



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 1ST JUNE 2023
AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: TBC at the Annual Council Meeting

AGENDA

1. **Election of Chairman**
2. **Election of Vice-Chairman**
3. **Apologies for Absence and Named Substitutes**
4. **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.
5. **To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 9th March 2023 (Pages 7 - 14)**
6. **Standards Regime - Monitoring Officers' Report (Pages 15 - 20)**
7. **General Dispensations Report (Pages 21 - 28)**
8. **Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 29 - 34)**
9. **Grant Thornton - External Audit Progress Report and Sector Update (Pages 35 - 54)**
10. **Quarterly Risk Update (Pages 55 - 70)**

11. **Financial Compliance Report including progress update on Statements of Accounts** (Pages 71 - 148)
12. **Internal Audit Annual Report & Audit Opinion 2022/23** (Pages 149 - 178)
13. **Internal Audit Plan 2023/2024** (Pages 179 - 190)
14. **Annual Appointment of Risk Champion**
15. **Audit, Standards and Governance Committee Work Programme** (Pages 191 - 192)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

23rd May 2023

If you have any queries on this Agenda please contact
Mat Sliwinski

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Please note that this is a public meeting.

You are able to see the agenda for the meeting on the Committee Pages of the Council's website.

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PUBLIC SPEAKING

The usual process for public speaking at Committee meetings will continue to be followed subject to some adjustments which allow written statements to be read out on behalf of residents at meetings of Audit, Standards & Governance Committee.

Notes:

Although this is a public meeting, there are circumstances when the Committee 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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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

9TH MARCH 2023, AT 6.00 P.M.

PRESENT: Councillors S. R. Colella (Chairman), A. J. B. Beaumont, R. E. Jenkins, J. E. King and P. J. Whittaker, and B. McEldowney (Parish Council's Representative).

Observers:

Councillor G. Denaro – Portfolio Holder for Finance and Governance (on Microsoft Teams),

Mr. J. Murray – Grant Thornton (on Microsoft Teams),

Ms. H. Whiting – Head of Human Resources & Organisational Development, City of York Council [until 7.00 pm]

Mr. P. Stachniewski – LGA Associate on Finance [until 7.00 pm]

Officers: Mr P. Carpenter, Mrs. C. Felton and Mr. A. Bromage, Mrs. J. Bayley-Hill (on Microsoft Teams) and Mr. M. Sliwinski.

53/22

APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES

Apologies for absence were received from Councillors A. Kriss, M. Middleton, and C. Spencer.

54/22

DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS

There were no declarations of interest nor of any party whip.

55/22

TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 19TH JANUARY 2023

The minutes of the Audit, Standards and Governance Committee held on 19th January 2023 were submitted.

RESOLVED that the minutes of the Audit, Standards and Governance Committee held on 19th January 2023 be approved as a correct record and signed by the Chairman.

56/22

STANDARDS REGIME - MONITORING OFFICERS' REPORT

The Head of Legal, Democratic and Property Services presented the Monitoring Officer's report and in doing so highlighted that since the last meeting a new complaint had been received from a member of the public against a District Councillor. This was managed through the local

resolution process and the complainant was satisfied with the resolution process adopted. It was also noted that the one outstanding complaint reported at previous meetings remained live as of this meeting.

Regarding member training and development, the Committee was informed that the Member Development Steering Group meeting planned for 8th March 2023 had to be cancelled and this would be rearranged. It was noted emergency planning training had been delivered to Members since the last meeting.

It was reported that the Constitution Review Working Group met on 26th January 2023. The outcomes of this meeting were to be reported to the Annual Council meeting in May 2023.

RESOLVED that the Monitoring Officer's Report be noted.

57/22

AUDIT TASK GROUP FINAL REPORT FOR THE ROOT AND BRANCH REVIEW OF HOW THE COUNCIL ARRIVED AT THE SECTION 24 NOTICE (TO FOLLOW)

The Chairman of the Committee presented a summary of the final report of the Audit Task Group ('Audit Group') into causes of how the Council arrived at the Section 24 Notice under the Local Audit and Accountability Act 2014. The Chairman highlighted that the recommendations contained in the final report would provide important learning points for the Council for undertaking future projects of similar nature.

The Chairman reported that the Audit Group undertook a thorough investigation of the matter which entailed reviewing various background documents, including, amongst other things, minutes of meetings of the project board that was set up by Bromsgrove District Council (BDC) in the autumn of 2019 to implement the BDC's new accounts and finance management system, the enterprise resource planning ("ERP") system. Other related relevant information in respect of the implementation of the ERP by BDC was also reviewed and interviews conducted with various Officers involved in the implementation of the ERP system. It was noted that the suppliers of the ERP system, TechOne, did not wish to be interviewed as part of this Audit Group investigation.

The Chairman reported that it was the Audit Group's view that the main reason for the Council receiving a Section 24 Notice from external auditors on 31 October 2022 was due to the failure of the cash receipting module of the ERP system and the consequent inability to access financial information on the ERP system which led to the non-delivery of the 2020-21 Statement of Accounts.

It was highlighted that a number of related failures in the ERP project were identified as part of the investigation, and these included:

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9th March 2023

- The tender scoring documentation which would detail why TechOne was chosen in 2019 to implement the new ERP system was not available to the Audit Group.
- The supplier of the ERP system, TechOne, did not have a suitable cash receipting solution in place and the Council appeared to be the first organisation in the country to work with TechOne on developing a bespoke, untried cash receipting solution.
- There was no clear programme of training for staff on the ERP system and the Council's staff had to rely excessively on self-training in order to learn the system.
- There was no recognised project management framework used by the Council in implementing the new ERP system.
- The former Section 151 Officer did not attend any ERP system implementation project meetings.
- Eleven out of sixteen key finance staff left the Council during the initial stages of the new ERP system going live and this left considerable gaps in skills. Exit interviews did not provide clear answers as to the reasons why these members of staff left or whether the difficulties with the ERP system accounted as one of these reasons.
- There was a failure to provide reports to the Audit, Standards and Governance Committee on progress in the implementation of the ERP system.

The Chairman highlighted that the Council was fully cooperative in allowing this investigation to be undertaken and that no culture issues were identified as part of the review that were deemed to contribute to the failures associated with the ERP system implementation. The Chairman took the opportunity to thank Officers involved in the review for their effort in helping Members to access and scrutinise such an amount of documentation.

The Chairman reported that the recommendations of the Audit Task Group were split into two with the ten recommendations relating to general improvements that the Council should be making in its management of projects and a further five recommendations relating specifically to the ERP system.

Following the presentation of the Audit Task Group Final Report, Officers and Members discussed the report and the following was noted:

- The Head of Worcestershire Internal Audit Shared Service noted that the observations contained in the Audit Task Group report were accurate and correlated with the issues known to internal audit.
- The External Auditor commented that the Audit Task Group report represented a step in the direction of fulfilling one of the five key recommendations issued by the auditors as part of the Section 24 Notice, which related to undertaking a comprehensive review of

the financial ledger implementation and ensuring lessons were learned for future key projects.

- The Interim Director of Finance commented that the process of submitting the Accounts for 2021/22 was expected to be more challenging than for 2020/21. This was as the amounts held in suspense would need to be reconciled for the full 52 weeks for 2021/22 whereas this was an issue for only the last 6 weeks of 2020/21 as the Council moved to the new ERP system on 8th February 2021.
- It was explained that the Council had not faced financial penalties due to late submissions of Accounts. However, Section 24 Notice represented a reputational damage to the Council. If a public interest report was issued to the Council, this would represent an even more severe reputational damage. It was highlighted that whilst there were no direct financial penalties, the Council would likely face an increase in the audit fee charge as a result of additional work required to audit Council's accounts.

RESOLVED that the Audit Task Group Final Report be approved and that the Report and its recommendations be submitted for consideration by Cabinet at its next meeting.

58/22

STATEMENT OF ACCOUNTS - VERBAL UPDATE

The Interim Director of Finance addressed the Committee and in doing so reported that when preparing Accounts for 2020-21 data from the old financial ledger system had to be unpicked and moved to the TechOne system for the majority of the 2020-21 financial year as the move to the new system took place on 8th February 2021. The reporting tool which sat over the old eFin system was now not available to the finance team which made tracking transactions for that period more difficult. It was noted that the transactions recording for the transfer from eFin to TechOne would need to be tested by the external auditors as part of their audit and needed to be signed off before the Council submitted the 2020/21 Accounts. This was not expected to be completed until end of March 2023.

It was estimated that the draft Statement of Accounts 2020-21 would not start to be fully audited by the external auditors until July 2023.

It was reported that in terms of the 2021-22 Accounts the main challenge would be identifying where specific amounts had been allocated on the ledger, with 12 months of cash receipting issues to be resolved.

Following the update and in response to questions by Members, Officers commented that as part of the migration to the new financial ledger system, the old system was not cleansed completely which created significant issues with staff having to unpick transactions that should have been correctly allocated before the transfer to the new TechOne system was made on 8th February 2021.

The External Auditor commented that audit work on 2020-21 Statement of Accounts began in late January 2023 and it was apparent that normal system transfer between the old and new ledger had not taken place. As such the audit of 2020-21 Accounts was expected to take a considerable amount of time.

For 2021-22 it was noted that a significant number of transactions were moving around the ledger which created another set of challenges in auditing those Accounts. The external auditor noted that as such significant control deficiencies with the Council's finance system monitoring would need to be reported by the auditors. The external auditor that issues with the audit of 2020-21 Accounts were expected to lead to a significant variance in the audit fee.

The Interim Director of Finance commented that the issue of outstanding items held in suspense did not affect Council Tax debt but affected some sundry debt.

RESOLVED that the update be noted.

59/22

INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit Progress Report from the Head of Worcestershire Internal Audit Shared Service. The report before the Committee summarised progress made against the delivery of the Internal Audit Plan 2022/23 as to the end of January 2023. It was noted that Appendix 2 provided a complete overview of the plan and a holistic view of the progress against the plan. It was reported that two finalised internal audit reports were included as part of this agenda at Appendix 3 and both of these related to Core Financials.

The Head of Worcestershire Internal Audit Shared Service reported that National Fraud Initiative (NFI) data uploads had been completed by the required deadline and results were now beginning to be reported back to respective Council departments.

It was reported that Appendix 4 provided full overview of the follow up programme. This was to enable the Committee to be sighted on progress made in resolving issues with a number of previous internal audits where follow-up reports were needed. It was reported that as part of the GDPR – Document Retention 2021-22 Follow Up report there remained a high level recommendation relating to two factor authentication to accessing network. This recommendation was partially addressed, and it was expected to take another couple of months before this recommendation was fully resolved.

The Head of Worcestershire Internal Audit Shared Service commented that routine meetings with the Head of Finance and Customer Services continued to provide ongoing monitoring of the situation around the financial ledger system.

With regards to the Core Financial reports, it was noted that Accounts Receivable continued to receive limited assurance and General Ledger had a no assurance status at the moment due to legacy issues with the financial ledger system.

RESOLVED that the report be noted.

60/22

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE - ANNUAL REPORT 2022-23 (TO FOLLOW)

The Committee's Annual Report for 2022-23, which summarised the work of the Audit, Standards and Governance Committee, was presented for approval.

A typographical error was highlighted in the Annual Report (page 22 of the supplementary documentation pack) relating to internal audit reports. It was noted that one of the internal audit reports that was completed should read 'Interim Auditor's Annual Report and Audit Opinion 2020-21' instead of 'Interim Auditor's Annual Report 2020-21'. The Democratic Services Officer present undertook to correct the mistake.

During the discussion, it was noted that the Council was experiencing significant difficulties, shared across the local government sector, with recruiting accounting officers, especially HRA accountants. This represented a significant block to resolving issues faced by the Council.

The Chairman commented that in his foreword to the Annual Report he suggested that membership of the Committee should be expanded in line with other 'challenge' committees of the Council such as the Overview and Scrutiny Board and that the frequency of Committee meetings should be increased.

RESOLVED that the Audit, Standards and Governance Committee – Annual Report 2022-23 be approved, subject to corrections highlighted by the Committee.

61/22

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR M. MIDDLETON)

There was no risk champion update as Councillor M. Middleton had submitted her apologies.

It was noted in relation to previous items on the agenda that it was imperative that Officers were trained and followed the PRINCE2 project management methodology when undertaking projects. It was reported that a number of Officers in the Council had already been trained in PRINCE2 project management and could offer expertise in managing Council projects. It was also reported that the Council could utilise the apprenticeship levy to train further Officers in project management. Officers were asked on the number of fully PRINCE2 qualified staff in the Councils.

62/22

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Interim Director of Finance addressed the Committee and offered suggestions for items that should be considered at each meeting of the Committee starting from the new municipal year. These items included:

- Risk Management Report
- Report on Financial Compliance
- Internal Audit Plan
- Statement of Accounts update
- External Auditors update
- Risk Champion update.

Members agreed that the suggested items list represented a good selection of items to be considered at each meeting. Members requested that the Committee meet bi-monthly in the municipal year until issues with reconciliation of items in suspense and with submissions of the Council's Accounts had been resolved.

RESOLVED that the Audit, Standards and Governance Committee hold bi-monthly meetings until issues with the submissions of the Statement of Accounts had been resolved.

The meeting closed at 7.42 p.m.

Chairman

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MONITORING OFFICER'S REPORT

Relevant Portfolio Holder	TBC
Portfolio Holder Consulted	-
Relevant Head of Service	Claire Felton
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 ordinary meeting of the Committee in March 2023.
- 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.
- 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.

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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 the Monitoring Officer has received a Parish Council complaint in respect of social media activity. Whilst this has been resolved locally, the training programme for Members has been updated and it is proposed that additional training will continue in this area throughout the municipal year.

In respect of the complaint reported at the last meeting of the Committee, the matter remains ongoing and is now with the subject member and advisor for comment and resolution. Members are further advised that all non-code related matters reported to the Monitoring Officer historically have been assessed and included in the training sessions for District members pre and post-election.

6.3 Independent Member

As Members will be aware the current Independent Person for the Council is Mr Mel Nock. He took up the role in 2012 following the introduction of changes in the Localism Act 2011 which required Councils to appoint an "Independent Person". The Localism Act provided that the views of the Independent Person should be sought and taken into account by an authority before it's decision on an allegation that it has decided to investigate. The Act also provided that the Independent Person could be consulted by a Member whose conduct had been complained about, this option being available to both District Councillors and Parish Councillors.

Mr Mel Nock has thus been acting as the Independent Person since 2012. During this time the more informal approach to resolving complaints introduced by the 2012 reforms and the involvement of the Independent Person have proved to be very effective and contributed to a greater number of complaints being resolved by local settlement. The current term for Mr Nock comes to an end with the Electoral cycle and the Monitoring Officer is looking into how best to satisfy the requirements for an Independent Person. Although back in 2012 the appointment of the Independent Person was achieved via a Council led

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recruitment process, there were a number of drawbacks to this approach, including the time and cost involved. Also trying to attract suitable candidates to apply has in the past provide difficult. As alternative option officers are liaising with colleagues at Worcestershire County Council to establish whether the Council can join the existing retained pool of Independent Persons that was set up by six other authorities in Worcestershire working together in 2012. The pool operates on the basis that the five appointed independent persons can be used by any of the member authorities and the costs of remunerating the independent persons and recruiting new ones are shared.

It is also proposed that Mel Nock be retained for a further term to support the Monitoring Officer in the management of Member to Member complaints.

A report to Members giving more details of the proposal to replace the Independent Person will be submitted to a future meeting of this Committee once the full details are known. In the meantime, the Committee can be re-assured that Mr Nock has agreed to continue in the role on a temporary basis to cover the transition to the new arrangements which are expected to be put into effect by the autumn of 2023.

Constitution Review

- 6.4 The Constitution Review Working Group (CRWG) is responsible for reviewing the content of the Council's constitution. Any proposed changes arising from meetings of the group are reported for the consideration of Council.
- 6.5 The CRWG is due to meet in July and has various additional meetings scheduled throughout the year to provide Members with an opportunity to review the content of the Council's constitution.

Member Development

- 6.6 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group

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meets throughout the year. The first meeting of the group in the 2023/24 municipal year is due to take place on 14th June 2023.

Member Training

- 6.7 Following the local elections in May 2023, a comprehensive Member training programme has been arranged for both new and returning Members. This programme was organised in accordance with arrangements requested by the MDSG.

The training sessions that have taken or are due to take place include:

- New Member Induction Evening – 10th May 2023.
- Code of Conduct Training – 11th May 2023.
- Planning Refresher Training – 15th May 2023.
- Members' Data Protection and Safeguarding Training – 16th May 2023.
- Detailed Planning Training – 17th and 18th May 2023.
- Modern.gov app training – 25th May 2023
- Bromsgrove Members' Overview and Scrutiny Training – 31st May 2023.
- Audit, Standards and Governance Committee Training – 1st June 2023.
- Local Government Finance Training – 12th June 2023.

- 6.8 As requested by the MDSG, many of the training sessions that are due to be delivered to Members in 2023 will be provided as joint training to Members from both Bromsgrove District Council and Redditch Borough Council. However, there are some sessions, such as the Overview and Scrutiny training, where Members agreed that bespoke training should be provided to Bromsgrove Members only and, in these cases, separate training has been arranged.

- 6.9 At an early meeting of the MDSG Members will be asked to review the training provided as part of this induction programme and this will provide an opportunity for lessons to be learned for the future.

7. RISK MANAGEMENT

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- 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.

Chapter 7 of the Localism Act 2011.

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	TBC	
Lead Director / Head of Service	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	18 th May 2023
Financial Services	N/A	
Legal Services	Claire Felton - Head of Legal, Equalities and Democratic Services and Monitoring Officer	18 th May 2023

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LOCALISM ACT 2011 – STANDARDS REGIME – DISPENSATIONS

Relevant Portfolio Holder	Councillor TBC
Portfolio Holder Consulted	
Relevant Head of Service	Claire Felton, Head of Legal, Democratic and Property Services
Report Author Jess Bayley-Hill	Job Title: Principal Democratic Services Officer Contact email: jess.bayley-hill@bromsgroveandredditch.gov.uk Contact Tel: (01527) 64252 Ext: 3072
Wards Affected	All
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) the Audit, Standards and Governance Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and Committees in circumstances where a member of the public may elect to speak;
- 2) subject to the caveat set out in paragraph 3.6 of this report in relation to setting the Council's Budget, the Audit, Standards and Committee grants dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and Committee meetings when considering the setting of:
 - a) the Budget;
 - b) Council Tax;
 - c) Members' Allowances; and
 - d) Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District;

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- 3) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and
- 4) it be noted that the dispensations referred to at resolutions (1) and (2) will remain valid until the first meeting of the Audit, Standards and Governance Committee following the next District Council Elections in 2027 unless amended by the Committee prior to that date.

2. BACKGROUND

- 2.1 The purpose of this report is to provide members with an opportunity to consider and agree a number of general dispensations for all Councillors.

3. OPERATIONAL ISSUES

- 3.1 Under s31 (4) of the Localism Act 2011 a Member who has a DPI in a matter under consideration is not permitted to participate in the discussion or vote on the matter unless s/he has first obtained a dispensation under s33.
- 3.2 Section 33 (2) includes a number of situations where a dispensation can be considered, but should be granted "only if, after having regard to all relevant circumstances" the Committee considers that one of those situations applies.
- 3.3 The statutory grounds under s33 (2) for the granting of a dispensation are where the authority –
 - “(a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

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- (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
 - (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's Executive (Cabinet) would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
 - (e) considers that it is otherwise appropriate to grant a dispensation."
- 3.4 The consideration of whether to grant a dispensation under s33 was previously delegated to the former Standards Committee. This function subsequently transferred to the Audit, Standards and Governance Committee. All dispensations granted are valid until the first meeting of the Audit, Standards and Governance Committee following the next applicable District Council elections.
- 3.5 Dispensations, all of which require the advance approval of the Committee and a subsequent written request from the Member to the Monitoring Officer, currently fall within four categories:
- General Dispensations
 - Council Tax Arrears
 - Individual Member Dispensations
 - Outside Body Appointment Dispensations
- 3.6 It should be noted that under Section 106 of the Local Government Finance Act 1992 there is a caveat that any Member who is 2 months (or more) in arrears with their Council Tax payments cannot participate in any Council meeting concerning the budget. In the event that any Members are affected by the provisions of section 106, the statutory rule

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that they be barred from taking part in the budget decisions would prevail.

- 3.7 The new Local Government Association (LGA) Model Code of Conduct was considered at the Audit, Standards and Governance Committee meeting held on 12th April 2022. It was recommended by the Committee that the Council adopt the new Model Code. The new Model Code of Conduct was subsequently presented at the Council meeting held on 18th May 2022 with Members agreeing to adopt the LGA Model Code of Conduct. As a result of this adoption Members are now required to complete an 'Other Registerable Interests' (ORI) form to declare any ORIs.
- 3.8 Usually, the Audit, Standards and Governance Committee would be asked to consider granting both general dispensations and individual Member dispensations together at the first meeting of the Committee in the municipal year.
- 3.9 The current general dispensations to Members are due to expire on the date of the first meeting of the Committee in the 2023/24 municipal year. It is therefore important to ensure that the Committee is provided with an opportunity to consider whether to grant these general dispensations at this first meeting.
- 3.10 However, the first meeting of the Committee in the 2023/24 municipal year is taking place much earlier than usual. This does not provide much time to consult with Members, particularly new Members, on any individual Member dispensations that they wish to request for this municipal year.
- 3.11 In this context, Officers will present a further report, focusing on individual Member dispensations, for the Audit, Standards and Governance Committee's consideration at the next meeting of the Committee in July 2023.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no specific financial implications.

