rolled out and effective.</p> <p>Liaise with Human Resources as to when the induction handbook is likely to be finalised and published.</p>	<p>If possible, to make changes to Net consent as recommended.</p> <p>Implementation Date 31st May 2020</p> <p>Action Re-run the results of the net consent safeguarding testing to determine if staff are still getting the question relating to who the safeguarding leads are wrong and if so, appropriate action to be taken.</p> <p>Implementation Date 30th September 2020</p> <p>Action To review the safeguarding log and determine an appropriate process for recording referrals from all services including the housing service.</p> <p>Implementation Date 31st July 2020</p> <p>Management Response / Action</p>	<p>The referral log is to allow the referral information to be collated and this will be the case for Housing related cases once the new Civica Housing system is in place and this will be April 2022.</p> <p>Implemented</p> <p>The Induction handbook titled Working for us. Your Induction to Bromsgrove Council and Redditch Borough Council is now available on the Orb.</p> <p>Not Implemented</p> <p>(Wider recruitment training to include safer recruitment)</p> <p>There has been no formal policy change at this point, the ERP system will be integral to reviewing the policy and process. However, interim training is being provided to recruitment managers as needed in advance of a wider rollout on the back of the policy review.</p>	<p>Interim Measure (Training Records)</p> <p>The new HR Training has not gone live as intended. Therefore, a spreadsheet which identifies staff who require level 1 or above training has been produced as an interim measure, which records training attended and the date refresher training is required. This will be held by the personal assistant to the Head of Communities and Housing. The personal assistant will also be responsible for issuing the reports for quarterly monitoring by the safeguarding leads.</p> <p>Interim Measure (safeguarding log)</p> <p>As an interim measure and until the new Civica Housing System has gone live. Safeguarding referrals from the Housing Team will be included on the central log which is monitored by the safeguarding leads.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>3rd Follow up Position as at 13th September 2021</u>	<u>4th Follow up Position as at 2nd February 2022</u>
		<p>New Induction booklet on track to be launched Spring 2020. New starters have access to the system currently and will continue to trigger the launch of the safeguarding awareness training via Net consent.</p> <p>Responsible Manager Human Resources and Development Manager Implementation Date 30th June 2020</p> <p>Action Explore options for safer recruitment training</p> <p>Responsible Manager Human Resources and Development Manager Implementation Date 30th June 2020</p>		<p>Interim Measure (Wider recruitment training to include safer recruitment)</p> <p>There has been no formal policy change at this point, the ERP system will be integral to reviewing the policy and process. However, interim training is being provided to recruitment managers as needed in advance of a wider rollout on the back of the policy review.</p>

APPENDIX 5

Quality Assurance Improvement Plan.

Action Number	Area for Action and Standards Reference	Outcome Required	Action	Lead person	Target Date for completion	Date of Completion	Latest Position (Quarterly)
1	1210.A1 - Training Requirements	Professional qualifications to be obtained.	Auditors to enhance their skills and qualifications through professional study e.g. IIA	Auditors	2023/24	Ongoing	December 2021: Auditor enrolled with IIA and continuing training to obtain further professional qualifications. Progressing. On target.
2	2420 - Timely Completion of Review Stages	Improvement in issuing the 'Draft Report' to the agreed date as set out in the Brief. To make improvements in the monitoring of the management response after the issue of a Draft Report.	Monitor the issue of Draft Reports and the receipt of management response during the financial year taking appropriate and timely action where the target dates are stressed.	Auditors	Mar-22	Ongoing	December 2021: Being monitored Progressing. On target.
3	2500.A1 - Follow Up	More efficient and timely follow up regarding reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-22	Ongoing	December 2021: Included in Auditors work plan for the year. Being monitored and tracked and discussed at 1:2:1s Progressing. On target.