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5. LEGAL IMPLICATIONS

- 5.1 Section 33 of the Localism Act 2011 provides that Dispensations can be granted in respect of Disclosable Pecuniary Interests (“DPIs”).
- 5.2 Section 33 (1) requires that a Member must make a written request for a dispensation.
- 5.3 Section 33 (3) provides that a dispensation must specify the period for which it has effect, and that period may not exceed 4 years.

6. OTHER - IMPLICATIONS

Relevant Strategic Purpose

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

Climate Change Implications

- 6.2 There are no specific climate change implications.

Equalities and Diversity Implications

- 6.3 There are no specific equalities and diversity implications.

7. RISK MANAGEMENT

- 7.1 The granting of general dispensations by the Committee will, subject to receipt of a written request from Members for such a dispensation, clarify, for the avoidance of any doubt, Members’ ability to participate in and vote at Council and committee meetings on certain matters as part of the Council’s decision-making process.

8. APPENDICES and BACKGROUND PAPERS

- Section 33 of the Localism Act 2011.
- Section 106 of the Local Government Finance Act 1992.
- Various reports to the former Standards Committee and Audit, Governance and Standards Committee.

Audit, Standards and Governance Committee 2023

1st June

9. **REPORT SIGN OFF**

Department	Name and Job Title	Date
Portfolio Holder	TBC	
Lead Director / Head of Service	Claire Felton, Head of Legal, Democratic and Property Services	18 th May 2023
Financial Services	N/A	
Legal Services	Claire Felton, Head of Legal, Democratic and Property Services	18 th May 2023

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Annual Update Report on RIPA

Relevant Portfolio Holder		To be confirmed
Portfolio Holder Consulted		-
Relevant Head of Service		Claire Felton
Report Author	Job Title: Head of Legal, Democratic and Property Services Contact email:c.felton@bromsgroveandreddicth.gov.uk Contact Tel: 07809665536	
Wards Affected		All
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		N/A
Non-Key Decision		

1. RECOMMENDATIONS

The Committee is asked to RESOLVE that:-

- 1.1 The Council’s RIPA Policy (version 8.2) be endorsed; and**
- 1.2 The update on RIPA activity described in this report be noted.**

2. BACKGROUND

- 2.1 The Regulation of Investigatory Powers Act 2000 [“RIPA”] gave local authorities powers to conduct covert surveillance under certain circumstances. The Act also regulates the use ‘Covert Human Intelligence Sources’ [“CHIS”] and obtaining certain Communications Data.
- 2.2 The revised Code of Practice for Covert Surveillance and Property Interference, 2018, at paragraph 4.47, advised that elected members should, at least on an annual basis, review the RIPA policy and the authority’s use of the Act. This report is published in compliance with that requirement.
- 2.3 Local Authority powers are at the lower end of the scale and changes in legislation since the Act was originally introduced, have resulted in further restrictions on their use:
 - the use of surveillance restricted to criminal investigations;

Audit, Standards and Governance Committee 2023

1st June

-
- the Protection of Freedoms Act 2012 required local authorities to get approval from the Magistrates Court for any proposed surveillance; and
 - the threshold for the level of crime being investigated was raised to include only 'serious crime' (as defined).
- 2.4 The regime is overseen by the Investigatory Powers Commissioner's Office, and includes inspections of organisations by an Inspector appointed by the Commissioner, usually about every three years.
- 2.5 Any organisation which has investigatory powers under RIPA is required to have in place a Policy governing all aspects of the regime, including the need for updating and officer training, regardless of whether the powers are exercised. The Council's Policy is regularly updated to comply with any changes in the legislation, guidance and codes of practice which apply to the regime. Changes are notified to the Council by an external RIPA expert, who also provides training and advice on RIPA issues.
- 2.6 From the outset, the Council's use of RIPA powers was always low. There were a number of reasons for this: A rigid process has to be followed to establish that a proposed surveillance activity is both "necessary" and "proportionate"; a senior officer has to evaluate the proposal against a number of criteria and would then have to be referred to the Magistrates Court to be confirmed. If approved, there would have been major resource implications for any authorised surveillance to have been undertaken.
- 2.7 Since the changes introduced in 2012 as described in 2.3 above, the Council has not exercised its powers under RIPA. The Surveillance Commissioner has noted that in recent years authorities like ours have granted far fewer RIPA authorisations and some have granted none at all.
- 2.8 In light of the low level of RIPA activity, in 2018 rather than carrying out a physical inspection an inspector on behalf of the Surveillance Commissioner conducted a remote light touch review. This was followed in January 2022 by a video and desk-top based inspection.
- 2.9 The January 2022 inspection resulted in recommendations to alter the wording of three aspects of the policy to make it clearer and the necessary alterations were subsequently made to the policy by officers. Overall, the outcome was that the Council was operating a robust policy and the continuation of remote inspections in the future was endorsed.

- 2.10 The last occasion a RIPA update report was considered by the Committee was on 22nd July 2022. Officers can update Members that there have been no significant changes or developments since then. There have been no new authorisations of use of RIPA powers. Officers continue to keep the policy under review but there have been no legislative or other changes to update in the last 12 months.
- 2.11 In order to have the option of using RIPA powers in the future if required, the Council must keep the policy up to date and ensure officers are aware of how to use it and the processes to follow. Officers must also be careful to ensure that they follow the parts of the policy that cover other forms of surveillance that fall outside of the strict RIPA regime, and the guidance in the policy around use of social media.
- 2.12 The Council is a member of the National Anti-Fraud Network [NAFN], which is hosted by Thameside MBC and which provides data and intelligence services under the RIPA regime to public sector organisations in relation to fraud investigations. Over 90% of local authorities are members of NAFN. Membership enables the Council to avail of its expertise, without having to have our own staff for the purpose.

3. OPERATIONAL ISSUES

- 3.1 Nothing additional to add to the information above.

4. FINANCIAL IMPLICATIONS

- 4.1 None as a direct result of this report.

5. LEGAL IMPLICATIONS

- 5.1 The Council demonstrated compliance with its statutory obligations under RIPA to the satisfaction of the Surveillance Commissioner at the last inspection in January 2022, and continues to review and update its policy as required and provide training.
- 5.2 This report to Members complies with the Code of Practice requirement that Members should be updated annually on RIPA activity and endorse the policy, including any changes to it, for the coming year.

6. OTHER - IMPLICATIONS

Relevant Strategic Purpose

- 6.1 No direct link to the defined strategic purposes; maintaining the ability to use RIPA powers provides the Council with more options to take effective action to protect its citizens from fraud and criminal activity.

Climate Change Implications

- 6.2 None

Equalities and Diversity Implications

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

7. RISK MANAGEMENT

- 7.1 The Council is required to comply with the statutory provisions and guidance governing the RIPA regime and any recommendation made by the Inspector on behalf of the Commissioner.

Officers need to be aware of the RIPA powers so that there is no risk of surveillance or CHIS activity being undertaken without the correct approvals being in place.

8. BACKGROUND PAPERS

Report to Audit, Standards and Governance Committee - Annual Update on RIPA – 22nd July 2022

The Council's RIPA Policy (version 8.2)

**Audit, Standards and
Governance Committee
2023**

1st June

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	To be confirmed	
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	18 th May 2023
Financial Services	Peter Carpenter, Interim Director of Finance and Section 151 Officer	18 th May 2023
Legal Services	Claire Felton - Head of Legal, Democratic and Property Services	18 th May 2023
Policy Team (if equalities implications apply)	Not applicable	
Climate Change Team (if climate change implications apply)	Not applicable	

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Audit, Standards & Governance Committee 2023

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Grant Thornton – External Audit Progress Report & Sector Update

Relevant Portfolio Holder		Councillor TBC
Portfolio Holder Consulted		-
Relevant Head of Service		Michelle Howell
Report Author: Grant Thornton	Job Title: Head of Finance and Customer Services Contact email: michelle.howell@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 in the report as included in Appendix 1.

2. FINANCIAL IMPLICATIONS

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

3. LEGAL IMPLICATIONS

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

4. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

4.1 The issues detailed in this report help to ensure that the Council is effective and sustainable.

Climate Change Implications

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

Audit, Standards & Governance Committee 2023

1st June

5. OTHER IMPLICATIONS

Equalities and Diversity Implications

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

Operational Implications

- 5.2 The report attached at Appendix 1 provides Members with our external auditor's progress in delivering its responsibilities as the Council's external auditors. It sets out key audit deliverables and a sector update which includes a number of matters that are relevant to Local Government.

6. RISK MANAGEMENT

- 6.1 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.

7. APPENDICES and BACKGROUND PAPERS

Appendix 1 - Grant Thornton – Bromsgrove District Council Audit
Progress Report and Sector Update

Bromsgrove District Council Audit Progress Report and Sector Update

May 2023



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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 and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

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

Members of the Audit, Standards and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at May 2023

Financial statements audit

We undertook our initial planning for the 2020/21 audit in early 2022. In October 2022, Grant Thornton issued written recommendations under section 24 of the Local Audit and Accountability Act 2014 in relation to the Authority's financial systems and governance. We acknowledge that an early draft version of the 2020/21 financial statements was presented to members in December 2022 but the Authority's s151 officer has not yet signed a set of draft financial statements and therefore no financial statements have been submitted for us to audit. We have previously discussed at the Audit, Standards and Governance Committee that the s151 officer is awaiting the conclusion of our opening balances work before signing the draft 2020/21 financial statements. As a result, we have been unable to start our work on your draft financial statements for the 2020/21 year in any significant capacity.

To date we have performed some procedures on the Authority's data migration event from its legacy financial ledger, eFinancials, to its new ledger supplied by TechnologyOne. To date, we have:

- Summarised the eFinancials monthly transactional reports by cost centre, selected two cost centres per month, and compared the total balances of those cost centres for those months to the eFinancials system. This provides high level assurance that the monthly transactional reports downloaded by management at the time of the migration in February 2021 are accurate reflections of the data recorded on eFinancials and that the reports provided to the audit team have not been tampered with. The Council no longer has access to run reports from the eFinancials system which has necessitated this approach.
- Selected 25 transactions from the eFinancials reports and confirmed to the TechnologyOne system that they had been migrated appropriately.
- Selected 25 transactions from the equivalent TechnologyOne transactional reports and confirmed to the eFinancials system that they had been migrated appropriately.

We have not identified any issues in the testing above.

Given the issues noted in the management's own work on the data migration event, we consider that further work is required – a sample of 25 transactions when compared to the volume of processed transactions presents negligible coverage, and given the issues identified by management in their own work on the data migration were “random” in both nature and identification (i.e. no clear pattern or way of isolating, and management happened upon these issues during the course of their work) we do not consider that we have sufficient assurance over the data migration event.

We have enquired with management about alternative methods of gaining assurance through testing data back-ups taken from the eFinancials system prior to the data migration event and await confirmation on the availability of such reports. Our intention would be to use IT solutions to provide assurance over the transferred data to allow us a much broader coverage of the data than we could test manually.

Progress at May 2023

Value for Money

Under the 2020 Code of Audit Practice, the auditors of local government bodies are required to issue an Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN03 and issue their Auditor's Annual Report when their work is complete. The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We have not yet issued our final Auditor's Annual Report for the 2020/21 financial year due to the delay in the financial statements – we cannot issue it in final until we issue our financial statements audit opinion. We reported our interim report in November 2022. It is anticipated that the work on the 2021/22 and 2022/23 financial years will start later this year, and we will issue an Auditor's Annual Report that covers both financial years.

Audit Fees

We have previously discussed the fee impact of the delays in financial reporting, our VFM findings for 2020/21 and the related written recommendations under section 24 of the Local Audit and Accountability Act 2014, and the likely challenges of auditing transactions processed in the new system with management and the Audit, Standards and Governance Committee. The fee we originally proposed in our Audit Plan for 2020/21 in April 2022 was £61,272. The final proposed fee will need to be agreed following the completion of any audit, however given the work already performed to date this could exceed £100k.

Any proposed fee variations must first be discussed with management before consideration by Public Sector Audit Appointments Limited.

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in June 2022. The DWP extended the deadline for reporting the findings of this work to 31 January 2023. Work is ongoing on the 2021/22 claim and is expected to be completed by July 2023. The Authority has maintained contact with the DWP throughout the process to keep the department aware of the situation. Work on the 2022/23 claim is due to start shortly.

Audit Deliverables

2020-21 deliverables	Proposed date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit, Standards and Governance Committee setting out our proposed approach in order to give an opinion on the Authority’s 2020-21 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.</p>	April 2022	Completed
<p>Interim Audit Findings</p> <p>We will report to you the findings from our audit work to date within our Progress Report.</p>	May 2023	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit, Standards and Governance Committee.</p>	November 2023	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2023	Not yet due
<p>Final Auditor’s Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	November 2023	Not yet due
2021-22 and 2022-23 audit-related deliverables	Proposed date	Status
<p>Housing Benefit Subsidy – certification for 2021-22</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. The detailed testing of the Authority’s workbooks has been completed. The remaining tasks left to complete include the testing of manual adjustments made to the subsidy claim form, completion of the Module 5 checklist, and the drafting of the HBAP report. All work is subject to quality review.</p>	July 2023	In progress
<p>Housing Benefit Subsidy – certification for 2022-23</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. We have been provided with the Authority’s subsidy claim form from which we have selected initial samples. The Authority’s Housing Benefit team is currently undertaking the detailed work for these samples.</p>	November 2023	Not yet due

Infrastructure Assets Update

Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

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An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components

A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges.



How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UELs).

Where the infrastructure asset balances are material to your financial statements, we will consider how the SI and Code update have been considered by the Authority, e.g. how derecognised components have been accounted for and how the financial statement disclosures have been updated. We will carry out further audit procedures to assess the material accuracy of in year movements for 2020-21, including infrastructure asset additions, impairments and depreciation charges.

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

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

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Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Agenda Item 9

Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

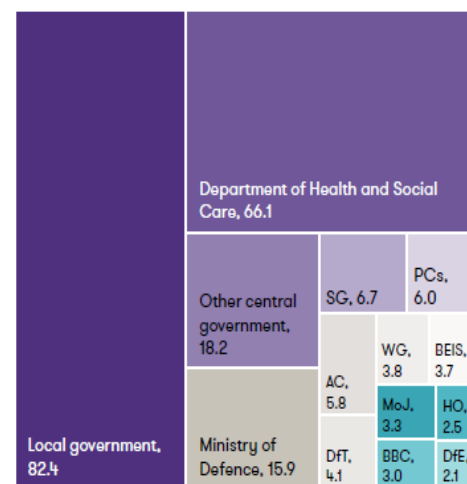
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

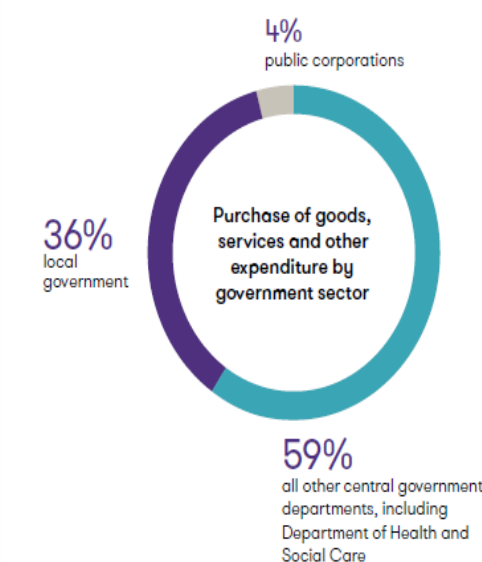
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Page 46 Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared.

This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is set to be broken. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole.

CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

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The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

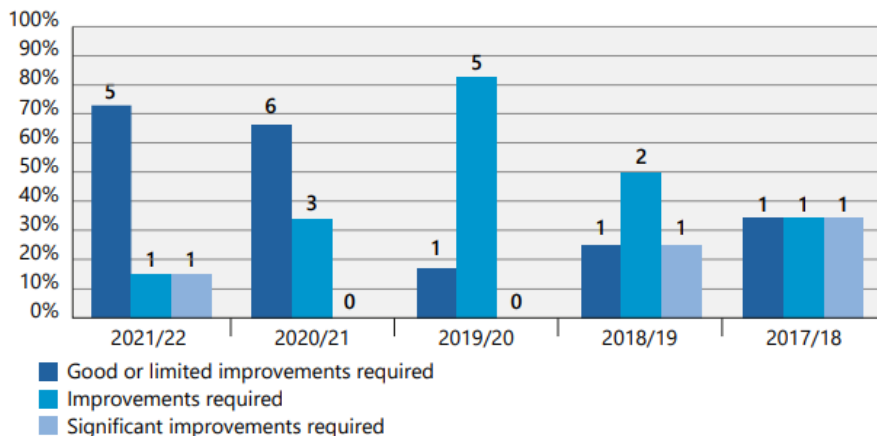
The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023-24 to 2027-28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

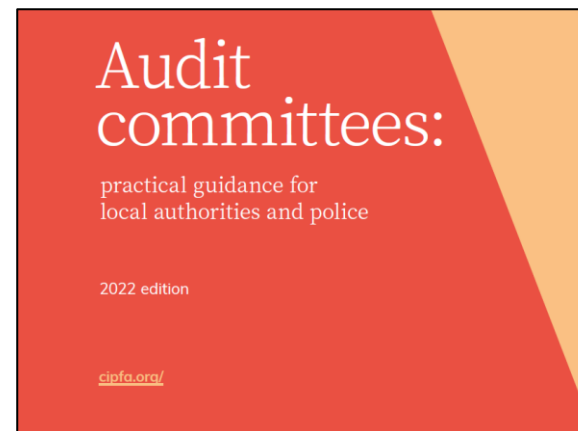
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



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BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee 1st June 2023

Quarterly Risk Update

Relevant Portfolio Holder	Councillor to be confirmed
Portfolio Holder Consulted	No
Relevant Head of Service	Michelle Howell, Head of Finance and Customer Services
Report Author Peter Carpenter	Job Title: Interim S151 Officer Contact Pete Carpenter email: peter.carpenter@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	N/A
Relevant Strategic Purpose(s)	Aspiration, work and financial independence
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. SUMMARY

This report sets out Council activity to identify, monitor and mitigate risk.

2. RECOMMENDATIONS

The Committee is asked to consider:

- **The present list of Corporate and Departmental Risks and request any additional risks to be considered.**

3. KEY ISSUES

Background

- 3.1 In 2018/19, an audit of Risk Management provided an assurance level of limited assurance 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.
- 3.2 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.

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- 3.3 This is now the Fourth cycle of reviewing Corporate and Departmental Risks since the original baselining of Risks in April 2022. Over this period, we have seen:
- Departmental ownership of risks and reviews at Management Teams on a monthly basis;
 - Active review, mitigation, and reduction of risks – ensuring they become managed as part of business as usual;
 - Updating of the 4Risk System – as the Authorities repository of this information;
 - That the Officer Risk Group have actively reduced risk numbers through their work and that a common approach to risk is now being embedded within the organisation.

The Definition of a Corporate Risk

- 3.4 The Council has existing Corporate and Departmental Risks. Members of the Risk Board were not sure of the link on how Risks on system had become Corporate in nature.
- 3.5 The following definition of a of how Risks move from being “departmental” to being “corporate” in nature was recommended by the Risk Group and approved by CMT.
- “For a **Risk** to move from being **Departmental** in nature to being **Corporate** in nature that it **must have significant impact on Councils finances, be cross departmental in nature and/or result in Serious reputational damage**. The Officer Risk Board will vet departmental risks using this definition to move then to Corporate Risks at their quarterly meetings.”
- 3.6 At the June Officer Risk Board it was agreed that “Green” Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place for them. This report takes account of this requirement being 2 meetings since the original baseline was reported.

Departmental Risks

- 3.7 The Council procured the 4Risk system to manage its risks. Risks are subdivided into Corporate Risks and then Departmental Risks. Each risk has an individual record applied to it to ensure all the pertinent information is captured.

The original Risk Baseline in April 2022 was (as shown in Appendix A):

- 105 Departmental Risks – 15 Red, 35 Amber, 55 Green

This reduced through the first set of reviews in June 2022 to:

- 82 Departmental Risks – 2 Red, 29 Amber, 51 Green

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- 3.8 December, being the third cycle following the baselining exercise has seen a complete review of all departmental risks. Twenty-seven risks have been removed and a number of others have been re-categorised. This review process has been done in two stages
- All items have been reviewed by Risk Champions and respective DMT's in each Service Area. Service representatives continue to challenge individual items, which is on the data in the following Tabs underneath each Risk, to ensure that all controls and assurances are properly monitored.
 - The Risk Board on the 14th December also went through all open risks to assess their validity, to ensure that assessment practices were consistent across service areas. This took account of the view that "Green" Departmental Risks should be taken off this list if they have been to two consecutive meetings and mitigating actions have been fully put into place. This was tested in the case of all remaining Green Risks

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	5	10	16
Finance	0	2	2	4
Environmental Services	0	5	3	8
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	1	1	5	7
ICT	0	2	2	4
Planning Services	0	1	0	1
Housing	0	3	4	7
Community Services	0	1	5	6
HR	0	0	1	1
Total	2	21	32	55

Red Risks – 2 in total

REV7 - Revenues - Performance Indicator data is not robust

LED13 - Legal – Bromsgrove Leisure Contracts

The previous two ICT Risks and Housing Risk have been mitigated

Position as at the 22nd March 2023

- 3.9 This report sets out the position a year following the initial baselining of council risks. This is the fourth review, following the implementation of the Action Plan due to the "No Assurance" internal Audit reports. The key point a year in is to ensure that risk management is embedded within the organisations:
- Officer Risk Board to take place on a quarterly basis, having taken place on the 8th April 2022, the 22nd June, the 21st September, the 21st December, and now the 22nd March to embed processes.
 - Each department has nominated a representative to a Risk Board. These representatives meet on a quarterly basis and report back to management teams.