Audit, Governance & Standards Committee

12th April 2022

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder		
Lead Director / Head of Service		
Financial Services		
Legal Services		
Policy Team (if equalities implications apply)		
Climate Change Officer (if climate change implications apply)		

Bromsgrove District Council



Audit, Standards and
Governance Committee

ANNUAL REPORT

2021-2022



Bromsgrove
District Council

www.bromsgrove.gov.uk

CHAIRMAN'S FOREWORD

I am pleased to introduce the Audit, Standards and Governance Committee's 2021/22 Annual Report. The report sets out the full range work undertaken by the Audit, Standards and Governance Committee in providing an independent assessment of the wide range of controls and corporate governance.

The Committee and its members have a vital role in providing assurance both to the Council, and importantly to the public as to transparency, compliance and value for money from Bromsgrove District Council. Alongside this the Committee is responsible for ensuring that improvements to the governance of the Council are delivered and sustained.

Throughout the year the Committee has continued to meet in a hybrid format – with members present in the room, and officers and advisers generally joining by video conference. This is clearly not an ideal way to operate, and we do hope circumstances will permit a return to single format meetings soon. This impact is of course not limited simply to the function of the Committee, and Covid has continued to have an impact on the day to day operation of the Council and our audit functions.

There has been progress in the operation of the audit assurance responsibilities of the Committee. Members have sought to continue to take a proactive approach to concerns raised through our internal audit function, especially around limited assurance audits and to ensure follow through of overdue audit actions.

I would like to thank our 151 Officer, James Howse, our Monitoring Officer, Claire Felton our Internal and External audit partners, our Democratic Services team, the Vice-Chairman and all the members of the committee for their hard work over the last year and for the continued progress that is being made as a result. I commend this report to members of the Council and believe that it sets out the work the Audit, Standards and Governance Committee has carried out in assuring both the financial health and governance of Bromsgrove District Council.

Chairman
Councillor Luke Mallett

MEMBERSHIP



Luke Mallett (Chairman)



Peter Whittaker (Vice Chairman)



Andrew Beaumont



Rachel Jenkins



Janet King



Adrian Kriss



Maria Middleton



Caroline Spencer



Kate Van Der Plank

INTRODUCTION

This report provides an overview of the Audit, Standards and Governance Committee's activities during the municipal year 2021/22.

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

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

- Monitoring Officer's Report – which details complaints and training which has taken place during the period between meetings.
- New Model Code of Conduct.
- Updates from the external auditors, Grant Thornton in respect of their work.
- Updates on the work of the Internal Audit Team.
- Corporate Risk Register.
- Risk Management Strategy
- The Risk Champion's Update Report.
- Statement of Accounts
- Regulation of Investigatory Powers Act 2000 (RIPA) Report.

Further information about some of the key responsibilities of the Committee are detailed within this report.

THE ROLE OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Scope and Responsibility

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

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

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

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

Meetings of the Committee – 2021-2022

The Council's constitution requires the Audit, Standards and Governance Committee to hold quarterly meetings.

During the municipal year 2021-2022 the Covid-19 pandemic continued to have a significant impact on Council operations. The Government removed the temporary legislation that allowed local authorities to hold public meetings virtually in May 2021. This meant that Audit, Standards and Governance Committee meetings were once

Agenda Item 12

again held in person after May 7th, 2021. During consideration of the Monitoring Officer's report at the Committee meeting held on 15th July 2021, Members were informed that a consultation had been undertaken by Central Government in order to better understand the success of virtual and hybrid meetings at a local level. In the meantime, the Council adopted a risk assessment-based approach, informed by health and safety considerations, which had been determined by the Corporate Management Team (CMT) following consultation with Group Leaders.

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Standards Regime

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

Monitoring Officer's Report

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

Due to Covid-19, training was more challenging than in previous years. However, a comprehensive training programme had taken place in the 2019-2020 municipal year due to the 2019 Elections. Training did take place online during 2021-2022 and included Local Government Finance training and Planning Refresher Training.

Members continued to work on occasions remotely during 2021-2022 and in order to make this process efficient and effective a Member ICT Support Officer was made available to respond to Members' queries and IT issues.

The Member Development Steering Group met a number of times throughout the municipal year and items for consideration included:

- Regular Members ICT updates
- Local Authority Finance Training
- Carbon Literacy Training

In addition to those listed above Councillor K. Van Der Plank, in her role as Risk Champion for 2020-2021, had made a number of recommendations regarding Safeguarding at a meeting of the Audit, Standards and Governance Committee meeting held on 1st September 2022. These recommendations were considered by the Member Development Steering Group.

The Constitution Review Working Group continued to meet during 2021-2022. Recently the group has discussed the process for considering Notices of Motion at Council and their referral to other Committees and Membership Arrangements for Working Groups.

A number of Member complaints were received throughout the municipal year 2021-2022. In addition to this a number of general Parish Council queries of a procedural nature were received and were being dealt with at a local level. All queries and complaints were dealt with at a local level.

Dispensation Report

At the Audit, Standards and Governance Committee meeting held on 15th July 2021 the Dispensations Report was presented to the Committee. This report explained that under the Localism Act 2011 there was a requirement to consider the granting of Individual Member Dispensations. In addition to this, it is necessary to consider General Dispensations (including Budget and Council Tax discussions) and Outside Body Appointment Dispensations. The dispensations agreed at this meeting remain valid until the first meeting of the Audit, Governance and Standards Committee following the next District Council Elections in 2023.

Parish Council Involvement

The Parish Council representative is able to add any item on to the agenda as required and this is highlighted within the Monitoring Officer's Report. Whilst the Parish Councils have the opportunity to appoint two representatives on the Committee, as has happened in previous years, only one of these places was taken up and the Parish Council representative for the municipal year 2021-2022 is Mr B. McEldowney.

Investigations and Enquiries

There have been a number of complaints this year at both a Parish and District level. These continue to be investigated locally by the Monitoring Officer.

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

The appointed Independent Person has continued to support the Monitoring Officer where necessary.

INTERNAL AUDIT REPORT

During the year the Committee has continued to receive updates on the work of the Internal Audit team including details of the following completed audit reports:

- Internal Audit Progress Monitoring Report 2020/21 and 2021/22
- Internal Audit - Annual Report 2019-2020
- Internal Audit – Audit Plan 2020-21
- Internal Audit Plan 2021 - 2022

EXTERNAL AUDITORS

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

- Grant Thornton - Progress and Sector Reports
- Grant Thornton Annual Audit Letter 2020-2021
- Grant Thornton External Audit - Audit Findings Report
- Grant Thornton - Housing Benefit Report 2020/2021
- Audit Opinion and VFM conclusion 2020/2021
- Audit Plan 2021/2022

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

- Value for money
- Significant Risks
- Financial Statements
- Housing Benefits

STATEMENT OF ACCOUNTS

To be completed

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15th July 2021

Internal Audit Annual Report 2020 - 2021

During consideration of this item technical issues were experienced. However, it was agreed that the Committee would consider the report and any questions for the Head of Internal Audit Shared Service would be included as part of the next Internal Audit Progress Report which was due for consideration by the Committee in October 2021.

Members were particularly interested in Allocated number of Audit days and service productivity.

Annual Audit Plan 2021/22

As detailed above the Head of Internal Audit Shared Service experienced technical issues during this item however the report was still considered. During this discussion it was noted that the Annual Audit Plan 2021-2022 was already being followed for this municipal year.

It was accepted by the Committee that the Audit Plan was being carried out during unprecedented times due to the Covid-19 pandemic and that the Key Performance Indicators (KPIs) would be measured at the end of the municipal year.

RIPA Report 2021-2022

The Regulation of Investigatory Powers Act 2000 (RIPA) gives local authorities powers to conduct covert surveillance under certain circumstances. The Audit, Standards and Governance Committee review the Council's RIPA policy at least on an annual basis. This review of the policy also includes the Authority's use of the Act and any amendments made to the policy since it was last considered by the Committee. During this update the only amendment made to the RIPA policy since it was last considered by the Committee in July 2020 was the appointment of Mr. J. Howse, Executive Director of Resources and s151 Officer, as the Council's 'Senior Responsible Officer' for the RIPA regime.