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- Departmental Risk Register are updated at least quarterly to feed into the Risk Board.
- The Audit Committee's of both Councils reviewed Risk Registers on a quarterly basis. These reports have also been presented to Executive and Cabinet.
- CMT are updated on Risk Management issues in their monthly "assurance" meeting, which is a week after the Risk Board meets.

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	1	6	9	16
Finance	0	2	0	2
Environmental Services	0	5	3	8
Leisure & Cultural Services	0	1	0	1
Legal, Equalities, Democratic Services & Property	0	3	2	5
ICT	0	2	1	3
Planning Services	0	1	0	1
Housing	0	4	4	8
Community Services	0	1	5	6
HR	0	0	1	1
Total	1	25	25	51

Red Risks – 1 in total

REV7 - Revenues - Performance Indicator data is not robust

In addition to this, Worcestershire Regulatory Service (WRS) Risks, which are reported to its board on a quarterly basis are contained in Appendix B. The significant risk for WRS centres around finance and contracts with other Local Authorities.

3.10 In Bromsgrove, the Audit Task Group looking into the reasons behind the issuing of the S24 Statement in both Councils had the following recommendations linked to risk Management:

- Given a number of substantial and important projects on the horizon for BDC, set up a permanent Project Management Office at BDC to support the full range of projects undertaken by the Council. This Project Management Office would report to CMT/ SMT as part of its remit. CMT is tasked with setting out the requirements of this new programme office and resource requirements to ensure compliance with the recommendations in this Report. This Report will be presented to the first Cabinet meeting after the BDC elections in May 2023.
- The Corporate Risk Register to be discussed as an early item on the agenda at meetings of the Audit, Standards and Governance Committee. Any risks are to be clearly flagged to the members of the Committee, particularly where they are rated as red.

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- 3.11 The Council's risk processes are now under a follow up Internal Audit review. The assurance level has moved from Limited Assurance to Moderate Assurance. Feedback from Risk Team members interviewed that the Auditor moved from the corporate level to the Departmental level – which was logical. However, there were queries over risks logged at a level below “departmental”. These are operational matters generally dealt with on a day to day basis and so seen by departments as being business as usual. It should be noted that green departmental risks are reviewed after two months to see if they can be to “business as usual”.
- 3.12 An example of this where ICT look at a solution/software/applications they also need to assess the impact on other people and systems. They have a system that logs this.

In terms of departmental lists:














- 3.13 Community risks, even though many are green, are still all relevant as departmental and cannot be moved to the lower level of “business as usual”. The most significant risk is lifeline, although the risk here is the works carried out in upgrading networks under streets and how these changes can affect the lifeline system.
- 3.14 The majority of Housing risks are compliance led.
- 3.15 It should be noted that the Members Data Protection risk in ICT clearly depends on Members undertaking the training. Given the significant cyber risks faces by Council's it is important Members engage to mitigate this risk.
- 3.16 Insurance claims, due to the cost of living crisis, are increasing although the types of claim and levels of those claims are variable.

Corporate Risks

- 3.17 The Officer Risk Board reviewed the risks in the above table at their meetings on the 8th April, 22nd June, 21st September, 21st December, and 22nd March using the new definition of “Corporate Risks”. The table below sets out the updated Corporate Risk Register that the Risk Board took to CMT and gained their approval.

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Risk Ref	Risk Title	Risk Status
 COR 9	Non Compliance with Health and Safety Legislation	Open View
 COR 10	Decisions made to address financial pressures and implement new projects that are not informed by robust data and evidence	Open View
 COR 14	Non adherence with Statutory Inspection Policy	Open View
 COR 15	Impact from Changes to Partner Funding Arrangements	Open View
 COR 16	Management of Contracts	Open View
 COR 17	Resolution of the Approved Budget Position	Open View
 COR 18	Protection from Cyber Attack	Open View
 COR 19	Adequate Workforce Planning	Open View
 COR 20	Financial Position Rectification	Open View
 COR 21	BROMSGROVE DC Being placed into special measures due to quality of planning application decisions	Open View
 COR 22	Delivery of Levelling Up, Towns Fund, UK SPF Initiatives	Open View
 COR 23	Cost of Living Crisis	Open View
 COR 24	New Customer Facing Interface	Open View

The number of Corporate Risks have increased to 13 in total. Only one is at the highest level and a number of these risks, including Changes to Partner Funding Arrangements and Resolution of the Approved Budget Position will reduce in the next cycle of meetings.

- 3.18 The new risk relates to the replacement process of the Councils existing Customer interface, which is linked to significant budgetary savings in the 2025/26 financial year.
- 3.19 Mitigating factors for the Corporate Risk are:

Non-Compliance of Health and Safety Data Standard Operating Procedures - SOP (H&S etc) Health and Safety Committee meets regularly H & S training for staff Health checks DSE assessment and reporting software First Aid training in place Safeguarding Policy and procedures Risk Assessments Updated inspection policy Regular review of policies Continued updates to Health and Safety Committee Data on intranet

Projects being informed by robust data and evidence - Robust budget-setting process in place

- Developed budget bids for pressures and details of savings proposed using 5 case model
- Data used to evidence need in business cases
- Performance Dashboard in place
- Established "whole-life" or "end to end" approach to assessment of savings proposals

Non Adherence with the statutory inspection policy - Specialist resource in place to support delivery actions.

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- Further review of monitoring arrangements
- Further implementation of insurance recommendations
- Contracts reviewed to ensure suppliers undertake roles
- Training plan developed to ensure staff clear of responsibilities
- Development of robust action plan

Impact from changes to partner funding arrangements - Council Members are on WRS Board and S151 Officer is the S151 Officer for the WRS therefore will know ofn issues well before they happen.

Management of contracts - Procurement Strategy updated by C Young and training provided. Service Protocols, setting out expectations of service user and procurement went live 1st Jan 23 and now being monitored. No PO No Pay Policy goes live 1st April 23.

Resolution of the approved budget position - MTFP process now 2 stages. Stage 1 approved by Jan 23, Stage 2 approved by March 23. Final MTFP contains S151 Officers robustness statement which is key to sign off of a robust sustainable budget. Budget working group in both councils scrutinise proposals before cabinet and executive.

Protection from cyber attack – weekly penetration test, annual PSN Security Audit, regular internal audits, occasional LGA audit, Cyber Insurance requirements.

Adequate workforce planning - Workforce plan has been circulated to services who now know their high risk areas. The challenges remain on delivering to these high risk areas however, they are identified.

Financial position rectification - External Audit reports financial recovery process Reporting to Cabinet, Audit & Council.

Bromsgrove Planning Issues - Decisions which could influence statistics are discussed at management level. Principal officers aware of risk. Statistics are monitored quarterly. External advice re good practice and member training provided.

Delivery of Levelling Up, Towns Fund, and UKSPF Projects - Monthly project Board overseeing all projects Formal governance structures for levelling up and Towns Fund projects

Cost of Living Crisis - Housing Register Access to Housing Benefit and Universal Credit Council budget

New Customer facing interface - Presently delivered by a number of systems that are not linked together and require manual intervention for internal reporting.

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The Risk Management Framework

- 3.20 Risk Management Training. Given the active management of risks by service departments, we have seen numbers of departmental risks reduced by almost 50% although Corporate Risks have increased by 20%. At this time it is felt that a series of Risk Management Training is not required as processes seem to be being embedded in the organisations.

4. LEGAL IMPLICATIONS

- 4.1 No Legal implications have been identified.

5. FINANCIAL IMPLICATIONS

- 5.1 The Council spend significant sums insuring itself and must also hold Reserves to mitigate the costs of risks should they happen. A comprehensive Risk Management approach ensures risk and its consequences, including financial ones, are minimised.

6. STRATEGIC PURPOSE IMPLICATIONS

Relevant Strategic Purpose

- 6.1 A comprehensive Risk Management approach ensures **Risk and its Consequences** is minimised for the Council.

Climate Change Implications

- 6.2 The green thread runs through the Council plan. This includes risks linked to activities and actions that link to our climate.

7. OTHER IMPLICATIONS

Customer / Equalities and Diversity Implications

- 7.1 If risks are not mitigated it can lead to events that have Customer/Equalities and Diversity implications for the Council.

Operational Implications

- 7.2 Risks are inherent in almost all the Councils operational activities and therefore significant risks need to be identified, monitored and mitigated.

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8. RISK MANAGEMENT

8.1 This report is about Risk Management.

9. APPENDENCES

Appendix A – Previous Risk Management Reports

Appendix B – WRS Risk Report

AUTHOR OF REPORT

Name: Pete Carpenter– Interim Director of Finance

E Mail: Peter.Carpenter@bromsgroveandredditchbc.gov.uk

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Appendix A - Previous Quarters Risk Reports

The baseline risks April 2022 are included in the following table – this is prior to any Risk Board meetings.

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	12	20	13	45
Finance	0	0	4	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities and Democratic Services	0	0	7	7
ICT	2	4	5	11
Planning Services	0	1	1	2
Housing	0	4	5	9
Community Services	1	1	5	7
HR	0	0	1	1
Total	15	35	55	105

After the Risk Board on the 22nd June, the following changes have been made which saw the number of risks reduce as follows to 82 Risks

Service Area	Red	Amber	Green	Total
Customer Access and Financial Support	0	6	12	18
Finance	0	2	2	4
Environmental Services	0	2	11	13
Leisure & Cultural Services	0	3	3	6
Legal, Equalities, Democratic Services & Property	0	3	9	12
ICT	2	6	2	10
Planning Services	0	2	1	3
Housing	0	3	4	7
Community Services	0	2	6	8
HR	0	0	1	1
Total	2	29	51	82

The two departmental red risks are:

- ICT 7 - Failure to identify, maintain and test adequate disaster recovery arrangements
- ICT 11 - System functionality to manage records

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Appendix B - Worcester Regulatory Services Risks

Risk Description	Consequences	When is this likely to happen	Current Position			Control measures
			Likelihood	Impact	Matrix RAG Status	
Loss of Data through IT failures	Disruption to Service Provision. Inability to produce records and data.	On-going	Low	High	Green	Wyre Forest ICT has effective processes and business continuity plans in place. WFDC upgraded relevant systems including Windows. The service is in the process of moving to Office 365 during 2021/22, which will provide better access to a range of provisions including Microsoft Teams and Power BI.
Issues with the WRS database system	Impact on work planning. Self-help may not enable savings required	On-going	Low	High	Amber	Current contract due to expire February 2023. Work has commenced on negotiating new contract.
Effective and efficient Business Continuity arrangements in place	Disruption to service if e.g., Major Power failures or other reasons that access to Wyre Forest House is not possible.	On-going	Very Low	Medium	Amber	The pandemic has shown that we were well prepared for the need to maximise working from home and now all staff, including some previously regarded as office based can now do this. Touchdown stations remain available in partner council locations. WRS Managers do need to redraft contingency plans in the event of a prolonged IT failure or cyber-attack that will allow services to be maintained.
Maintain our capacity to achieve service delivery	Disruption to service e.g., Major staff sickness (e.g., flu pandemic) or	On-going	Low	Medium	Amber	The pandemic response has shown that the service was well-placed to respond and less than a handful of officers have themselves suffered the illness. Consultants are available to provide short term cover and,

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	<p>Unable to recruit or retain suitably qualified staff.</p>				<p>whilst this worked well in peacetime to cover peak demand periods, the pandemic has revealed the limits to this type of capacity. These pressures will only be resolved in the longer term by local and central government investing in additional capacity and additional training to bring more people into the regulatory professions.</p> <p>Having taken on contracts with additional authorities the demand has increased, and neighbouring authorities have lost the ability to assist with some technical specialisms. This is the double-edged sword of effectively operating as a centre of excellence. Whilst we have good resource of our own, in event of an issue, there are limits to who we can ask for help.</p> <p>Regional and sub-regional groups are in place so can provide shared resources for local authorities if required.</p> <p>Effective training and development processes are in place to ensure recruitment and retention of staff. There is increased training budget pressure, reduced technical knowledge in neighbouring authorities and increased importance in maintaining heightened skills for contractual obligations and commercial edge.</p> <p>Regular inventory and maintenance of equipment is undertaken. In the future, budget for replace may be an issue but would be a relatively small amount for partners to share.</p>
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BROMSGROVE DISTRICT COUNCIL

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Pest contractors cease operations.	Disruption to service. Negative media coverage. Increased public health risks	On-going	Low	High	Green	The Pest control framework contract has multiple pest control suppliers so the loss of one allows work to be moved to the others. This should limit or eliminate risk, although the unlikely loss of multiple companies might create capacity issues.
Effective and efficient contract arrangement for dog control	Disruption to service if no kennels available. Negative media coverage. Increased public health risks	On-going	Low	High	Amber	The Out of Hours and Kennelling contracts were re-tendered to enhance the existing arrangements and provide resilience however there are increases in numbers of stray dogs, dog disease and contracts are restricted by geographical location. Retendering for additional kennels has been fruitless.
Hosting support does not deliver necessary financial and HR support to ensure efficient management	Efficiency of management reduced; staffing issues remain unaddressed, and performance suffers	On-going	Low	High	Amber	Issues around access to the financial system from Wyre Forest House should have been relieved with new BDC finance system procurement, however workarounds remain in place due to some unforeseen issues.
One or more partners continue to be under great financial pressure and may consider alternatives to the partnership to deliver their service	Creates reputational issues for remaining partners and increases the need to manage overheads. Difficulties in delivering highly varied levels of service	On-going	Medium	High	Amber	New legal agreement limits variations in contribution before partners must move to contractual relationship but this is quite high before it kicks in (20%.) Leanness of organisation minimises overheads and focuses resource at the front line. Growth strategy should generate income to support partners in the future but there are limits to this without additional capacity being added to the system. Invest to save capacity has been committed by partners to see if this achieves the necessary outcomes.

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Robust arrangements in place in relation to obtaining legal advice and monitoring legislative changes.	Loss of cases is costly and damages reputation.	On-going	Low	Medium	Green	Continued close working with BDC legal team and other partners who don't use BDC for advocacy. Technical and legal training days for staff. Difficulty in keeping informed of Case Law developments. Membership and attendance of Officer Technical Groups outside the County does assist.
Service provision complies with Government requirements	Adverse comments following audits e.g., FSA Intervention by Government bodies i.e., FSA, whilst highly unlikely, is damaging to reputation.	On-going	Low	High	Amber	Limited detail of what statutory minima are can make decision making difficult around what is required in law as a minimum. The LGA is clearly aware of impact of budget reductions on regulation and has made it clear Government cannot expect what it had previously. Fewer interventions/ audits by government. The Service has developed systems that follow the principles of the requirements of bodies like FSA so can show some level of compliance, but service isn't operating to the letter of the current Code. The Code is however currently going through major changes and likely to move to a point where it is closer to the WRS model of operation. Environmental reporting for Local Air Quality Management, Pollution Prevention and Control and Private Water Supply Inspection reports to Defra and DWI have received positive responses with no issues of concern raised by these bodies.
Failure to deliver external contract work at the level expected by the business or local	Damage to reputation, loss of future income streams, financial impact	On-going	Low	High	Green	Ensure contract negotiations are clear on performance criteria and these are clearly recorded in the final documentation. Monthly reviews against performance criteria. Select staff to ensure

BROMSGROVE DISTRICT COUNCIL

Audit, Standards & Governance Committee 1st June 2023

authority with whom we have the contract	of paying damages						competence of those undertaking work outside Worcestershire. Maintain strong links with the customer's monitoring staff. Intervene early with corrective action
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**Audit, & Standards
Governance Committee**

1st June 2023

Accounting Policies / Financial Compliance Report

Relevant Portfolio Holder	Councillor to be confirmed
Portfolio Holder Consulted	-
Relevant Head of Service	Michelle Howell
Report Author: Michelle Howell	Job Title: Head of Finance & Customer Services Contact email: michelle.howell@bromsgroveandredditch.gov.uk
Wards Affected	All
Ward Councillor(s) consulted	No
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 Audit, Standards and Governance and Committee RESOLVE that:

- 1) The Accounting Policies being used, their source and associated Governance Arrangements be noted.**
- 2) This report come to each Audit, Standards and Governance Committee meeting to alert Members to possible no compliance issues.**
- 3) That progress on the 2020/21 Audit process be noted.**

2. BACKGROUND

- 2.1 From a Governance point of view, the financial frame work under which the Council works is set out in the Constitution. In addition to this there are legislative reporting requirements which set out what needs to be done and by when.
- 2.2 One of the legislative reporting requirements the Council has not achieved is the delivery of the 2020/21 Statement of Accounts. As such, the Council was issued with a Section 24 Statement. Redditch Borough Council (RBC) were also issued with a Section 24 Statement for the same non delivery of the 2020/21 accounts which is understandable given that officers support both Councils via a shared service.
- 2.3 As reported in previous Audit, Standards and Governance Committee meetings in January and March, draft 2020/21 accounts will be presented to the Council's External Auditors once they have completed their work on the data take on balances on the 8th February 2021. An update on this work is contained in this report.

Audit, & Standards Governance Committee

1st June 2023

- 2.4 The 2023/4 budget was approved at Council on the 22nd February 2023. An update on the “budget book”, which will provide more clarity to Officers and Members, is contained in this report.

Council Finance Budget and Policy Framework Procedure Rules

- 2.5 The Council’s Budget and Policy Framework Procedure Rules are set out in Part 10 of the Constitution. This sets out:
- The framework for Cabinet Decisions
 - Decisions outside the budget or policy framework
 - Urgent Decisions outside of the Budget or Policy Framework
 - Virement
 - In-year changes to policy framework
 - Call-in of decisions outside the budget or policy framework

These are all set out in Appendix A. The Constitution is updated via the Constitution Working Group. These rules set out how decisions can be made, by whom and how they can be challenged.

- 2.6 Financial procedure rules are set out in Part 15 of the Constitution. These rules set out:
- Financial Regulation Policy
 - Financial Regulations
 - Financial Guidance for users including:
 - Urgent decisions.
 - Income charging policies.
 - Income collection.
 - Orders for goods, works and services.
 - Payments.
 - Salaries, wages, pensions, travel and subsistence.
 - Imprest accounts.
 - Banking arrangements and corporate credit cards.
 - Preventing financial irregularities.
 - Money laundering.
 - Asset management.
 - Audit.
 - Revenue budget management.
 - Capital budget management.
 - Budgetary control.
 - Virement.
 - Insurance and risk management.
 - Loans, leasing and investments.
 - Trust Funds.

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- Inventories, stocks and stores.
- Working for third parties and Shared Service.
- Responsibilities Under the financial procedure rules.
- Policy for the management of Government Procurement Cards.

2.7 These “operational policies” run to 36 pages and are included in Appendix B. They set out how the organisation financially runs its “day to day” business.

2.8 Officers, in the autumn of 2022 set out requirements and expectations of the Finance Team and Services in terms of

- Financial Rules and Regulations (Including Virement Limits)
- Expectations – Finance Staff, Other Staff
- Financial processes (Finance and Customers)
 - Budget Setting
 - In Year Monitoring of Expenditure
 - Closure of Yearly Accounts
 - Purchasing of Good and Services
 - Invoicing for Goods and Services required
 - Cash Receipting
 - Financial monitoring (Capital and Revenue)
 - Insurance
- Signoff requirements for reports
- Training Requirements

The full set of these “protocols are set out in Appendix C

2.9 Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).

2.10 All three sets of rules set out the way Members and Officers have to work financially to ensure that the Section151 Officer can properly discharge their duties in respect of stewardship of the Councils assets.

Legislative Requirements

2.11 The previous section sets out how the Council works, however equally important are the Central Government Legislative Requirements to which we deliver to and are compared to other Councils across the Council. This section lists those key deliverables.

2.12 The following are key legislative deliverables and the Councils delivery against them:

- Budget
 - Delivered by 11th March in preceding financial year

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- **Approved in February 2023**
- Council Tax Base – Yearly
 - **Approved in January 2023**
- Council Tax Resolution – Yearly
 - **Approved in February 2023**
- Council Tax Billing – Yearly (2 weeks before 1st DD is due to be taken)
 - **Bills distributed in March 2023**

- Closure
 - Draft 2022/23 Accounts delivered to Audit by 30th June
 - 2022/23 Audit Completed by 30th November

- Government Returns
 - VAT – Monthly
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - Revenue Outturn Reports – July
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - Capital Outturn Reports – July
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - Quarterly Revenue Outturn Estimates
 - **Quarters 1-3 delivered (have warnings from previous year as not delivered)**
 - Quarterly Capital Outturn Estimates
 - **Quarters 1-3 delivered (have warnings from previous year as not delivered) Q4 delivered on 25th April 2023**
 - Quarterly Borrowing Return
 - **22/23 Quarterly Returns delivered - Q4 delivered on 11th April 2023**
 - Quarterly Council Tax and Business Rates Returns
 - **22/23 Quarterly Returns delivered - Q4 delivered on 7th May 2023**
 - Whole of Government Accounts Returns – August
 - **Still to be delivered for 20/21 – dependent on closure of accounts**
 - RA – Revenue Budgets – April
 - **2022/23 Delivered on the 5th May 2022 and 2023/24 delivered on 14th April 2023**
 - Capital Estimates Return – **to be delivered by 24th March 2023**
 - Public Works Loans Board Certainty Rate – April
 - **2022/3 delivered on 31st March 2023**
 - NNDR1 Return (Business Rates) – January
 - **Delivered December 2021 for 2022/23 and January 2023 for 2023/24 return**
 - NNDR3 Return (Business Rates) – June and September
 - **Delivered in June 22 for 2022/23**
 - **Draft 22/23 NNDR3 provided to Worcestershire County Council for view of the pool. Final draft NNDR3 to be submitted to DLUHC by 30th April 2023**

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- Housing Benefit Subsidy Return – Yearly
 - **Sent 29th April 2022**
 - **2022/23 subsidy return was delivered on 28th April 2023**
- DHP Claim – Yearly
 - **Sent 29th April 2022**
 - **2022/23 subsidy return was delivered on 28th April 2023**
- CTB1 (Council Tax Base) – October
 - **Sent October 2022**
- CTR1(Council Tax Requirement) – March
 - **22/23 sent 16 March 2022**
 - **23/24 sent 7 March 2023**
- Policies
 - Treasury and Asset Management Strategies
 - 2023/4 Strategies **delivered as part of the 23/24 MTFP**
 - Half Yearly Report **22/23 delivered as part of the Q1 Monitoring Report**
 - Yearly Outturn Report
 - Council Tax Support Scheme – yearly Delivered in January 2023
 - Minimum Revenue Provision – yearly **23/4 delivered as part of the 23/24 MTFP**

In addition to this list there are other ad-hoc returns required (which was especially the case during C-19)

2.13 At this point, it is also important to include key Council deliverables (financially and risk based)

- Financial Monitoring – **delivered quarterly to Cabinet**
- Risk Management – **delivered quarterly to this Committee and also to Cabinet**
- Financial Controls (still in development)
 - Clearance of suspense accounts
 - Bank Reconciliation
- Over £500 spending.
 - **Updated to February 2023**

2.14 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22. Although the Government now allow these returns to be completed based on estimates, the level of uncertainty due to the Cash Receipting means these cannot be completed until the External Auditors sign off the Councils take on balances and the Council provides the draft accounts to Audit for each Council.

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Update on the Statement of Accounts

2.15 The key Closure deliverables for each financial year are set out below:

- Closure 2020/21
 - Agreement of Treatment of Take on Balances – April 23
 - Provision of Draft 2020/21 Accounts to Audit (to begin Audit) April 23. This is dependent on the External Auditors confirmation that they have approved both Council’s take-on balances work. As at the 9th May, the Auditors have:
 - Summarised the Efin monthly transactional reports by cost centre, selected two cost centres per month, and compared the total balance of those cost centres for those months to the Efin system. This provides high level assurance that the monthly transactional reports downloaded by management at the time of transfer are accurate reflections of what was on Efin and that the reports have not been tampered with.
 - Selected 25 transactions from the Efin reports and confirmed to the TechOne system that they had been migrated appropriately.
 - Selected 25 transactions from the TechOne reports and confirmed to the Efin system that they had been migrated appropriately.
 - They have not identified any issues in the testing above.
 - **However, the auditors still need to do further testing to ensure they have the assurance necessary to sign off the data take on balances.**
 - 2020/21 Audit – July to September 23 (estimated)
 - Sign Off of 20/21 Accounts - November 2023
- Closure 2021/22
 - Updated Outturn position – June 2023
 - Draft Accounts to Auditors November 2023
 - Audit of Accounts December to February
 - Sign off of the Accounts – February 2024
- Closure 2022/23
 - Budget Manager Closure Training – **23rd-28th March 2023 – 83 staff attended closure training at the end of March.**
 - Completion of “nuts & bolts” closure – 28th April 2023 – **this has been progressing well and the majority of “Nuts and Bolts” items were input by the 28th April.**
 - Provisional Outturn Report – **A draft outturn report will be presented to Cabinet in July. This will show outturn as well as amount in suspense to be cleared.**
 - Draft Accounts to Audit – March 2024

2.16 There has been significant work that has been undertaken with TechOne over the first 2 weeks of April as the financial system was not available for posting until the 13th April due to a number of technical issues, some related to the corrections to the Cash Receipting system in November. This has impacted on the closure timetables.

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- 2.17 Once the External Auditors sign off the data take on balances the draft 2020/21 Accounts will be submitted. The Council has not submitted them yet as if the External Auditors have issues with the data take on balances and the draft accounts had been submitted then this could lead to qualified accounts.
- 2.18 Work is under way on the 2021/22 Accounts although they cannot be finalised until the audit of the 2020/21 Accounts is complete.

Update On 2023/24 Budget

- 2.19 The Councils 2023/24 Budget was approved in February. Budgets are loaded and a draft budget book is now being prepared to assist in Members understanding of budgets.

Summary

- 2.16 This report has set out the policies (local and national) that underpins the Council finances. This report will be delivered to each Audit, Standards and Governance Committee at Bromsgrove to updates it on progress against targets and also alert them to any issues and risks.

3. FINANCIAL IMPLICATIONS

- 3.1 This paper sets out the financial frameworks within which the Council works.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report, however the frameworks are generally linked to statute or the Council's Constitution.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The Strategic purposes are included in the Council's Corporate Plan and guides the Council's approach to budget making ensuring we focus on the issues and what are most important for the District and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 There are no direct climate change implications arising as a result of this report.

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6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 There are no direct equalities implications arising as a result of this report.

Operational Implications

6.2 Operational implications have been dealt with as part of the 2023/24 MTFP, quarterly monitoring and the Closedown process.

7. RISK MANAGEMENT

7.1 The financial stability and sustainability of the Council is a core underlying theme of the Council's Risk Management Strategy.

8. APPENDICES and BACKGROUND PAPERS

Appendix A – The Council's Budget and Policy Framework Procedure Rules, p. 9

Appendix B - Financial procedure rules, p. 15

Appendix C – Finance Protocols, p. 69

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Appendix A

BUDGET AND POLICY FRAMEWORK PROCEDURE RULES

1. Definitions

In these Rules:

"Cabinet" and "Leader" have the same meaning as "executive" and "executive leader" in Part II of the Local Government Act 2000; and "plan or strategy" and "working day" have the same meaning as in the Local Authorities (Standing Orders) (England) Regulations 2001.

2. The framework for Cabinet decisions

The Council will be responsible for the adoption of its Budget and Policy Framework as set out in Article 4. Once a Budget or a Policy Framework is in place, it will be the responsibility of the Cabinet to implement it.

3. Process for developing the Framework

The process by which the Budget and Policy Framework shall be developed is:

(a) The Cabinet will publicise, by including in the Work Programme, a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms or will form part of the Budget and Policy Framework, and its arrangements for consultation after publication of those initial proposals. The Chairman of the Overview and Scrutiny Board will also be notified. The consultation period shall in each instance be not less than 4 weeks.

(b) At the end of that period, the Cabinet will then draw up a draft plan or strategy having regard to the responses to that consultation. If the Overview and Scrutiny Board wishes to respond to the Cabinet in that consultation process then it may do so. As the Board has responsibility for fixing its own work programme, it is open to the Board to investigate, research or report in detail with policy recommendations before the end of the consultation period. The Cabinet will take any response from the Board into account in drawing up the draft plan or strategy for submission to the Council, and its report to Council will reflect the comments made by consultees and the Cabinet's response.

(c) Once the Cabinet has approved the draft plan or strategy, the proper officer will refer them at the earliest opportunity to the Council for decision.

(d) In reaching a decision, the Council may:

- (i) adopt the Cabinet's draft plan or strategy, in which case, the Council may make a decision which has immediate effect; or

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(ii) agree minor amendments to the Cabinet's draft plan or strategy, and in which case the Council may make a decision which has immediate effect.

(e) Where the Cabinet has submitted a draft plan or strategy to the Council for its consideration and following consideration of that draft plan or strategy, the Council has significant objections to it, the Council must take the action set out in paragraph (f).

(f) Before the Council

- (i) amends the draft plan or strategy; or
- (ii) approves, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft) of which any part is required to be so submitted; or
- (iii) adopts (with or without modification) the plan or strategy, it must inform the Leader of any objections which it has to the draft plan or strategy and must give to him/her instructions requiring the Cabinet to reconsider, in the light of those objections, the draft plan or strategy submitted to it.

(g) Where the Council gives instructions in accordance with paragraph (f), it must specify a period of at least 5 working days, beginning on the day after the date on which the Leader receives the instructions on behalf of the Cabinet, within which the Leader may

- (i) submit a revision of the draft plan or strategy as amended by the Cabinet (the "revised draft plan or strategy"), with the Cabinet's reasons for any amendments made to the draft plan or strategy, to the Council for the Council's consideration; or
- (ii) inform the Council of any disagreement that the Cabinet has with any of the Council's objections and the Cabinet's reasons for any such disagreement.

(h) Where the period specified by the Council, referred to in paragraph (g), has expired, the Council must when

- (i) amending the draft plan or strategy or, if there is one, the revised draft plan or strategy;
- (ii) approving, for the purpose of its submission to the Secretary of State or any Minister of the Crown for his approval, any plan or strategy (whether or not in the form of a draft or revised draft) of which any part is required to be so submitted; or
- (iii) adopting (with or without modification) the plan or strategy,

take into account any amendments made to the draft plan or strategy that are included in any revised draft plan or strategy, the Cabinet's reasons for those amendments, any disagreement that the Cabinet has with any of the authority's objections and the Cabinet's reasons for that disagreement, which the Leader has submitted to the Council, or informed the Council of, within the period specified.

(i) Subject to Paragraph (m) below, where, before 8th February in any financial year, the Cabinet submits to the Council for consideration in relation to the following financial year:

- (i) estimates of the amounts to be aggregated in making a calculation (whether originally or by way of substitute) in accordance with any of sections 32 to 37 or 43 to 49 of the Local Government Finance Act 1992;

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- (ii) estimates of other amounts to be used for the purposes of such a calculation;
- (iii) estimates of such a calculation; or
- (iv) amounts required to be stated in a precept under Chapter IV of Part I of the Local Government Finance Act 1992, and following consideration of those estimates or amounts the Council has any objections to them, it must take the action set out in paragraph (j).

(j) Before the Council makes a calculation (whether originally or by way of substitute) in accordance with any of the sections referred to in paragraph (i) (i), or issues a precept under Chapter IV of Part I of the Local Government Finance Act 1992, it must inform the Leader of any objections which it has to the Cabinet's estimates or amounts and must give to him instructions requiring the Cabinet to reconsider, in the light of those objections, those estimates and amounts in accordance with the authority's requirements.

(k) Where the Council gives instructions in accordance with paragraph (j), it must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions on behalf of the Cabinet within which the Leader may –

- (i) submit a revision of the estimates or amounts as amended by the Cabinet ("revised estimates or amounts"), which have been reconsidered in accordance with the Council's requirements, with the Cabinet's reasons for any amendments made to the estimates or amounts, to the Council for the Council's consideration; or
- (ii) inform the Council of any disagreement that the Cabinet has with any of the Council's objections and the Cabinet's reasons for any such disagreement.

(l) When the period specified by the Council, referred to in paragraph (k), has expired, the Council must, when making calculations (whether originally or by way of substitute) in accordance with the sections referred to in paragraph (i)

- (i), or issuing a precept under Chapter IV of Part I of the Local Government Finance Act 1992, take into account - (i) any amendments to the estimates or amounts that are included in any revised estimates or amounts;
- (ii) the Cabinet's reasons for those amendments;
- (iii) any disagreement that the Cabinet has with any of the Council's objections; and (iv) the Cabinet's reasons for that disagreement, which the Leader submitted to the Council, or informed the Council of, within the period specified.

(m) Paragraphs (i) to (l) shall not apply in relation to –

- (i) calculations or substitute calculations which the Council is required to make in accordance with section 52I, 52J, 52T or 52U of the Local Government Finance Act 1992; and
- (ii) amounts stated in a precept issued to give effect to calculations or substitute calculations made in accordance with section 52J or 52U of that Act.

(n) In approving the Budget and Policy Framework, the Council will also specify the extent of virement within the Budget and degree of in-year changes to the Policy Framework which may be undertaken by the Cabinet, in accordance with paragraphs 5 and 6 of these Rules

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(virement and in-year adjustments). Any other changes to the Budget and Policy and Framework are reserved to the Council.

4. Decisions outside the Budget or Policy Framework

(a) Subject to the provisions of paragraph 6 (virement) the Cabinet, committees of the Cabinet, individual members of the Cabinet and any officers or joint arrangements discharging Cabinet functions may only take decisions which are in line with the Budget and Policy Framework. If any of these bodies or persons wishes to make a decision which is contrary to the Policy Framework, or contrary to or not wholly in accordance with the Budget approved by full Council, then that decision may only be taken by the Council, subject to paragraph 5 below.

(b) If the Cabinet, committees of the Cabinet, individual members of the Cabinet and any officers or joint arrangements discharging Cabinet functions want to make such a decision, they shall take advice from the Monitoring Officer and/or the Section 151 Officer as to whether the decision they want to make would be contrary to the Policy Framework, or contrary to or not wholly in accordance with the Budget. If the advice of either of those officers is that the decision would not be in line with the existing Budget and/or Policy Framework, then the decision must be referred by that body or person to the Council for decision, unless the decision is a matter of urgency, in which case the provisions in paragraph 5 (urgent decisions outside the Budget and Policy Framework) shall apply.

5. Urgent decisions outside the Budget or Policy Framework

(a) The Cabinet, a committee of the Cabinet, an individual member of the Cabinet or officers or joint arrangements discharging Cabinet functions may take a decision which is contrary to the Council's Policy Framework or contrary to or not wholly in accordance with the Budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:

- i) if it is not practical to convene a quorate meeting of the full Council; and
- ii) if the Chairman of the Overview and Scrutiny Board agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate meeting of full Council and the Chairman of the Overview and Scrutiny Board's consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chairman of the Overview and Scrutiny Board, the consent of the Chairman of the Council, and in the absence of both the Vice-Chairman of the Council, will be sufficient.

(b) Following the decision, the decision-taker will provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

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6. Virement

(a) In approving its revenue budget each year, the Council will decide the headings (services) into which the Budget is to be divided, and will allocate an amount for expenditure under each heading.

(b) Steps taken by the Cabinet, a committee of the Cabinet, an individual member of the Cabinet, officers or joint arrangements discharging Cabinet functions to implement Council policy shall not exceed those amounts allocated to each budget head. However, the Cabinet shall be entitled to vire across budget heads up to a maximum, and within a limit per individual virement specified each year by the Council under Rule 3 (n). Beyond those limits, approval to any virement across budget heads shall require the approval of the full Council.

7. In-year changes to Policy Framework

The responsibility for agreeing the Budget and Policy Framework lies with the Council, and decisions by the Cabinet, a committee of the Cabinet, an individual member of the Cabinet or officers or joint arrangements discharging Cabinet functions must be in line with it. No changes to any policy and strategy which make up the Policy Framework may be made by those bodies or individuals except those changes:

(a) which will result in the closure or discontinuance of a service or part of service to meet a Budgetary constraint;

(b) necessary to ensure compliance with the law, ministerial direction or government guidance;

(c) in relation to the Policy Framework in respect of a policy which would normally be agreed annually by the Council following consultation, but where the existing policy document is silent on the matter under consideration.

8. Call-in of decisions outside the Budget or Policy Framework

(a) Where the Overview and Scrutiny Board is of the opinion that a Cabinet decision is, or if made would be, contrary to the Policy Framework, or contrary to or not wholly in accordance with the Council's Budget, then it shall seek advice from the Monitoring Officer and/or Section 151 Officer.

(b) In respect of functions which are the responsibility of the Cabinet, the Monitoring Officer's report and/or Section 151 Officer's report shall be to the Cabinet with a copy to every member of the Council. Regardless of whether the decision is delegated or not, the Cabinet must meet to decide what action to take in respect of the Monitoring Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Section 151 Officer conclude that the decision was a departure, and to the Overview and Scrutiny Board if the Monitoring Officer or the Section 151 Officer conclude that the decision was not a departure.

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(c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or the Section 151 Officer is that the decision is or would be contrary to the Policy Framework or contrary to or not wholly in accordance with the Budget, the Overview and Scrutiny Board may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 10 working days of the request by the Overview and Scrutiny Board. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Section 151 Officer. The Council may either:

- i) endorse a decision or proposal of the Cabinet decision-taker as falling within the existing Budget and Policy Framework. In this case no further action is required, save that the decision of the Council be minuted and circulated to all Councillors in the normal way; or
- ii) amend the Council's Financial Regulations or policy concerned to encompass the decision or proposal of the body or individual responsible for that Cabinet function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the Council be minuted and circulated to all Councillors in the normal way; or
- iii) where the Council accepts that the decision or proposal is contrary to the Policy Framework or contrary to or not wholly in accordance with the Budget, and does not amend the existing Framework or Budget to accommodate it, require the Cabinet to reconsider the matter in accordance with the advice of either the Monitoring Officer/Section 151 Officer

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Appendix B – Financial Procedure Rules

**BROMSGROVE DISTRICT
COUNCIL FINANCIAL
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1. INTRODUCTION

- 1.1 Bromsgrove District Council's Executive Cabinet is responsible for regulating and controlling the Council's finances and ensuring that sound financial management policies are in place and are adhered to. Part of this process is the establishment and maintenance of financial regulations which set out the Council's financial responsibilities, policies and procedures.
- 1.2 Financial regulations are subject to annual review. This edition of the regulations will apply from August 2006 and supersedes all previous editions.
- 1.3 Where values appear in these regulations, they are the same as the thresholds in the Council's Contract Procedure Rules:
- (i) Value A - up to £14,999;
 - (ii) Value B - over £15,000-£29,999;
 - (iii) Value C - £30,000- £75,000; and
 - (iv) Value D - £75,001 to £144,371.
- 1.4 Additionally, a benchmark value for write offs has been established:
- (i) < £1,000 – Head of Financial Services;
 - (ii) £1,000 - £2,500 – Head of Financial Services & Portfolio holder; and
 - (iii) > £2,500 – Executive Cabinet.
- 1.5 Financial regulations apply to every member and officer of the Council and anyone acting on its behalf. As a modern Council, Bromsgrove encourages innovation, providing this is within the framework laid down by these regulations, and the necessary risk assessment and approval safeguards are in place.
- 1.6 The Executive Cabinet and the Senior Management Team should maintain a written record of occasions where decisions have been taken under delegated powers, in accordance with the Scheme of Delegations.
- 1.7 All members and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.8 The Senior Management Team is responsible for ensuring that all staff are aware of the

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content of these financial regulations and other internal regulatory documents and that they are complied with.

- 1.9 The Council's statutory finance officer ("S151 Officer") is the Corporate Director (Resources) who works closely with the Head of Paid Service (Chief Executive). To avoid repetition in this document, references to the Corporate Director (Resources) may also be taken to read "Corporate Director (Resources) in conjunction with the Chief Executive Officer" as appropriate.

2. FINANCIAL MANAGEMENT

- 2.1 Financial Management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

- 2.2 The full Council is responsible for approving the policy framework and budget within which the Executive Cabinet operates.

- 2.3 The Executive Cabinet is responsible for proposing the policy framework and budget to the full Council, and for discharging executive functions in accordance with the policy framework and budget. Executive Cabinet decisions can be delegated to a committee, a portfolio holder, an officer, or any combination thereof.

- 2.4 The Corporate Director (Resources) will for the purposes of Section 151 of the Local Government Act 1972 be the statutory responsible officer for the proper administration of the Council's financial affairs. Other statutory duties arise from the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2003.

- 2.5 The Corporate Director (Resources) will be the responsible officer for making reports under Section 114 of the Local Government Finance Act 1988, the text of which is reproduced in Appendix 1. This relates to any unlawful expenditure, unlawful action resulting in a loss, or unlawful entry in the Council's Accounts.

- 2.6 Devolved financial management arrangements exist within the Council, however it remains essential for the Corporate Director (Resources) to retain a corporate overview, especially when matters of major financial impact are being considered. In this context it will be the responsibility of the appropriate Service Business Manager to ensure that the Head of Financial Services (together with other necessary consultees) is consulted at an early stage to ensure that financial implications are fully contained in reports to any Executive Cabinet, committee or full Council meeting.

- 2.7 The Corporate Director (Resources) will be responsible for advising on the financial, organisational and accounting procedures throughout the Council. Service Business Managers will consult with the Corporate Director (Resources) before introducing any accounts, documents or procedures relating to payment of employees, cash, the keeping of stores, the collection of income or any other accounting matters. Policies on the retention and destruction of financial records will be approved by the Corporate Director

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- 2.8 Service Business Managers will comply with the requirements of the Corporate Director (Resources) to ensure that as far as possible arrangements are made to separate internal financial checks and different officers carry out the following functions:
- (i) provide information regarding sums due to or from the Council and calculate, check, record and examine these; and
 - (ii) in the case of payments, certify documents for payment.
- 2.9 Service Business Managers will submit to the Corporate Director (Resources) as required all information which the latter considers necessary for costing and accounting purposes and will afford to the Corporate Director (Resources) access to all accounts, records and documents. The Head of Financial Services will be responsible for supplying financial information to Service Business Managers in an agreed form and frequency.
- 2.10 The Corporate Director (Resources) will submit the statutory Statement of Accounts of the Council to the Executive Cabinet for adoption by the Council as soon as possible after the end of the financial year and to comply with any statutory requirements.
- 2.11 In the context of performance management, all staff will ensure that best value is pursued in the delivery of all services and shall continuously seek improvement in the quality, efficiency and effectiveness of services.