During consideration of this report by the Committee, the Council's RIPA Policy as reviewed, was endorsed and the update on RIPA activity was noted.

Risk Register Update - Verbal Update

The Risk Register update is a regular item that is presented to the Committee. During this update Members were informed that projects looking at best practice and internal

policies from a risk perspective were being undertaken with the Council's insurance provider, Zurich. It was hoped that this would improve and ensure robust processes were in place in this area.

7th October 2021

Grant Thornton - Progress Report - Verbal Update

At this meeting of the Committee Members were informed that the 2019/2020 audit response had now been concluded as follows:

- Value For Money conclusion - Unqualified
- Financial Statements Audit - Unqualified

In addition to this the Committee was informed that the 2020/2021 draft accounts were being looked at along with the timetable to deliver their Audit Opinion 2020-2021 and Value For Money conclusion for that year.

Members are often interested in the potential increase in fees for audits and these regular updates provide an opportunity to inform Members of any changes to the ways that audit fees are administered. At this meeting the Committee was reminded that were there to be any additional fees included for the 2019-2020 audit these would be passed for consideration by Public Sector Audit Appointments (PSAA) and that these would be included in the Annual Audit Letter 2020/2021.

As was the case throughout the Covid-19 pandemic, challenges had been experienced throughout the sector in the preparation of the audit and associated working papers. It was hoped that going forward new changes within the Finance team alongside with the implementation of the Enterprise Resource Planning System that better quality working papers would be provided.

There had been a change to the timetable of accounts during the municipal year 2019-2020 and this inevitably had an impact of the delivery of the accounts for the following year. However, Officers were working closely with Grant Thornton to ensure an appropriate timeline for completion of any outstanding audits.

Internal Audit Progress Report

At the meeting held on 7th October 2021 six final full audit reports were provided for Members' consideration and it was noted that five reviews had commenced for future consideration of the Committee.

Risk was discussed in detail by Members as part of this update in particular how the Internal Audit Plan was formulated. The Head of Shared Service Internal Audit described how the Internal Audit Plan was formulated using risks across the Authority and various intelligence in order to draw together a profile to formulate the internal audit programme. It was noted that risks changed, new risks emerged and that inevitably there had been some changes during the last 18 months due to the Covid-19 pandemic

Risk Register Verbal Update

Further to the discussions as part of the previous item, a Risk Register update was provided to members at this meeting. Work was still being undertaken with Zurich, the Council's insurance provider in order to identify Strategic and Operational risks.

A review has been undertaken of the current Risk Register and the next step to this project was to look at risk exposures and how delivering services could be done more effectively. Members were reassured that, once the work with Zurich had been finished a report would be provided to the Committee.

2nd February 2022

Standards Regime - Monitoring Officers' Report

The Monitoring Officer presented her report and along with the standard information that was provided to Members there was discussion regarding Member's safety particularly at public meetings. It was explained that there were some lone working trials taking place and that the Committee would be updated when further information was available. It was likely that this issue would be referred to the Member Development Steering Group for further consideration. However, a number of issues would certainly need to be taken into consideration before restricting public access to public meetings.

Grant Thornton - Sector Update

The external auditors, Grant Thornton presented Members with the Sector Report at the meeting held on February 2022. The report provided the Committee with a summary of emerging national issues and developments that may be relevant for local authorities.

A particular focus of this update was regarding the growing complexity of local authority accounts, with audit firms now being asked to carry out more work in each audit, to comply with new regulatory demands and to adapt to the new multifaceted landscape in which local authorities operated, whilst also struggling to hire and retain

experienced auditors. The extra work had inevitably impacted on fees which was also discussed at this meeting.

The amount of work for external auditors to finalise local authority accounts has significantly increased, with added pressure on local authorities, as highlighted in the Redmond Report which Members had considered at a meeting earlier in the municipal year.