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3. FINANCIAL PLANNING AND RISK ASSESSMENT

- 3.1 The Council will establish a strategic policy framework to incorporate the main issues facing the Council and to match policies with resources. In terms of financial planning, this will involve consideration of the Council's priorities and promises, and commitments and forecasts for three years, including the annual capital and revenue budget. The annual budget may then be seen as the first year of a rolling three year programme.
- 3.2 An essential part of the planning process is the continuous operation of systems for identifying and evaluating all significant strategic and operational risks facing the Council. This must include a risk assessment of the Council's priorities and promises, budget plans, programme options and service plans involving the proactive participation of the Executive Cabinet, Service Business Managers, Middle Managers and all officers associated with the planning and delivery of services. The Corporate Director (Resources) will obtain Executive Cabinet approval of the corporate risk management strategy and will promote and coordinate risk management activity throughout the Council.
- 3.3 The Senior Management Team will submit to the Executive Cabinet annual proposals for schemes for capital and revenue developments, including an indication of the priority of the schemes. All proposals will be submitted in accordance with the Project Management Framework protocol.
- 3.4 Capital and revenue budgets will be considered jointly so that the future impact of current proposals can be assessed, including the extent to which current capital expenditure commits or frees future resources.
- 3.5 The proposals will distinguish between already approved policies and those where expenditure is foreseen but not yet approved.
- 3.6 The Corporate Director (Resources) will report to the Executive Cabinet details of the level of resources required to service these proposals, in the context of the overall financial strategy of the Council, and the accomplishment of strategic objectives.
- 3.7 The Executive Cabinet will consider the provisional programme and make a general determination of amendments to be made following detailed consideration of the estimates.

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4. THE BUDGETARY SYSTEM

4.1 General

4.1.1 The Head of Financial Services will be responsible for establishing, in consultation with Service Managers, a timetable for the preparation of each year's estimates. This timetable will be agreed by the Executive Cabinet in September of each year and will be constructed to ensure that the Council will meet its statutory obligations in respect of setting its local levies. This will allow the Council to meet annually to consider its annual estimates and determine the level of its local tax.

4.1.2 The Head of Financial Services will determine, with consideration of internal and external reporting requirements, the form in which the revenue and capital estimates will be prepared.

4.2 Preparation of Revenue Budgets

4.2.1 Revenue Expenditure

4.2.1.1 Revenue budgets must be prepared within the resource allocation limits prescribed by the Council.

4.2.1.2 Budgets must be prepared in conformity with all instructions on budgeting issued by the Head of Financial Services. It is the responsibility of the Head of Service to ensure that detailed budget preparation takes place, that the amounts included are realistic, and that there has been correct application of budget conventions and procedures.

4.2.1.3 The Head of Financial Services will at all times monitor the preparation of the revenue and capital estimates and will collate the resultant budgets for submission to and consideration by the Executive Cabinet.

4.2.1.4 In addition, the Head of Financial Services will submit a statement of the requirements of the precepting authorities and a recommended level of Local Council Tax for the year.

4.2.1.5 The Executive Cabinet will submit its recommended budget proposals to the Council according to the annually agreed timetable as approved by Executive Cabinet and to comply with any statutory requirements.

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4.2.2 Capital Expenditure

- 4.2.2.1 All capital estimates shall be prepared by Chief Officers and Heads of Service in a form laid down by the Head of Financial Services. Individual schemes shall be required to have a business case identifying the business benefits and full financial consequences of the scheme. Such business cases shall be subject to the approval of Cabinet and the Council before inclusion in the Capital programme and before any related expenditure shall be incurred. The content of the capital programme will be recommended to the Council by the Cabinet.
- 4.2.2.2 Variations to the capital programme shall take place in accordance with procedures laid down by the Cabinet, in so far as they are within the powers delegated to Cabinet, and otherwise in accordance with procedures laid down by Council or with the approval of Council.
- 4.2.2.3 For any capital scheme a report shall be made to the Cabinet setting out specific capital scheme proposals and shall give for each scheme (in accordance with the project management methodology):
- (i) why the scheme is required;
 - (ii) the estimated capital cost(s);
 - (iii) the estimated revenue cost(s);
 - (iv) exploration of alternative options;
 - (v) how the project contributes to the Council's objectives / priorities; and
 - (vi) no detailed design work shall be undertaken prior to the report being approved.
- 4.2.2.4 Design work shall not take place on schemes which are not included within the approved capital programme unless written approval has been obtained from the Chief Executive and the Head of Financial Services. Expenditure shall not be incurred on feasibility studies for any other schemes in excess of amounts to be prescribed from time to time by the Head of Financial Services.
- 4.2.2.5 The acceptance of tenders shall take place in accordance with the Contract Procedure Rules. Once tenders have been accepted, these will become the figure to be included in the capital programme, replacing any previous estimate.
- 4.2.2.6 The financing of the capital programme, whether by borrowing, leasing or other arrangements, shall be determined by the Head of Financial Services in consultation with the Portfolio Holder for Financial Services.

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4.3 Authority to incur expenditure

- 4.3.1 For revenue budgets, provided that Contract Procedure Rules have been complied with and subject to any specific exclusion, the inclusion of any item in the approved revenue budget and set out in detail in the budget book (other than a contingency provision which will be controlled by the Corporate Director (Resources) will constitute authority to incur expenditure. This must be in line with the budget headings (a combination of both subjective and service) as set out in the budget book.
- 4.3.2 For capital budgets, authority to incur expenditure will follow various stages, from initial feasibility through to project implementation, which will ensure that all projects are considered in detail, including both capital and revenue implications. Funding for each stage will be specifically agreed by the Executive Cabinet/Council in accordance with agreed procedures and only when the Council through its budget approval process agrees the allocation of funds will the project be included in the current funded capital programme.
- 4.3.3 Providing Standing Orders, Contract Procedure Rules, Financial Regulations and any Council Instructions for the time being in force have been complied with, inclusion of any items in the approved funded capital expenditure programme shall be deemed to imply:
- (i) sanction for the Service Manager concerned to spend the capital sums provided for projects included in the programme for the current financial year; and
 - (ii) authority for the Service Manager concerned:
 - (a) to take steps to enable land required for the purpose of the programme to be acquired in due time, subject to the Council having approved the financing of the capital programme.
 - (b) to proceed with the preparation of plans and other preparatory work, the acceptance of tenders and the pre-ordering of materials or equipment for which there is a long delivery period in connection with schemes, initial expenditure on which is included in the following financial year(s).
- 4.3.4 Where it appears that any capital project will not be completed within the financial year for which approval has been granted, approval of Full Council must be sought for the carrying-forward of the budget into the next financial year. This requirement does not apply where the planned timescale of the capital project has from the outset encompassed more than one financial year.

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- 4.3.5 Where it appears that any capital project estimate will be exceeded, it shall be the duty of the Service Manager concerned, after joint consultation with the Corporate Director (Resources) and the Head of Financial Services, to inform the Executive Cabinet at the earliest opportunity.
- 4.3.6 Any proposal involving the adoption of a new policy or the variation or extension of existing policy which may or does affect the Council's finances will be submitted initially to the Executive Cabinet for consideration and subsequent approval by full Council. The proposal will include a comprehensive report justifying the project, outline any revenue and capital implications and include the comments of the Corporate Director (Resources). The proposal will take into consideration any provisions for virement in accordance with paragraph 4.5.
- 4.3.7 Expenditure considered essential to meet the sudden needs of an emergency or disaster (referable to section 138 of the Local Government Act 1972) may be incurred on the joint approval of the Chief Executive Officer and Corporate Director (Resources) in consultation with the appropriate Executive Cabinet member(s). It will be reported to the next meeting of the Executive Cabinet.

4.4 Budgetary control

- 4.4.1 Allocated budgets will be cash limited, with budgetary monitoring undertaken by each Portfolio holder under the overall guidance of the Executive Cabinet, such responsibility being devolved on a day to day basis to nominated budget holders for their own areas of activity. Service Managers will be responsible for controlling and achieving income and expenditure within their area, and will take any permitted action necessary to avoid exceeding their budget allocation, alerting the Corporate Director (Resources) and Head of Financial Services to any problems.
- 4.4.2 The Head of Financial Services, in conjunction with nominated budget holders and will ensure as far as practicable that systems are available which will provide such financial information as is required to enable budget holders to satisfactorily monitor budgets. Budget holders will receive monthly statements of expenditure and income showing budget v actual to ensure those with budgetary responsibility are aware of the financial position of their service. Variations to be discussed with nominated accountants and action plans to be in place to manage budgets effectively.
- 4.4.3 The Head of Financial Services will ensure that the appropriate Executive Cabinet member(s) Portfolio holders are provided with budgetary control information relevant to their sphere of responsibility, on a monthly basis and in accordance with agreed policy. Any significant variations should be discussed by the portfolio holder with Heads of Service and budget holders.
- 4.4.4 The Head of Financial Services will report budgetary performance to Performance Management Board on a quarterly basis.

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4.5 Virement

- 4.5.1 The virement rules below cover the transfer of resources between approved budget heading (both subjective and Service area) within the approved budget. Virements do not create additional overall budget liability. Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. Virements will be consistent with the aims, objectives and priorities of the Council and with any changes in policy.
- 4.5.2 Virement will be restricted to extensions of existing policies/ schemes and will not be used for new policies/schemes not previously considered by the Council. Overspend on a particular budget head may be met by virement of budgetary provision from an underspent budget head, subject to the following paragraphs in this section, thereby avoiding the need for supplementary budget approval.
- 4.5.3 Virements between revenue and capital budgets are not permitted.
- 4.5.4 Virements between revenue income and revenue expenditure will not be permitted.
- 4.5.4 Virement amounts up to £5,000 between budget headings as set out in the Council's Budget Book may be carried out by the appropriate Service Manager(s) in consultation with his/her Head(s) of Service and notified to the Head of Financial Services.
- 4.5.5 Virements between £5,001 and £15,000 between budget heading in the Council budget book may be carried out by the Head(s) of Service in consultation with the Head of Financial Services.
- 4.5.6 Virements between £15,001 and £100,000 will be subject to prior approval by the Executive Cabinet.
- 4.5.7 Virements over £100,001 will be subject to prior approval of full Council.
- 4.5.8 There will be no virement into or out of salary costs budgets without the approval of the Executive Cabinet.
- 4.5.9 Virements required due to exercising financial administration of the budgets e.g. setting up of new cost centres to enable more efficient budget monitoring may be carried out by the Head of Financial Service in consultation with or at the request of Heads of Service providing that the original purpose of the budget is remains unchanged and there is no transfer between budget headings.
- 4.5.10 Any exceptions to the above rules must be approved by the Executive Cabinet.

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4.6 Supplementary estimates

- 4.6.1 Any proposal to vary annual estimates by incurring expenditure not provided for in the original estimates and which cannot be met by virement in accordance with Financial Regulation 4.5, will be referred in writing by the appropriate Service Manager to the Head of Financial Services prior to its inclusion in any report to be considered by the Executive Cabinet. Such a proposal will be indicated on the meeting agenda.
- 4.6.2 The Executive Cabinet may approve a request for a supplementary estimate, and request approval of Full Council for use of the Council's general or earmarked balances.
- 4.6.3 All supplementary estimates granted constitute approval to incur expenditure.
- 4.6.4 Any proposed changes to the budgets resulting from new external funding must be discussed and agreed in advance of spending with the Head of Financial Services.

4.7 Treatment of year-end balances

- 4.7.1 Executive Cabinet may approve the carry forward of underspends carried forward for one off items of required funding. These decisions will be taken in the context of the Council's overall net expenditure outturn position, the existing policies and priorities of the Council and Medium Term Financial Plan.

5. ORDERS FOR WORK, GOODS AND SERVICES

5.1 General

- 5.1.1 Orders will only be for Council related work, goods and services and will be placed in accordance with applicable Contract Procedure Rules covering estimates, quotations and tenders.
- 5.1.2 The Senior Management Team will ensure that ordering officers have due regard to the Council's Procurement Strategy, the need to obtain best value (both in regard to current Council functions and also when considering procurement options for future service delivery), and any current requirements to obtain goods/services by electronic means.

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5.1.3 Every officer and member of the Council has a responsibility to declare any links or personal interests they may have with suppliers or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

5.1.4 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of council contracts.

5.2 Compliance with Environmental and other Policies

5.2.1 All orders placed will take account of the Council's sustainability policies and commitments. These seek to minimise the environmental impact of goods and services. Where appropriate suppliers will be asked to highlight any environmentally significant features of their goods and services such as life expectancy, energy efficiency, source of timber, recyclability.

5.2.2 All orders placed will take into account other Council policies where applicable, for example Equality and Diversity.

5.3 Format of orders

5.3.1 All written orders for goods and services will be issued on printed and consecutively numbered official order forms, the design of which will be subject to the approval of the Head of Financial Services. An official order form should be completed for all purchases and raised at the time of the order.

5.3.2 Orders and copy orders will be completed in sufficient detail to identify accurately the materials, work or service required and will specify where applicable the quotation, contract or other agreement, the price agreed and the approved budget expenditure code against which costs will be charged.

5.3.3 Budget expenditure codes will only be entered by the nominated budget holder, or by an officer with the budget holder's written authority.

5.3.4 Split ordering to avoid having to obtain quotations or tenders is forbidden.

5.4 Certification of orders

5.4.1 Orders will be signed by the appropriate Service Business Manager, nominated budget holder or other authorised senior officer. The Accountancy Section will receive and retain an up to date list of specimen authorised signatures and will be immediately notified of any

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changes.

- 5.4.2 Ordering officers will obtain the countersignature of their line manager before committing any expenditure in which they may have an interest, for example attendance on a training course, booking of accommodation.

5.5 Retention of orders

- 5.5.1 A copy of the signed official order along with any applicable documentation to justify the purchase will be retained by the appropriate budget holder for two years, plus the current year.

- 5.5.2 All copies of any spoilt orders will be retained and marked as “cancelled”.

5.6 Corporate purchasing

- 5.6.1 Each order will conform with the directions of the Corporate Director (Resources) with regard to the use of any corporate purchasing arrangements and the standardisation of goods and materials. Corporate purchasing arrangements may be desirable for IT equipment, mobile phones and office furniture, etc. Contract Procedure Rules must be followed for all corporate purchases.

5.7 Security of orders

- 5.7.1 It will be the responsibility of Service Business Managers to ensure that blank official orders are ordered in accordance with approved procedures and securely held in a locked stationery store. Inclusive official order numbers in pads of 50 will be recorded in a register and maintained by the Central Administration Section.

- 5.7.2 Order pads will only be issued to nominated budget holders who will confirm receipt by signing in the register maintained for the purpose.

- 5.7.3 The budget holder will be responsible for the safe custody and authorised use of all blank official orders once signed for.

5.8 Verbal orders

- 5.8.1 In cases where goods, materials, works or services are required urgently and where delay would cause either loss to the Council or endanger public health or safety, then the order may be placed verbally by an authorised officer. All such orders must be confirmed with a written order clearly marked “confirmation” and in accordance with the budgetary control provisions outlined in 5.3.

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6. PAYMENT OF ACCOUNTS

6.1 Method

6.1.1 Apart from petty cash or other payments from advance accounts, the method of payment will be by cheque, BACS or other instrument drawn on the Council's account.

6.2 Responsible officer

6.2.1 All payments made on behalf of the Council, with the exception of petty cash payments or other payments from advance accounts, will be made by the Head of Financial Services.

6.2.2 The Head of Financial Services will be entitled to rely on (but may challenge) the certification of authorised officers and will be empowered to pay all accounts so certified. Authorised officers should ensure that where appropriate, adequate supporting documentation is retained with the order/invoice in order to provide a satisfactory audit trail to justify the reason for the payment.

6.3 Certification for payment

6.3.1 In this section, references to signing, certifying and authorising relate to both manual and secure electronic means via the Agresso Financial Management System . All accounts for payment will be signed by the appropriate Service Manager, nominated budget holder or other authorised senior officer. Service Managers will ensure that as far as possible a separation of duties exists between the ordering of goods and certification of invoices and that if possible the certification of invoices is carried out by a more senior officer. Each officer certifying an invoice for payment will only certify expenditure against budget heads for which he is responsible, or for which he has delegated authority. The Accountancy Section will be notified of all officers so authorised, will receive and retain a list of specimen signatures and will be notified immediately of any changes.

6.3.2 All invoices received at any office of the Council must be forwarded immediately to the Accountancy Section for registration on the Agresso Financial Management system. Similarly all credit notes must be immediately forwarded to the Accountancy section and not retained within Service areas.

6.3.3 Payments will only be made on proper tax invoices (when applicable) which display the word "invoice" and the VAT registration number. Any payments made on proforma invoices

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must be followed up by the issue of a proper tax invoice.

- 6.3.3 In certifying a payment certifying officers will satisfy themselves that:
- (i) the works, goods or services to which the account relates have been carried out, received, examined and approved, are fit for the purpose and where appropriate comply with predetermined standards;
 - (ii) the relevant Standing Orders have been complied with;
 - (iii) the relevant expenditure has been properly ordered, authorised or incurred, is properly chargeable to the correct expenditure code and is within the relevant estimate provision;
 - (iv) the invoices correspond to delivery notes/goods received notes where appropriate, are arithmetically correct and discounts, allowances, credits and tax are correct;
 - (v) an appropriate entry is made on the hard copy order to prevent possible future duplicate payments;
 - (vi) the account has not previously been passed for payment; and
 - (vii) appropriate entries have been made in inventories and stores records.
- 6.3.5 Payments will only be processed if there are original handwritten initials and signatures in the authorisation boxes (i.e. photocopied signatures are not acceptable).
- 6.3.6 Any copy of an invoice produced prior to payment, for example a file copy, will be scored through and marked to clearly identify it as a copy.
- 6.3.7 To comply with VAT requirements, where it is necessary to amend an invoice, it must either be returned to the supplier, or a credit note/supplementary invoice should be requested prior to payment being made. The use of correcting fluid etc to amend invoices is forbidden.
- ## **6.4 Urgent processing**
- 6.4.1 Certified invoices due for payment but which require payment in advance of normal processing may in exceptional circumstances be processed through the urgent payment system with the approval of the Head of Financial Services.

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7. TRAVELLING, SUBSISTENCE AND FLEXIBLE WORKING HOURS

7.1 Approved forms

7.1.1 All claims for travelling and subsistence payments and adjustments to the staff flexible working hours scheme will be made only on forms approved by the Head of Human Resources and Organisational Development.

7.2 Certification

7.2.1 All travelling and subsistence claims and flexible working hours adjustment sheets will be signed by the appropriate Service Business Manager or other senior officer authorised to do so. The Accountancy Section and Payroll will be notified of all officers so authorised, will receive and retain a list of specimen signatures, and will be notified immediately of any changes.

7.2.2 Certifying officers will normally be the claimant's line manager who will ensure to the best of their knowledge that:

- (i) travelling and subsistence claims relate to journeys made and expenses properly and reasonably incurred whilst carrying out official duties, in accordance with current Personnel policy and procedural guidance; and
- (ii) flexible working credits/debits are accurately recorded on Wintime or local procedures, in accordance with current Council policy.

7.3 Payment of Travelling and Subsistence Claims

7.3.1 Certified claims will be forwarded to the Payroll Section within five working days following the end of the month to which the claim relates for payment through the salaries and wages system.

7.3.2 Payments to Members will be made by the Payroll Section upon receipt of the prescribed form duly completed and submitted within five working days following the end of the month to which the claim relates.

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8. ADVANCE ACCOUNTS

8.1 Provision

8.1.1 The Head of Financial Services will provide advance accounts for appropriate officers of the Council. Advance accounts will be used for the purpose of providing petty cash for incidental purchases. Such accounts will be maintained using the imprest system.

8.1.2 Petty cash floats/imprests will only be raised following the approval of the Accountancy Section who record and reconcile all accounts held. Officers will obtain a holding account code for each imprest/float from the Accountancy Section.

8.2 Operation

8.2.1 Individual payments from advance accounts will be limited to 20% of the value of the account or £50 whichever is the lesser. All payments will have the prior agreement of the account holder and will be supported by a receipted voucher (VAT receipt where appropriate), certified in accordance with Regulation 6.3.

8.2.2 No advances will be used by account holders other than for official purposes.

8.2.3 Staff will be required to ensure any imprests are regularly reimbursed.

8.3 Security

8.3.1 An officer to whom an advance is made will:

- (i) be personally responsible for ensuring the proper use of and safe custody of the money advanced;
- (ii) be able to justify to the satisfaction of the Head of Financial Services the continuing need for an advance account and the level of imprest amount held;
- (iii) be liable to produce upon demand to the Head of Financial Services authorised representative cash or vouchers to the total of the advance together with a certificate of the state of the imprest account; and

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- (iv) on leaving the employment of the Council, be liable to account to the Head of Financial Services for the amount advanced.

8.3.2 The Head of Financial Services will:

- (i) maintain a record of advances made; and
- (ii) examine the vouchers and receipts retained by officers in substantiation of payments and reimburse as often as may be necessary the amounts expended.

8.4 Annual statement of value

8.4.1 An annual statement of value of each imprest will be certified by the appropriate Service Manager or their authorised representative and submitted to the Head of Financial Services.

9. SALARIES AND WAGES

9.1 Responsible officer

9.1.1 The Head of Financial Services will make arrangements to pay all salaries, wages and allowances properly payable by the Council to its employees and Members.