Grant Thornton - Annual Audit Letter 2019/20

The Annual Audit Letter 2019/20 provides Members with a high-level summary and overview of the key findings arising from the work carried out for the year end 31st March 2020.

An unqualified opinion was submitted on the group's financial statements on 5th October 2021. Although there had been some significant delays experienced, officers reported that work was being carried out to improve this for next year and to ensure that information was robust.

Internal Audit - Progress Report

The Internal Audit Update report presented at this meeting provided commentary on Internal Audit's performance for the period 1st April to 31st December 2021. All recommendations made from Internal Audit reviews undertaken during this time period have a clear management plan and implementation dates. At this meeting Members identified several implementation dates had not been reached. The relevant service areas would be revisited as necessary to ensure that the agreed implementation plan was being carried effectively.

Safeguarding was discussed in detail at this meeting particularly the number of 'follow up' reviews that were taking place. It was explained that Safeguarding was revisited on a number of occasions in order to satisfy auditors, who when revisiting an area, would check that all implementation dates had been addressed with the appropriate officers. The Committee agreed that this was an extremely important area and would continue to monitor this area closely and invite the relevant Head of Service to the next meeting of the Committee.

Decision to opt into The National Scheme For Auditor Appointments Managed By PSAA

Members considered a report on the 'Decision to opt into the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments' (PSSA) as the 'Appointing Person' at the meeting held on 2nd February 2022.

The Council had previously opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. The report presented at this meeting detailed the procurement process by the PSAA for the next appointing period, covering audits for 2023/24 to 2027/28.

A detailed discussion took place, and it was explained to Members that the Council has the option of arranging its own procurement and to make the appointment itself, or it has the option of running a joint procurement in conjunction with other bodies, or the Council can join and take advantage of the national collective scheme administered by PSAA.

Once all of the information was considered, Members were asked to vote on the following recommendation:

RECOMMENDED that

- a) Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for a procurement period of five financial years from 1 April 2023 (that was to say from 2023/24 to 2027/28).

Members of the Audit, Standards and Governance Committee voted in favour of the above recommendation. The report and the recommendation were presented at the Full Council meeting held on 23rd February 2022 where it was resolved.

12th April 2022

To be completed once the Committee meeting has taken place on 12th April 2022.

Annual Appointment of Risk Management Champion for the Committee

Each municipal year a Risk Management Champion is appointed to the Committee to look at risk across the Council. For the municipal year 2021-2022 Councillor A. Beaumont was elected as Risk Champion. As part of this role a verbal or written update is provided to the Committee at each of its meetings.

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Legal, Equalities and Democratic Services

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AUDIT, STANDARDS & GOVERNANCE COMMITTEE

WORK PROGRAMME 2021/22

April 2022

- Standards Regime - Monitoring Officer's Report
- New Model Code of Conduct
- Grant Thornton – External Audit Plan 2020/2021
- Grant Thornton - Informing the Audit Risk Assessment 2020/21
- Grant Thornton - Housing Benefit 2020/2021 Certification Letter*
- Grant Thornton – Sector Update
- Overall Risk and Corporate Governance Report including Risk Register
- Audit, Standards and Governance Committee – Annual Report 2021-2022
- Internal Audit Progress Report
- Internal Audit – Safeguarding Update
- Internal Audit - Draft Audit Plan*
- Risk Champion's Verbal Update – Councillor Beaumont
- Audit, Standards and Governance Committee Work Programme

July 2022

- Election of the Chairman and Vice-Chairman
- Standards Regime - Monitoring Officer's Report
- RIPA Report 2022-2023
- Grant Thornton - Housing Benefit 2020/2021 Certification Letter
- Grant Thornton – Progress Report
- Internal Audit - Draft Audit Plan
- Internal Audit – Annual Report 2021-2022
- Risk Register Update
- Annual Appointment of the Risk Champion
- Audit, Standards and Governance Committee Work Programme

* to be considered at the July 2022 meeting

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