9.1.2 In accordance with agreed procedures, each Service Manager will notify the Head of HR and OD immediately in writing of all matters affecting the payment of salaries, wages and emoluments, and in particular:

- (i) appointments, resignations, dismissals, suspensions, secondments, retirements and redundancies;
- (ii) absences from duty for sickness or other reason apart from approved leave;
- (iv) changes in remuneration other than normal increments and pay awards; and
- (v) any information necessary to maintain records of service for superannuation, income tax, national insurance and the like.

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- 9.1.3 Each Service Manager will forward a clearance certificate to the Payroll Section within 2 working days of receiving formal notice that an employee's employment will be terminating, to ensure any debts incurred by the employee have been repaid e.g. car loan/lease car, post entry training expenses, leave taken over entitlement etc.

9.2 New appointments

- 9.2.1 Appointments of all employees will be made in accordance with the prevailing policies, regulations, and protocols of the Council and the approved establishment, grades and rates of pay, and within any statutory requirements.

- 9.2.2 Where temporary staff are engaged on a self employed basis, prior advice will be sought from the Head of Human Resources & Organisational Development and Head of Legal and Democratic Services as appropriate, in order to protect the Council from any employment liabilities (for example tax, national insurance) which may arise.

9.3 Approved forms

- 9.3.1 All timesheets, overtime approvals and other pay documents will be in a form as prescribed by the Head of Hr & OD.

9.4 Certification

- 9.4.1 All timesheets, overtime approvals or other pay documents will be signed by a Service Manager or other senior officer authorised to do so. The Payroll and Accountancy Section will be notified of all authorised officers, will receive and retain a list of specimen signatures, and will be notified of any changes.

10. CONTRACTS FOR BUILDING, CONSTRUCTIONAL OR ENGINEERING WORK

10.1 Compliance with Contract Procedure Rules

- 10.1.1 All contracts relating to building, constructional or engineering work made by the Council or on its behalf will comply with the Council's Contract Procedure Rules.

10.2 Register

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- 10.2.1 Service Managers, in consultation with the Procurement Section, will maintain a register of all formal contracts relevant to their activities in a form specified by the Head of Financial Services, and will enter a record of payments to contractors and of all contract fees and related professional fees.
- 10.2.2 The Head of Financial Services will maintain a record of payments made to contractors and tax deducted, including copies of vouchers sent to the Inland Revenue regarding gross payments made to holders of CIS5 and CIS6 tax certificates.

10.3 Certification

- 10.3.1 All contract payments will only be made if a valid contract exists, and only on a certificate issued and signed by the appropriate Service Manager or other senior officer authorised to do so. The Accountancy Section will be notified of all authorised officers, will receive and retain a list of specimen signatures and will be notified immediately of any changes.
- 10.3.2 Where payment is to the holder of a CIS4 registration card, payment will only be made if the card is valid. Tax will be deducted in accordance with legal requirements.

10.4 Variations

- 10.4.1 Contract variations will be authorised in writing by the appropriate Service Manager or his authorised representative in charge of the contract. A note of the financial effects of any variation must be recorded with the contract documentation either before or immediately after the issuing of the instruction.
- 10.4.2 Variation orders issued verbally on site must be confirmed in writing within two working days, see 5.8.1 above.

10.5 Final certificates

- 10.5.1 The final certificate of completion of any contract will not be issued until the appropriate Service Manager has completed a detailed statement of account and all relevant documents. The appropriate Service Manager will be responsible for ensuring the adequate checking of final accounts .
- 10.5.2 The Head of Financial Services will, to the extent considered necessary, examine contract final accounts and will be entitled to make all such enquiries and receive such information and explanations as required in order to be satisfied as to the accuracy of the accounts.

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10.6 Reporting of excess costs

- 10.6.1 If during the course of any contract there are indications that costs are likely to exceed the approved contract sum, the Head of Financial Services and Corporate Director (Resources) will be informed immediately and a report containing an explanation will be submitted to the next Executive Cabinet.
- 10.6.2 All cases where final costs have exceeded the approved contract sum will be reported to the Executive Cabinet following agreement of the final account.

11. Procurement of Consultancy Services

11.1. Introduction

- 11.2 The purpose of these guidelines is to set out the procedures to be followed within the Council for procuring consultancy services.

11.2 Definition of Consultants

- 11.2.1 In these guidelines "consultancy services" means any professional service provided by any person or organisation to the Council including but not limited to;

- Legal services
- Accountancy and Financial Services
- Technical Consultancy Services
- IT Consultancy Services

11.3. Contract Procedure Rules

- 11.3.1 Under the Contract Procedure Rules, a Head of Services is authorised to accept the lowest tender for the supply of services to the Council. Where a Head of Service wishes to accept a tender other than the lowest he/she shall first obtain the consent of the Corporate Director Resources and record the reasons for not accepting the lowest tender.
- 11.3.2 These guidelines take effect subject to the above provision in the Contract Procedure Rules and other guidance contained in the Council's Constitution.
- 11.3.4 In practice this means that before a consultant is engaged, the Head of Service must be satisfied that, inter alia, :

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11.3.4.1 that budget provision is available for the costs of the consultant; and

11.3.4.2 where it is the intention to accept a tender other than the lowest, the Head of Service shall first obtain the consent of the Corporate Director Resources and record the reasons for not accepting the lowest tender.

11.4 Grounds for Engaging the Consultants

11.4.1 Consultants may be engaged by the Council in any of the following circumstances:

11.4.1.1 Where there is a lack of in-house skills available (e.g. perhaps through a shortage of staff or where the Head of Service is satisfied that the necessary expertise does not exist in-house)

11.4.1.2 There is a short timescale required for the particular piece of work and existing staff would not be able to accommodate the workload required

11.4.1.3 The nature of the work/outcome sought requires an independent view; or

11.4.1.4 The consultant can do the specific work task to a higher quality standard and more economically than if undertaken in-house.

11.5. Competitive Procurement

11.5.1 Whenever practicable a competitive process should be used in the procurement of consultancy services. This is set out in the Contract Procedure Rules. identify the procedures for procurement of services including conditions for any departure from the Contract Procedure Rules.

11.6. Alternative Procurement Procedures

11.6.1 When it is not practicable for the use of a competitive procurement procedure and it is proposed to engage a consultant without a competitive process the following applies:

Contract Value less than £75,000

11.6.1.1 Where the estimated value of the contract is less than £75,000 the written approval of the relevant Head of Services should be obtained to the appointment.

11.6.1.2 The written approval should record the reason why it was necessary to appoint a consultant

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without a competitive process, the reason for the selection of the consultant and the likely costs (whether a fixed fee, estimated fee or hourly rate).

Contract value between £75,000 and the Public Services Contract Regulations Threshold

11.6.1.3 Where the likely value of the contract is £75,000 or more then in addition to the Head of Service's consent the consent of the Chief Executive and Head of Financial Services should be obtained.

11.6.1.4 A Pro forma Recording the Reasons for the Decision and allowing for authorised is attached at Annexe 1 to these Guidelines. Officers may wish to use this when this is intended to procure using this method.

11.7 Preparation of brief

11.7.1 Whether it is intended to engage a consultant a brief should first be prepared in as much detail as is practicable at the time. The brief should clear the following:

11.7.1.1 Background to the project

11.7.1.2 Project aims and objectives together with clear specifications of the work to be done

11.7.1.3 Expected outcome or deliverables and quality of work required

11.7.1.4 The project timetable

11.7.1.5 the department's own contribution to the project

11.7.1.6 Day to day reporting requirements

11.7.1.7 Relevant source documents available for inspection

11.7.1.8 Requirements and timetable for submitting proposals by the Consultant

11.7.1.9 The named project manager and telephone number for enquiries

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11.8 Variations

- 11.8.1 During the course of consultancy arrangements they often arises a need to vary the brief of the consultant to respond to circumstances unforeseen.
- 11.8.2 A Variation or series of Variations up to a value of £10,000 may be authorised by the Head of Service.
- 11.8.3 A Variation which either on its own or when aggregated with previous variations exceed £10,000 requires the authorisation of the Head of Service together with the Chief Executive and Head of Financial Services.

11.9 EU Public Procurement Considerations

- 11.9.1 Most consultancy services constitute a service for the purposes of the Public Services Contract Regulations 1993. Where ever the estimated value of the contract exceeds the threshold (which is currently £144,371) the regulations apply and the contract must be let in accordance with the public procurement rules. The Head of Financial Services will advise on the procedures to be followed and in cases of doubt will decide whether a contract falls within the public procurement rules.

11.10 Procurement of Legal Services

- 11.10.1 All legal services (including instruction of Counsel) shall be procured on behalf of the Council by the Head of Legal and Democratic Service.
- 11.10.2 In view of the nature of the procedure for instructing Counsel it is not practicable for the procedures outlined at paragraphs 5 and 6 to be applied. Therefore instruction of Counsel shall be carried out in accordance with such additional procedures as may be advised by the Head of Legal and Democratic Services from time to time

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Annex 1

Pro Forma Approval Form

Authorisation for the Appointment of Consultant

Name of Consultant:

Reason to Use Consultant:

Reason for Choice of Consultant:

Costs of Consultant:

Requested by.....

Approved by

Head of Service

For Contracts with a Value in Excess of £75,000

Approved by.....

Chief Executive.....

Head of Financial Services.....

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12. INCOME

12.1 Responsible officer

- 12.1.1 The Head of Financial Services will be responsible for ensuring that prompt and proper arrangements exist for the collection, custody, control, disposal and accounting of all cash and remittances due to the Council.
- 12.1.2 Budget officers will notify the Head of Financial Services of all sums due to the Council in respect of payment for goods and services or other transactions involving the receipt of money in a manner as prescribed by the Head of Financial Services.
- 12.1.3 All sums due from sundry debtors will be raised promptly by Service Units via the debtors module of the Agresso System (or for revenues related debts via the Academy system). Responsibility for the prompt and thorough recovery of debts rests with the appropriate Debtors officer. Whenever appropriate, payment in advance should be obtained as this improves the Council's cashflow and also avoids the time and cost of administering debts.

12.2 Paying in

- 12.2.1 All money received by an officer on behalf of the Council will be paid into one of the Council's Cash Offices without delay, or if instructed by the Head of Financial Services, direct to the Council's bank account.
- 12.2.2 No deduction will be made from sums due to the Council.
- 12.2.3 Officers paying into a bank account must enter a reference to the debt or the origin of the cash or cheque on the paying in slip.
- 12.2.4 Post-dated cheques will not be accepted by the Council .

12.3 Official receipts

- 12.3.1 All official receipts, forms, tickets, vouchers and similar documents will be ordered, stored and issued in accordance with procedures approved by the Head of Financial Services
- 12.3.2 No receipt given by an officer for money received will be in a form other than an official receipt.

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12.4 Cashing cheques

- 12.4.1 No personal cheques will be cashed out of money held on behalf of the Council.
- 12.4.2 No third party cheques will be accepted by cashiers for the payment of any debt.
- 12.4.3 No Bromsgrove District Council cheques endorsed "Account Payee" will be accepted by cashiers in respect of any outstanding debt unless there are any extenuating circumstances which have been considered and approved by the Head of Financial Services.

12.5 Transfer of remittances

- 12.5.1 Every transfer of money held on behalf of the Council from one member of staff to another will be evidenced by the signature of the receiving officer in a register or proforma maintained for this purpose.
- 12.5.2 Any blank cheques received and those which are not "Account Payee Only" will be crossed with an official stamp immediately on receipt as part of the post opening procedure.

12.6 Write offs

- 12.6.1 It will be the responsibility of Service Managers to promptly notify the Head of Financial Services of the need to write off any debt, giving details of the steps taken to recover the debt and valid reasons for the write off. A "debt" may be classified as:
 - (i) an individual amount for an individual debtor; or
 - (ii) the cumulative amount of several related debts for an individual debtor, (for example all business rates arrears or all outstanding trade refuse payments).
 - (iii) an amount "due to the Council arising through the provision of a service by the Council or by way of a sanction, Council tax or NNDR debts" or an amount held on the Agresso sundry debtors module or the Academy system
- 12.6.1 Authorisation to the write off of an individual debt is detailed in paragraph 1.4.
- 12.6.2 The write off of an individual debt greater than £2,500 will require the authorisation of the Executive Cabinet.

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- 12.6.3 In all cases, due consideration will be given during the write off process to the ongoing provision of the service and any other Council services being provided to the debtor.

12.7 Money laundering

- 12.7.1 For the purposes of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003, the Head of Financial Services will be the Council's Money Laundering Reporting Officer (MLRO) who will receive disclosures of suspected money laundering offences. The Council's Deputy MLRO is the Audit Services Manager.
- 12.7.2 Any payments in excess of £2,500 must be recorded and the details sent to the MLRO weekly.
- 12.7.3 Cash receipts exceeding €15,000 (approx £10,000) for goods or property must be reported immediately to the MLRO who will inform HM Revenue and Customs.
- 12.7.4 All suspicious payments (whatever the value or form of payment – cash, cheque, card, transfer, etc) must be reported immediately to the MLRO.

13. BANKING AND CHEQUES

13.1 Responsible officer

- 13.1.1 The Head of Financial Services will operate bank accounts to carry out the Council's banking transactions at the bank nominated by the Council, and will be responsible for the authorised operation of all bank accounts, bank transfers and the issue of all cheques on behalf of the Council.
- 13.1.2 No account will be opened on behalf of or including the name of the Council except on the authority of a resolution by the Council. Accounts will only be opened when authorised by the personal signature of the Head of Financial Services or other authorised officer.

13.2 Order and custody of cheques

- 13.2.1 Cheques will only be ordered on the authority of the Head of E Government & Customer Services, who will make proper arrangements for their safe custody.
- 13.2.2 Internal transfers of cheques will be recorded and a discharge of liability signature will be

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obtained.

- 13.2.3 Any necessary replacement cheques shall not be drawn until confirmation has been received in writing from the Council's bank that the original cheque has been "stopped".

13.3 Signatures

- 13.3.1 All cheques drawn on the bank accounts of the Council will bear the Head of Financial Services signature. All facsimile signatures will be checked at the time of printing.

- 13.3.2 All cheques and BACS payments exceeding £10,000 will require a second signature. A list of authorised signatures is maintained by the Accountancy Section.

14. TREASURY MANAGEMENT

14.1 Responsible officer

- 14.1.1 All money in the hands of the Council will be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972, the Corporate Director (Resources), who will take all executive decisions on borrowing, lending, repayment and financing in line with current Council policy.

14.2 Records

- 14.2.1 The Head of Financial Services will be the Council's Registrar of bonds and mortgages and will maintain records of any borrowing and lending by the Council.

14.3 Best practice

- 14.3.1 All borrowing, lending and financing will be in accordance with the CIPFA publication "Treasury Management in the Public Services" (2001).

- 14.3.2 Should the Head of Financial Services wish to depart in any material respect from the main principles of this publication, the reasons will be disclosed in a report by that officer to the Council

14.4 Policy, strategy and reporting

- 14.4.1 A long-term treasury management policy statement will be adopted by the Council and thereafter its implementation and monitoring will be delegated to the Head of Financial

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Services.

- 14.4.2 At or before the start of the financial year the Head of Financial Services will report to the Executive Cabinet on the proposed treasury management strategy for the coming financial year.
- 14.4.3 The Head of Financial Services is responsible for ensuring that up to date treasury management practice statements are in place providing written guidance and instruction on routine operational activities.
- 14.4.4 The Head of Financial Services will report to the Executive Cabinet on the activities of the treasury management operation. This will include an annual report on treasury management for presentation by 30th September of the succeeding financial year.

15. INTERNAL AUDIT

15.1 Responsible officer

- 15.1.1 The statutory requirement for internal audit in local government is prescribed by the Accounts and Audit Regulations. The responsibility for maintaining an adequate and effective system of internal audit rests with the relevant body ie: the Council. This responsibility is formally delegated to the responsible officer appointed under Section 151 of the Local Government Act 1972. Accordingly, a system of continuous internal audit, under the control and direction of the Head of Financial Services will carry out an examination of the accounting, financial and other operations in so far as they have financial effects on the Council. Internal Audit effort will be co-ordinated with that of the Council's external auditors.

15.2 Internal Control

- 15.2.1 Internal Auditors are responsible for reviewing and advising on the Council's internal control systems. These systems need to ensure compliance with all applicable statutes, regulations and best practice guidance. Internal controls should also ensure that the risk facing the Council are minimised and that public funds are properly safeguarded and used economically, effectively and efficiently, in accordance with the statutory and other authorities that govern their use.
- 15.2.2 Service Managers are responsible for managing risks and maintaining sound arrangements for planning, appraising, authorising and controlling operations in order to secure continuous improvement, economy, effectiveness and efficiency, and to achieve financial performance targets.

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15.3 Rights of access

- 15.3.1 The Internal Auditors, as the authorised representative of the Head of Financial Services, will have authority:
- (i) to enter any land, building, vehicle or plant owned or used by the Council;
 - (iv) to have access at all times to any record, document, contract or correspondence relating to the affairs of the Council, including those stored by mechanical, electric or electronic means;
 - (iii) to possess or take copies of any record, document or correspondence;
 - (vi) to require such explanations as are necessary from any Council officer concerning any matter under examination; and
 - (vii) to require any employee of the Council to produce cash, stores or any other Council property under their control.

15.4 Standards

- 15.4.1 The Internal Audit Section will comply with all legislative requirements and guidelines issued reflecting best audit practice. The results of Internal Audit work will be reported annually and at such other times as are necessary to the Executive Cabinet and Audit Board.

15.5 Fraud and irregularity

- 15.5.1 The Audit Services Manager is responsible for maintaining and promoting the Council's Anti-fraud and Corruption Strategy.
- 15.5.2 Any officer who suspects that an irregularity is being or has been perpetrated concerning the Council's affairs shall immediately inform the necessary people, their Service Manager, Corporate Director, the Monitoring Officer, or the Head of Financial Services, who will investigate and report as necessary.
- 15.5.3 Any Member who suspects that an irregularity is being or has been perpetrated concerning the Council's affairs shall immediately inform the Chief Executive Officer, the Monitoring Officer and the Head of Financial Services, who will investigate and report as necessary.
- 15.5.4 Where criminal proceedings might be necessary the Chief Executive Officer in consultation with the Head of Financial Services and the Monitoring Officer will be responsible for deciding whether to refer a matter to the Police.
- 15.5.5 Any Member or officer who suspects that an irregularity concerning the Council's affairs is

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being or has been perpetrated by the Chief Executive Officer or the Head of Financial Services shall immediately inform the Monitoring Officer.

15.5.6 The Council has a whistleblowing policy (Confidential Reporting Code) which aims to:

- (i) provide confidential avenues for employees and others to raise concerns and receive feedback on any action taken;
- (ii) allow employees to take the matter further if they are dissatisfied with the Council's response; and
- (iii) reassure employees that they will be protected from reprisals or victimisation for whistleblowing in good faith.

16. INVENTORIES

16.1 Responsible officer

16.1.1 Service Managers will maintain an inventory of all significant items of plant, vehicles, machinery, equipment, tools, furniture and other movable property under their control.

16.2 Form and control

16.2.1 Inventories will be in a form approved by the Head of Financial Services.

16.2.2 Service Managers will be responsible for ensuring that inventories are continuously updated, and that appropriate action is taken on the discovery of deficiencies and surpluses. Attractive and portable items such as computers and cameras should be marked with security markings as belonging to the Council.

16.3 Write offs

16.3.1 Unserviceable inventory items of little value and items past their useful life will be written off under the written authority of a Service Manager.

16.3.2 Items that are to be written off, other than as a result of fair wear and tear, shall be done in accordance with guidance and limits stated in paragraph 1.4.

16.3.3 Disposal of written off inventory items will be the responsibility of Service Managers in consultation with the Head of Financial Services. This will be by competitive tender, public auction, or such other manner which is most beneficial to the Council.

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16.4 Removal of property

- 16.4.1 The Council's property will not be removed or used other than in accordance with the ordinary course of the Council's business except in cases where specific direction or approval has been issued by the appropriate Service Manager.
- 16.4.2 Loan items of clothing, equipment etc. will be signed for by the recipient and returned when leaving the Council's employment.

17 LAND HOLDINGS

17.1 Responsible officer

- 17.1.1 The Head of Legal and Democratic Services will maintain a terrier of all land and properties owned by the Council and will maintain an asset register of the Council's land and property holdings with a value in excess of £5,000 in accordance with current accounting requirements.

17.2 Coverage

- 17.2.1 The land and property terrier will contain the following details:
- (i) purpose for which held;
 - (ii) location;
 - (iii) extent and plan reference;
 - (iv) purchase details, including date of acquisition;
 - (v) rents receivable/payable and rent review dates;
 - (vi) reference to easements in deeds and
 - (vii) other charges against the property such as repairing and insuring obligations.

17.3 Security

- 17.3.1 The Head of Legal and Democratic Services will keep all title deeds securely and will record all deeds temporarily removed.
- 17.3.2 The Common Seal of the Council will be kept in a safe place in accordance with the relevant section of the Council's Constitution.

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17.4 Acquisitions

- 17.4.1 Any acquisition of land or property by the Council will comply with relevant legislation and current guidelines reflecting best practice.
- 17.4.2 The Head of Legal and Democratic Services and the Head of Financial Services in conjunction with the appropriate Portfolio holder will jointly exercise a delegation to deal with acquisitions under £10,000 and will advise the Local Ward Member before the decision is taken.
- 17.4.3 Routine acquisition of land or property above £10,000 will be authorised by a prior resolution of the Executive Cabinet.
- 17.4.4 For urgent acquisitions of £10,000 land or property, a meeting of the Executive Cabinet will be convened, and the advice of the Head of Financial Services will be sought before any decision is taken. The views of the local Ward Member will be sought.
- 17.4.5 The Head of Legal and Democratic Services will exercise a delegation up to £10,000 to deal with property management issues such as lease renewals and rent reviews. Property management issues and decisions above £10,000 will be taken in conjunction with the appropriate Portfolio Holder.

17.5 Disposals

- 17.5.1 Disposals of Council land or property will comply with relevant legislation and current guidelines reflecting best practice. In particular the Local Government Act 1972 S123 requires that disposals will be for the best consideration that can reasonably be obtained. Detailed guidance is given in Professional Guidance Note No. 2 (Disposals of land interests by Local Authorities) issued by the Valuation Liaison Group.
- 17.5.2 The Corporate Director (Resources) and in conjunction with the appropriate Executive Cabinet member will jointly exercise a delegation to deal with disposals under £10,000.
- 17.5.3 Routine disposal of land of an anticipated market value in excess of £10,000 will require the prior approval of the Executive Cabinet, who will consider a report by the Head of Legal and Democratic Services which will include the financial, legal and other consequences of the proposed disposal. Before reporting to Cabinet the matter must be considered by the Capital Asset Management Group (or such other corporate body as may have responsibility for the Asset Management Plan) and must adhere to the principles enshrined within the prevailing Asset Management Plan.

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- 17.5.3 Terms shall not be finalised without the benefit of a current valuation from a qualified valuer with appropriate expertise. This is particularly important where negotiations are conducted with a single purchaser.
- 17.5.4 Disposals above £30,000 will be subject to the invitation of competitive bids. The land/property will be advertised on a scale and in locations calculated to reach the relevant sectors of the property market. Where land is to be disposed of by:
- (i) auction - it should be subject to a reserve price not less than the valuer's current valuation; or
 - (ii) public tender or sealed offers - Contract Procedure Rules will be applied.
- 17.5.5 Where disposals are related to land where the proposed purchaser already has an existing interest, for example adjacent owner, lessor, tenant, sale by private treaty may be applicable and use may be made of estate agents appearing on an approved list.
- 17.5.6 Where an offer is accepted subject to contract and a higher offer is received before contracts are exchanged, the person who made the former offer shall be given the opportunity to increase it if it is proposed to accept the higher offer.
- 17.5.7 Negotiations with prospective purchasers should take place at the Council House or at the offices of the other party or their agents within normal office hours, with at least two officers present. Signed minutes shall be kept and points agreed confirmed promptly by exchange of correspondence. The progress of negotiations shall be regularly reported to the Head of Legal and Democratic Services and the Capital Asset Management Group.
- 17.5.8 In exceptional circumstances, if urgent disposal of £30,000 land or property is necessary, a meeting of the Executive Cabinet will be convened, and the advice of the Head of Financial Services will be sought before any decision is taken.

18. INSURANCE

18.1 Responsible officer

- 18.1.1 The Head of Financial Services will arrange all necessary insurances for the Council in accordance with agreed policy. A record of all properties and risks covered will be kept, and a review will take place at least annually to ensure that all the insurances remain adequate.

18.2 Claims

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- 18.2.1 The Head of Financial Services will be responsible for dealing with all claims against or on behalf of the Council.
- 18.2.2 The appropriate Service Manager will notify the Head of Legal and Democratic Services and the Head of Financial Services immediately in writing of any loss, liability of damage or any other event likely to lead to a claim, and will provide full supplementary information relating to the claim within 10 working days. Where necessary, the appropriate Corporate Director, having consulted with the Head of Legal and Democratic Services, will inform the Police.

18.3 Cover

- 18.3.1 The appropriate Service Manager will immediately inform the Head of Financial Services in writing, of all new risks, properties or vehicles, and any material alterations to existing risks, properties or vehicles.
- 18.3.2 The appropriate Service Manager will consult the Head of Legal And Democratic Services in respect of the terms of any indemnity the Council is asked to give.

19. STOCKS AND STORES

19.1 Responsible officer

- 19.1.1 Service Managers will be responsible for the care and physical custody of the stocks and stores under their control, and for ensuring that such stocks and stores are not kept in excess of normal requirements.

19.2 Records

- 19.2.1 Stocks and stores records will be kept in a form to be agreed by the Head of Financial Services.

19.3 Stocktaking

- 19.3.1 Stocks and stores will be subject to periodic test checks by officers other than the storekeepers and all stocks and stores will be checked at least annually, to include a review of the level and condition of stock.

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- 19.3.2 A certificate of value will be produced on the last day of each financial year and forwarded promptly to the Head of Financial Services within seven working days.

19.4 Write offs

- 19.4.1 Surpluses or deficiencies will be reported to the Service Manager and appropriate accounting action taken, subject to the approvals detailed in paragraph 1.4.

19.5 Surplus stocks

- 19.5.1 Service Managers will be responsible for the disposal of surplus stocks and stores subject to the agreement of the Head of Financial Services. This will be by competitive tender, public auction, or such other manner which is most beneficial to the Council. Any disposal of a single item of stock in excess of £2,500 will be reported to the Executive Cabinet.

20. SECURITY

20.1 Responsible officer

- 20.1.1 Service Managers will be responsible for the safe keeping and authorised use of all assets under their control.

20.2 Cash holding

- 20.2.1 Maximum limits of cash holdings will be agreed with the Head of Financial Services and will not be exceeded without written permission.

20.3 Keys

- 20.3.1 Keys held by Officers and nominated Members to the Council House property, including safes, cash boxes, strong rooms and computer terminals, security systems and any other secure item or area will be issued by the Head of Legal and Democratic Services to named individuals who will confirm receipt in a register and be responsible for their safe custody. The loss of any key will be reported to the Head of Legal and Democratic Services immediately.

- 20.3.2 The Head of Legal and Democratic Services will be responsible for ensuring that adequate security arrangements exist for keys to other Council owned property.

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- 20.3.3 Service Managers will ensure that officers who leave the Council's employment or cease to be required to hold keys surrender their keys immediately.
- 20.3.4 Service Managers will retain master copies of all keys issued.

20.4 Identification cards

- 20.4.1 The Head of Human Resources & Organisational Development will be responsible for issuing identification cards to all permanent Officers and Members.
- 20.4.2 Service Managers will be responsible for making arrangements for issuing identification cards to temporary staff, visitors, trade workers etc, and ensuring that all personnel return their identification cards when they leave the Council's employment.
- 20.4.3 All Officers and Members will wear their identification cards at all times when on official premises.

20.5 Information and Communications Technology

- 20.5.1 The Head of E-Government & Customer Services will be responsible for the security of corporate data, and ensuring that adequate contingency arrangements exist which protect the Council's interests in the event of an ICT disaster.

20.6 Post opening

- 20.6.1 The Head of Legal And Democratic Services will be responsible for ensuring that secure post opening procedures exist to prevent:
- (i) items of mail being lost or stolen; and
 - (ii) fraudulent documents entering the system.
- 20.6.2 Procedures will be documented and will include:

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- (i) post opening by a minimum of two staff;
- (ii) post receipt / despatch in a secure area;
- (iii) date stamping of post received; and
- (iv) effective and timely document image processing.

20.7 Breaches of security

- 20.7.1 The appropriate Service Manager will immediately report breaches of security to their Corporate Director, who will consider the audit and insurance implications, take appropriate action and refer sufficiently serious cases to the Police.

21. MANAGEMENT OF INFORMATION

21.1 Responsible officer

- 21.1.1 All officers will be responsible for maintaining proper security and privacy of all information under their control including that held in computerised files. Proper consideration will be given at all times to the proper use of passwords to prevent unauthorised access to systems.

21.2 Data protection and Freedom of Information

- 21.2.1 The Head of Legal and Democratic Services will be nominated as Data Protection Officer and will be responsible for ensuring that the Council acts in accordance with the provisions of the Data Protection and Freedom of Information legislation.

21.3 Retention of documents

- 21.3.1 Service Managers will make arrangements for retaining official documents for the periods as listed at Appendix 2

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22. EXTERNAL ARRANGEMENTS

22.1 Introduction

- 22.1.1 Officers may represent the Council on partnerships and external bodies, in accordance with the scheme of delegation.

22.2 External Funding

- 22.2.1 The Head of Financial Services is responsible for ensuring that all funding notified by external bodies is received used for the intended purpose and properly recorded in the Council's accounts.

22.3 Work for Third Parties

- 22.3.1 The Executive Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.
- 22.3.2 Service Managers will ensure that:
- (i) any risks are minimised and such work is intra vires;
 - (ii) a register is maintained of all contracts entered into with third parties;
 - (iii) appropriate insurance arrangements are made;
 - (iv) the Council is not put at risk from any bad debts;
 - (v) no contract is subsidised by the Council;
 - (vi) wherever possible, payment is received in advance of the delivery of the service;
 - (vii) the Service Unit has the appropriate expertise to undertake the contract;
 - (viii) all contracts are properly documented; and
 - (ix) appropriate information is provided to the Head of Financial Services for final accounts purposes.

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APPENDIX 1

LOCAL GOVERNMENT FINANCE ACT 1988

Section 114 Functions of responsible officer as regards reports

- (1) On and after the commencement day the person having responsibility for the administration of the financial affairs of a relevant authority under section 151 of the 1972 Act, section 73 of the 1985 Act or section 112, shall have the duties mentioned in this section, without prejudice to any other functions; and in this section he is referred to as the chief finance officer of the authority.
- (2) The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the authority, a committee or officer of the authority, or a joint committee on which the authority is represented:
 - (a) has made or is about to make a decision which involves or would involve the authority incurring expenditure which is unlawful,
 - (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the authority, or
 - (c) is about to enter an item of account the entry of which is unlawful.
- (3) The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- (3a) It shall be the duty of the chief finance officer of a relevant authority, in preparing a report in pursuance of subsection (2) above, to consult so far as practicable:
 - (a) with the person who is for the time being designated as the head of the authority's paid service under section 4 of the Local Government and Housing Act 1989; and
 - (b) with the person who is for the time being responsible for performing the duties of the authority's monitoring officer under section 5 of that Act.
- (4) Where a chief finance officer of a relevant authority has made a report under this section he shall send a copy of it to:

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- (a) the person who at the time the report is made has the duty to audit the authority's accounts, and
 - (b) each person who at that time is a member of the authority.
- (5) Subject to subsection (6) below, the duties of a chief finance officer of a relevant authority under subsections (2) and (3) above shall be performed by him personally.
- (6) If the chief finance officer is unable to act owing to absence or illness his duties under subsections (2) and (3) above shall be performed -
- (a) by such member of his staff as is a member of one or more of the bodies mentioned in section 113(3) above and is for the time being nominated by the chief finance officer for the purposes of his section; or
 - (b) if no member of his staff is a member of one or more bodies, by such member of his staff as is for the time being nominated by the chief finance officer for the purposes of this section.
- (7) A relevant authority shall provide its chief finance officer with such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section to be performed.
- (8) In this section:
- (a) references to a joint committee are to a committee on which two or more relevant authorities are represented, and
 - (b) references to a committee (joint or otherwise) include references to a sub-committee.

N.B. For the purposes of Section 6 above, the Corporate Director (Resources) will be the nominated officer.

APPENDIX 2

Minimum period for retention of “financial” documents

Note: the following is based on the CIPFA Financial Information Service list which incorporates the results of a number of local agreements with HM Revenue and Customs.

Type of Document

Retention Period (Years)

Accountancy/Financial

Budgetary monitoring reports	2 + current
Estimate working papers	2 + current
Financial ledgers (incl year end reports)	6
Grant claim records	6
Investment records	6 after maturity
Journals etc	6
Leasing records	2 + current
Statement of accounts indefinitely	Retain
VAT claims	6
VAT records	6

Bank Related Records

Bank paying-in books/slips	6
Bank reconciliation papers	6
Bank statements	6
Cheque books and counterfoils	6
Cheque lists (creditors/payrolls)	2 + current

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Cheques - cancelled	2 + current
Cheques – returned	2 + current
Loan records and correspondence	2 + current

Contracts

Contract registers indefinitely	Retain
Final accounts:	
contracts executed under hand	6
contracts issued under seal	12
Successful tenders payment	6 after final
Unsuccessful tenders payment	Until final

Creditor Records

BACS records	6
Copy orders	6
Credit notes	6
Creditor invoices	6
Delivery notes	2 + current
Periodic payment records	6
Petty cash floats & imprest documentation	6

Income Records

Cash receipting reconciliation records	6
Collection and deposit books	6
Correspondence (income)	6
Debtor records (non-current accounts)	6
Miscellaneous income receipts	6
Receipt books & record of books issued	6
Sales records	6

Insurance Records

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Insurance claims, correspondence	6
Insurance contracts – expired indefinitely	Retain
Insurance policy documentation indefinitely	Retain

Miscellaneous Records

Capital works monitoring reports	2 + current
Car leasing and mileage records lease	6 from end of
Car loans	6
Community Charge records (non-current)	6
Computer system documentation	2 + current
Council Meetings: reports and agendas indefinitely	Retain
Council Tax records (non-current)	6
Departmental files for Building Control, Planning, and Trees (for Latent Damage Act purposes)	16
Flexible Working Hours adjustments	1 + current
Inland Revenue documentation	6
Inventory records	6
Land charges records indefinitely	Retain
Members' statutory registers (non-current)	4
Minutes - Council meetings: reference copy	
Retain indefinitely Mortgages: records/correspondence (non-current)	2+ current
Postal remittance lists	2 + current
Road fund licence records	2 + current
Stock lists	2 + current
Travelling and subsistence claims	2 + current
Vehicle logs	2 + current
Vehicle/machinery leasing records	2 + current

Payroll

BACS records and output	3
Building Society reports	3
Copy payslips	6
Correspondence	6
NI number changes	3
Overtime records	6
Payroll adjustment documentation	6
Payroll reconciliations	6
Part time employees' documentation	6
Pension records	Retain indefinitely
SSP and SMP records	4
Staff transfer and leaver records	6
Starters' forms	2
Tax and National Insurance records	6
Tax code notifications	2 + current
Timesheets	6
Union records	2 + current

Personnel

Personnel files (non-current)	6 + current
Staff contracts (non-current)	6
Unsuccessful candidates' job application forms	1

Appendix C - Service Financial Governance Paper

Introduction

The Balanced Budget and Closure documentation should be read in conjunction to this report. This report sets out requirements and expectations of the Finance Team and Services in terms of

- Financial Rules and Regulations (Including Virement Limits)
- Expectations – Finance Staff, Other Staff
- Financial processes (Finance and Customers)
 - Budget Setting
 - In Year Monitoring of Expenditure
 - Closure of Yearly Accounts
 - Purchasing of Good and Services
 - Invoicing for Goods and Services required
 - Cash Receipting
 - Financial monitoring (Capital and Revenue)
 - Insurance
- Signoff requirements for reports
- Training Requirements

Significant to this is ensuring that service managers have the requisite financial skills to effectively carry out their financial roles and understand how and where they can get financial support (across the range of finance/Income/payments/cashiers).

A. Rules and Regulations

Both Councils have identical financial regulations – these are set out in Appendix A (Redditch is used as the Example). These regulations are split into 5 Main categories:

- Audit, Governance and Standards Committee responsibilities
- Chief Financial Officer (Director of Finance and Resources) responsibilities
- Corporate Management Team responsibilities

The regulations in section A1.1 set out that day to day responsibility for the Council's finances rests with Directors and their Managers as set out in these Financial Procedure Rules.

It is clear from the regulations that Director of Finance and his staff

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-
- ***Are responsibility for the proper administration of the Council's financial affairs.***
 - ***Under the general direction of Cabinet, are responsible for determining the basis for all accounting procedures and financial records for the Council and for exercising a check over all financial matters.***
 - ***Are responsible for maintaining a continuous review of the Financial Procedure Rules and advising the Audit & Governance Committee and Council of any additions or changes necessary.***
 - ***Are responsible for reporting, where appropriate, breaches of the Financial Procedure Rules or any other element of the Constitution that relates to the proper administration of the Council's financial affairs to the Council and/or Audit, Governance and Standards Committee.***
 - ***Are responsible for issuing advice and guidance to underpin the Financial Procedure Rules***
 - Are entitled to attend a meeting of any body on which Members are represented where matters affecting the financial affairs of the Council are being discussed.
 - Are responsible for maintaining adequate and effective audit arrangements for the Council and for ensuring that audit services complies with the public sector internal audit standards.
 - Are responsible for ensuring, in conjunction with the relevant member of the Management Team, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.
 - Are responsible for ensuring that any case of fraud or loss or financial irregularity or bribery or corruption discovered or suspected to exist which involves the Council's interest shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption Policy.
 - Are responsible for appointing Senior Officers to be the Council's Money Laundering Reporting Officer and Deputy to the Council's Money Laundering Reporting Officer.
 - Have overall responsibility for making payments on behalf of the Council.
 - Have overall responsibility for the Council's income and collection functions although this will be carried out by Hoople Ltd who will ensure the effective collection and recording of all monies due to the Council.
 - Are responsible for making payments to employees, former employees and Members on behalf of the Council.

Although all functions are important, those highlighted in bold are especially pertinent for this Governance paper which sets out the responsibility of

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finance staff. This Governance paper sets out the support that finance staff will give to managers to help them fulfil their financial functions.

Departmental staff (through CMT) need to ensure that:

- All employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- They consult with the Director of Finance and Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Cabinet member.
- They supply the Director of Finance and Resources with all information necessary for the proper administration of the Council's affairs.
- They allow the Director of Finance and Resources and his/her authorised representatives access to all documents and records on demand.
- They maintain a sound system of internal control
- They ensure those functions within their Terms of Reference operate within the Council's Financial Procedure Rules.
- They are responsible for informing Cabinet members promptly if the Council's Financial Procedure Rules are not being complied with.

Its is clear from these financial regulations that Service Managers are responsible for delivery of the financial procedures and rules, but that finance department staff should set the rules and regulations out as clearly as possible, and provide training and guidance to ensure that Service Managers can deliver those requirements as effectively as possible. These are set out in more detail in later sections. **If rules are not complied with access to systems will need to be reviewed.**

B. Virement Limits

Budgets for each financial year are set out in the Medium Term Financial Strategy which is approved by Full Council every February. Any changes to those budgets must be approved using the following process. Only Heads of Service, in conjunction with the Financial Services Manager can approve virements below £20k. All virements above this level require Member approval.

All changes to cash limits through Virement changes must be reported in the following monitoring report. All virements must be entered onto the finance system for approval by an authorised Officer.

No virements under £5,000, unless authorised by the Financial Services Manager.

Virement Amount	Approval Required
Below £20,000	Head of Service and Financial Services Manager
£20,000 - £40,000	Director of Finance in consultation with relevant Director and Portfolio Executive Member
Above £40,000	Shall be reported in the budget monitoring report to Executive

C. Financial Processes

There are 6 Main Finance Processes. These cover both Revenue and Capital expenditure including projects. These are:

- Setting a Budget
- Monitoring Expenditure against the agreed Budget
- Closure of a Financial Year
- Raising Expenditure
- Raising Income
- Receipt of Cash through Cash Receipting Systems

Finance procedures are presently being revised and then these will be updated on the ORB. A suit of finance training will be rolled out in the May to July Period to ensure that managers financial acumen across the Council is maintained at the correct level. The upgraded guidance and training is to ensure that managers and staff have finance procedures that are clear and easy to follow. Updated links to this guidance will be issued shortly.

The Financial Procedure Rules apply to every Member and Officer of the Council

- They Promote best value and improves service delivery.
- Set out procedures for employees and members to meet the Council's expected standards
- Demonstrates that controls are in place.

Members and Officers are required:

- to have proper regard to the advice and guidance issued by the Executive Director of Finance.
- to lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- to act in accordance with the Council's anti-fraud and anti-corruption policies

Setting a Budget

The annual budget will include:

- Annual capital and revenue budgets
- Proposed contingencies, general reserves, specific reserves
- Council Tax requirement
- Treasury Management Policy and borrowing limits
- Statutory declaration on budget settling

The Cabinet shall (following Management Team proposals), recommend to Council:

- A capital programme for each year, and future indication over a four-year period
- Recommended funding method for each capital project

A capital policy report shall include:

- Estimated cost
- Any phasing of expenditure
- Proposed financing method
- The effect on revenue estimates
- Additional staff required
- An assessment of the need for this scheme and the benefits
- A technical and financial appraisal of the alternative approaches

Finance is responsible for:

- Setting the budget timetable and requirements to deliver an ongoing sustainable budget – see the document “**Balanced Budget Paper**”.
- Rolling forward previous years data, including grants, income and expenditure variations.
- Establishing the financial constraints and “budget envelope” in conjunction with CMT from rolling forward previous budgets and taking account of Government legislation and funding changes (including the settlement).
- Having the above at a detailed level ready for Service input, including detailed Staffing budget makeup, including all changes.
- Drawing up, in conjunction with Services, the detailed Medium Term Financial Plan, including precept amounts and associated strategies, for approval at Council in February. This document will be initially signed off at Corporate Management Team (CMT) before final signoff as in any Council Report. This may be a single or multiple phase process.
- Liaising with the Leader and Cabinet Member for Finance.
- Liaison with Internal and External Audit and Government Departments.

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Service Managers are responsible for

- Service leadership by Heads of Service and signed off by CMT.
- Establishing their forward budget based on the financial constraints, legislative requirements, and business plan requirements
- Cost up, with financial support, growth and savings options, to keep within their “budget envelope”
- Complying with the requirements of the “**Balanced Budget Paper**” from a service point of view
- Ensuring all changes to budgets, including Grants, are signed off by the finance department to ensure they are fully accounted for in “in year” and forward budgets. If budgets are changes in year, depending on size, this might also qualify as a key decision and require a report for approval.

Monitoring Expenditure against an agreed budget

Monitoring ensures that the Council and its staff are:

- Following the approved process for all expenditure
- Ensuring that income and expenditure is properly recorded and accounted for
- Ensuring that expenditure is only committed against an appropriate budget
- Monitoring performance levels/levels of service – and take action if needed
- Investigating and reporting significant variances from approved budgets
- Reporting on any new income/grants before they can be spent

Revenue

Revenue budgets, from 2022/23 will be monitored monthly using the Tech One forecasting module. By using the financial system, outputs can easily be consolidated, and this ensures usage of the financial system for all transactions. Reports will be presented to Members as part of the consolidated Finance and Performance Report on a quarterly basis.

Finance is responsible for:

- Ensuring that approved budgets are properly loaded on Tech One and that service managers are properly trained. They will also support service managers with detailed budget queries in their respective service areas.
- Setting up and codes close codes on the Tech One to properly account for income and expenditure.

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- Ensuring periods are opened and closed at the appropriate time, reconciliations are kept up to date (including bank reconciliations), overall debt levels are monitored, and that all feeders into the general ledger (interfaces/grants/treasury transactions) have been applied.
- Providing a quarterly list of Purchase Orders for services to check to validate and close where necessary orders to ensure only pertinent information is contained on the ledger
- Ensuring budget managers understand coding requirements
- Actioning journals on behalf of Budget Managers.
- Agreeing the Internal Audit Plan and ensuring its delivery.

Service Managers are responsible for:

- Ensuring that there is a nominated manager for each Cost Centre.
- Ensuring that their managers input updated budget forecasts and comments monthly and this is compiled into the quarterly returns to Members as per the Council timetable
- Informing Finance of changes required for Journals to be actions to rectify the situation in cases of miscoding but,
- Being responsible for their expenditure and income (Sales orders, requisitions, and Interfaces) to be coded correctly.
- Complying with Internal Audit requirements, including providing information, and agreeing and delivering recommendations.

Capital

Capital Budgets will be monitored on a quarterly basis. A similar process will be followed to that of revenue

Closure of a Financial Year/Period

The Council must statutorily produce draft accounts by the end of June for the preceding financial year and these accounts must be approved by External Audit and Audit Committees by the end November (***although this timetable is being reviewed at the moment due to non-compliance across the Country***).

Finance is responsible for:

- Providing a timetable of deliverables for budget managers.
- Providing a detailed timetable to deliver closure and associated weekly progress meetings.
- Drawing up the Detailed Statement of Accounts within the approved timescales.
- Ensuring all codes and suspense reconciliations are completed to the appropriate standard.

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- Ensuring working papers are drawn up to the correct standard.
- Ensuring all the appropriate Governance steps, internal and external, are followed

Service Managers are responsible for:

- Delivering the detail requested in the budget manager deliverable timetable (including debtor/creditor schedule,
- In specific areas providing additional information (such as Capital as set out in the detailed guidance notes)

Raising Expenditure

Expenditure can be raised in the following ways

1) Using the Requisition Processes on Tech OneSystem

An order number must be in place for all goods and services or the supplier will not be paid. This

- ensures the cost is covered by an approved budget and budget manager
- allows us to review our budget performance more accurately
- quicker processing of invoices

These processes are in place to maintain the security and integrity of data for transacting business electronically.

The End to End Purchasing process is:

- Creation of the Purchase Order by the Service
 - Description of goods, works or service
 - Coded to the correct budget
 - Authorised by the appropriate budget holder
- Delivery of Goods, Works or Services
- Goods Receipting the Purchase Order following the delivery of the Goods/Service, ensuring all is in accordance with the order.
- Receipt of invoice once received on the Finance system by Finance staff
- Payment of the invoice

Finance are Responsible for:

- Receiving and inputting invoices from suppliers.
- If PO Value does not equal Invoice Value chasing Services in order to amend PO value.
- Review statements to ensure all payments have been made, if invoices not received then chase suppliers for missing invoices (Post or email).
- Delivering 2 Payment runs a week.

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- Input “One Off” payments from Services, ensuring all the required details have been completed (reject if incorrect).
- Input payroll payments on “one off” proforma on monthly basis from Payroll Services.
- Input Utilities Payments.
- Deliver IR35 Returns.
- Make CIS payments and deliver monthly return.

Service Managers are responsible for:

- Ensuring they have Appropriate Administrators to raise requisitions, and Budget Managers to approve these using the correct codes (see budget management section).
- Administrators raise requisitions, which are approved by budget managers.
- Administrators approve Goods Receipts GRN (only the administrator of a PO can GRN it)
- If PO Value does not equal Invoice Value service administrators amend PO value, as informed by Finance, amend the PO value and GRN for finance to match the invoice.
- Completion of “one off” payment proforma’s with all the required information if a payment does not need to follow the normal requisition process. This also requires 2 signoffs including the budget manager and an email of approval.
- Property prepares multilevel Utilities spreadsheets for inputting by Payments

2) Government Procurement Cards GPC

These are designed to make it easier and more cost effective for Services to make low value purchases (typically £250 or less).

- The GPC is personal to you, no one else is authorised to use your card.
- You are responsible for the security of the card
- GPC should never be used to pay an invoice
- You need to keep records and receipts for all transactions, and these must be entered online each time you use the card, including filling in the Cost Centre and Account Code information.

A GPC Card may **look** like a debit/credit card – but it’s not. It’s a procurement card. There is a difference!

Controls are in place using these Cards:

- Maximum monthly expenditure

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- Individual transaction limit
- Merchant Category Group code blocking
 - Each supplier is classified with a Category Group code. Any number of these codes can be blocked or left unblocked to ensure compliance with business policies

Finance are responsible for:

- Administering the scheme.
- Approving the transaction
- Ensuring reconciliations have been completed

Service Managers are responsible for:

- Allocating appropriate managers to cards
- Ensuring spending is made for the appropriate reasons
- Delivering the monthly reconciliation on individual card transactions, ensuring that the payments are transferred to the right place on the ledger.

3) Faster Payments

These should only be used as a last resort and from the 1st May 2022 will require the Head of Finance and Customer Services approval, they are for immediate payments but they should not be used to override existing purchasing and Government Procurement Card procedures.

Finance are responsible for:

- Administering the scheme.
- Approving the transaction – including the coding
- Ensuring funds are available to enable the transaction to take place

Service Managers are responsible for:

- Completing the “One-Off” Proforma properly and ensuring it is properly signed off
- Ensuring spending is made for the appropriate reasons

4) Creditor Management and Links to Procurement

Finance will ensure that when Services fill in new Creditor forms that they and procurement approve them in a timely manner.

Finance are responsible for:

- Ensuring that procurement have approved the supplier.

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-
- Ensuring the form is correctly filled in – if not it is rejected.
 - Adding the supplier to Tech One.
 - Informing the person who initiates that the process has been completed.

Service Managers are responsible for:

- Completing the New Supplier Form, ensuring all the correct details have been included including backing information and appropriate signoff

Raising Income

Income comes into the council through a variety of sources. This process sets out the raising of sales orders. Income will also come into the Council through the Cash Receipting System. Those payments might be through web transactions or interfaces and are dealt with in the monthly monitoring section in terms of reconciliations.

Sundry income is delivered via Sales Orders

Finance are responsible for:

- Delivering recurring payments (Once set up by the service departments)
- Setting up Customers on correctly filled in and authorised pro formas from the business
- Chasing of Outstanding debt amounts – through the dunning process.
- Setting up Direct Debits and Payment Plans for outstanding debt
- Reconciling individual debtor accounts and dealing with associated queries
- Preparing write off lists to be approved by the business

Service Managers are responsible for:

- Raising and approving sales orders with the correct coding
- Setting up new suppliers with the appropriate details and authorisation using the Customer pro formas
- Approving debt write offs as advised by the Income Team

Insurance

The insurance team deals with the end-to-end Council insurance process. Small claims are generally dealt with in house if they are less than the policy excess. The main exceptions to this are:

- Personal injury claims always go to Zurich
- Employee injury claims always go to Zurich

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- Claims we believe may not go over the excess but require Zurich's services to investigate (Loss adjusters etc)

Finance are responsible for:

- The tendering of the Insurance Contract.
- Liaison with our insurers.
- Management of the Insurance budget.
- In Respect of Claims Handling:
 - Responding to the claimant. Usually via email, requesting further information and with an attached FNOL (First Notification Of Loss) letter.
 - Requesting/collecting information for the claim from the claimant (Photos/receipts/quotes etc) and our council service teams relevant to the type of claim (complaints/inspections reports etc).
 - Collating the information and carry out the investigation into the claim
 - Making a decision on liability
 - If the Council accept liability, the Insurance Team make an offer to settle

Service Managers are responsible for:

- Signposting new claimants to the relevant Council website for them to start a claim. Bromsgrove
<https://www.bromsgrove.gov.uk/council/corporate/submit-a-claim-against-the-council.aspx>. Redditch
<https://www.redditchbc.gov.uk/council/corporate/submit-a-claim-against-the-council.aspx>
- If the service receives an email detailing the claim this must be sent to the insurance email insurance@bromsgroveandredditch.gov.uk
- Incidents involving our vehicles will require an accident report sending to the insurance team, even if a claim is not required
- Ensuring staff do not try to offer advice on the claims process other than where to make the claim.
- Ensuring staff do not try to accept liability to a claimant, this needs to be to the Insurance team if we are liable.
- Ensuring staff do not set any expectations to claimants (even when liability is accepted) such as requesting quicker payments.
- Respond to an information request from the Insurance team in a timely manner.

D. Signoff Requirements for Reports

In the financial regulations there is the requirement in services for:

- All employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- To consult with the Director of Finance and Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Cabinet member.
- To supply the Director of Finance and Resources with all information necessary for the proper administration of the Council's affairs.

This includes projects (such as Towns Fund, Levelling Up, Etc), Committee Reports, and external briefings. Time must be given for the correct consideration of financial aspects of reports and their consequences. **The Committee Service Team recently updated CMT of these requirements and timescales.** If reports are not delivered to these timescales they will not be forwarded on for Members to approve.

Finance should ensure that a nominated representative at the appropriate level has signed of the report and that the financial consequences are fully understood and properly reflected in the report.

E. Financial Training Requirements

This report has highlighted the following financial training requirements:

- Overall Financial
- Budget Management
- Purchasing Process Requirements
- Income Process Requirements
- Cash Receipting Requirements
- Member Financial Training Requirements

A detailed training plan is being designed to ensure all staff with financial responsibilities (Budget Holders, Head of Service, Cashiers, etc) have the knowledge to understand and manage the finances of the council within their area. That includes these Service Protocols.

There will also be financial training for Members so they can understand the Council's financial reports and other financial information, as well as being able to challenge the information provided to ensure the proper running of the Council's. This generally happens in May and June following elections.

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2022/23 INTERNAL AUDIT ANNUAL REPORT AND AUDIT OPINION

Relevant Portfolio Holder	To be confirmed
Portfolio Holder Consulted	-
Relevant Head of Service	Peter Carpenter, s151 Officer
Report Author: Andy Bromage	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 & Governance Committee RESOLVES that:-

1) the report is noted.

2. BACKGROUND

- 2.1 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.
- 2.2 This section of the report provides commentary on Internal Audit's plan delivery for the period 01st April 2022 to 31st March 2023.

Summary Dashboard 2022/23:

Total reviews planned for 2022/23	12 (minimum originally)
Reviews reported on for 2022/23:	15 (incl. WRS & LADS)
Assurance of 'limited' or below:	2
Reviews awaiting final sign off:	3
Reviews ongoing:	4
Follow Ups undertaken during 2022/23:	16
Number of 'High' Priority recommendations reported:	1
Revised overall plan delivery:	88%

- 2.3 The Worcestershire Internal Audit Shared Service (WIASS) has delivered the 2022/23 revised internal audit plan.

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- 2.4 The Internal Audit Plan was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) and reported to the Audit, Standards & Governance Committee for approval on 21st July 2022. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example, vehicle fuelling process(housing), procurement and projects were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 2.5 In accordance with best practice the plan was subject to review during the year to ensure that identified changes, for example, external influences, risk assessment, process re-engineering and transformation were taken into consideration during the year. An adjustment was made to the Plan and reported before Committee January 2023.
- 2.6 The purpose of the 2022/23 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - The audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control (reported in Appendix 2), which feeds into the Annual Governance Statement which is presented with the statement of accounts.

Resource Management.

- 2.7 2022/23 was a demanding year due to staff turnover and difficulties encountered recruiting to vacant posts. The plan for 2022/23 was constantly reviewed. The core financial areas of the business along with several systems reviews were undertaken and reported on. A variation to the plan was necessary which saw a review deferred e.g. Leisure Consultants Report. The adjustment was agreed with the s151 Officer and Committee notified.
- 2.8 The Service carefully managed its resource and worked with partners to deliver the revised audit programme for Bromsgrove District Council for 2022/23 with regular updates of progress reported before Committee. The s151 Officer was

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kept briefed during the year regarding overall progress and was instrumental in the plan variance along with enhancing the process to achieve quicker management sign off. There was also regular reporting to both SMT and CMT.

- 2.9 During 2022/23, audit reviews totalled 15 and full audit reports, where appropriate, were provided before Committee containing the Auditors opinion on the effectiveness of the controls operating within those areas. The action plans containing recommendations to address the identified control weaknesses were also reported.
- 2.10 Based on the audits performed in accordance with the revised audit plan the Worcestershire Internal Audit Shared Services Manager has concluded that, generally, the internal control arrangements during 2022/23 managed the principal risks identified in the revised audit plan. The difficulties experienced with the financial system has spread potential risk across the organisation which has been acknowledged with the issue of the s24 Notice by External Audit. There continues to be areas of risk within the organisation where further mitigation work is required which has been highlighted by several 'moderate' assurance outcomes e.g. fuel usage and risk management. A budget monitoring audit was undertaken but due to the known issues surrounding the new financial system, ongoing difficulties being experienced with cash receipting interfacing and the direct impact this had on reconciliations there was no value to be added by undertaking a full main ledger review as the risks and required actions were already known.

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- 2.11 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 2.12 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist, all Fourth Tier Managers were asked to complete an internal control checklist covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.
- 2.13 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirmed that those controls were operating effectively except when reported otherwise.
- 2.14 A review of the returned statements identified the following theme:
- Financial monitoring reports are improving but there remains work to be done.

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Work of interest to the External Auditor

- 2.15 The results of the work performed on seven systems audits is of direct interest to External Audit and reports are passed to the external auditor on request for their information. Internal Audit has worked closely with External Audit regarding the risk the new financial systems have created. With external audit increasing their sampling there is more scope for duplication in some of the financial areas e.g. Benefits. To eliminate duplication discussions are to take place to consider the position and assurance requirements.

Follow Up Audits

- 2.16 A summary of audit follow ups for the year is provided as part of Appendix 1. This area of work is undertaken to ensure that potential risks to the authority are mitigated. The outcome of this work is reported on an exception basis. There have been no exceptions reported to the Committee during 2022/23. Follow ups, and any exceptions, will continue to be reported but the number of additional visits to ensure points are satisfied is continuing to decrease compared with the previous years and there has been more regular CMT engagement in this regard. The full reports have been presented before Committee rather than a summary position to aid context and transparency.

Quality Measures

- 2.17 Managers are asked to provide feedback regarding systems audits that have taken place by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the responsible manager and an analysis of those returned along with anecdotal evidence during the year shows a very high satisfaction with the audit product – see Appendix 1.
- 2.18 To further assist the Committee with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conforms to Public Sector Internal Audit Standards as amended. All staff work to a given methodology and have access to the internal audit reference material and Charter which are updated regularly to reflect the requirements of the standards and the changing environment that WIASS is auditing in. A copy of the Audit Charter is included at Appendix 3 for information. There have been no significant adjustments to the Charter but there are planned changes to the methodology during 2023/24 which will be reflected in the Charter presented before Committee next year.

Independence and Safeguards

- 2.19 Worcestershire Internal Audit Shared Service activity is organisationally independent. Internal Audit reports to the s151 Officer but has a direct and unrestricted access to senior management and the Chair of the Audit, Governance and Standards Committee.

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2.20 Further quality control measures embedded in the service include individual audit reviews and regular Client Officer feedback. Staff work to a given methodology and have access to the internal audit reference material and Charter which have been updated to reflect the requirements of the standards. The Charter is included as part of this report at Appendix 3. Where WIASS assisted with the preparation of areas of work such as risk management there were clear safeguards in place to ensure independence was not compromised. Safeguards include review within the audit service by an independent person to those who have completed the work as well as independent scrutiny by the s151 Officer. Audit Committee can also challenge the reported findings and the minutes would record this.

2.21 The Client Officer Group which is the management board for the Service is made up of partner s151 Officers. They meet on a regular basis and consider the performance of the Shared Service including progress against the Service Plan as well as actively promoting the continuous improvement of the Service. Further improvement was identified through the self-assessment process which will be carried out during 2023/24 to inform the External Quality Assessment planned for January 2024. The outcome of the External Quality Assessment will be reported before Committee.

Assurance Sources

2.22 We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we seek to place reliance on such work thus increasing the internal audit assurance coverage e.g. ICT ethical hacking.

Other Operational Work

2.23 Work is continuing in respect of the National Fraud Initiative (NFI) exercise. Appropriate action is being taken and work is progressing to identify any potentially fraudulent activity for example overpayment for housing benefits, income support, etc. The last significant data upload was January 2023 with the results continuing to be worked on. WIASS continue with a coordinating role regarding this process.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising out of this report. The Authority is billed for the number of days that are delivered during the year and contribution adjustments are made to reflect a revised position. The strategic financial position of the Service is monitored as part of the Client Officer Group

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meetings which take place every quarter. The 22 day underspend position, which is budgeted for, will be transferred to a reserve, as will underspend positions across the County, to cover potential pressures in the 2023/4 financial year.

4. LEGAL IMPLICATIONS

- 4.1 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”.

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

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 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 and the internal control environment.

Climate Change Implications

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

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

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

Operational Implications

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

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7. RISK MANAGEMENT

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

- Insufficient completion of the 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.

7.2 The s151 has provided risk management updates before the Audit, Governance and Standards Committee as part of the relaunched risk management approach. Development of the risk management system continues under the directorship of the s151 Officer.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan 2022/23

Appendix 2 ~ Audit Opinion and commentary 2022/23

Appendix 3 ~ Internal Audit Charter for WIASS

APPENDIX 1

Internal Audit Plan for 2022/23 Delivery 1st April 2022 to 31st March 2023

Audit Area	Revised 2022/23 Plan Days	Actual Days to 31 st March 2023
Core Financial Systems (see note 1)	56	58
Corporate Audits	37	32
Other Systems Audits (see note 2)	61	49
SUB TOTAL	154	139
Audit Management Meetings	31	24
Corporate Meetings / Reading		
Annual Plans, Reports and Audit Committee Support		
Other chargeable (see note 3)		
SUB TOTAL	31	24
TOTAL	185	163

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 was introduced for Debtors and Creditors to maximise coverage and sample size, but due to internal audit has been unable to deliver this during 2022/23 due to the ongoing challenges with the system.

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. 2 reviews were deferred late in Q4 which impacted on the overall Systems days delivered.

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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Appendix 1

Audit Opinion Summary Analysis ~ Audits completed during financial year 2022/2023:

Audit Report / Title	Final Report issued	Assurance
Worcester Regulatory Services	Ongoing	TBC
Benefits	Ongoing	TBC
Council Tax	Clearance	TBC
National Non-Domestic Rates	Clearance	TBC
ICT Cyber Security	Draft Report	TBC
Workshop Licensing Compliance	Draft Report	TBC
Transformational Team Utilisation	Draft Report	TBC
Treasury Management	24 th March 2023	Significant
Fuel Usage across Fleet	28 th October 2022	Moderate
Creditors	4 th April 2023	Moderate
Risk Management	24 th April 2023	Moderate
Debtors	20 th February 2023	Limited
Main Ledger	20 th February 2023	Limited
Geographic Information System/Gazetteer	16 th August 2022	Critical Friend
Local Authority Delivery Scheme Grant	22/23 Return Completed	

Summary of 2022/23 Audit Assurance Levels.

2022/23	Number of Audits	Assurance	Overall % (Rounded)
From 15 audits	0	Full	0%
	1	Significant	6%
	3	Moderate	21%
	2	Limited	14%
	0	No	0%
	7	To be confirmed	45%
	2	Critical Review / hybrid / N/a	14%

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Follow Ups During 2022/23

	Year of Review	Review Area	Assurance	Follow Up Position	Indicative Date of Follow Up		Conclusion
BDC	20/21	Orb	Moderate	Completed			No further action required
BDC	20/21	Use of Agency and Consultancy	Critical review	Completed			No further action required
BDC	21/22	Strategic Acquisitions	Significant	Completed			No further action required
BDC	21/22	Accounts Payable	Moderate	Completed			No further action required
BDC	21/22	Projects	Moderate	Completed			No further action required
BDC	21/22	Budget Monitoring	Critical review	Completed			No further action required
BDC	21/22	Fuel Usage	Critical review	Completed			No further action required
BDC	21/22	Grants	Significant	1st			Returns Made
BDC	21/22	Procurement	Limited	1st			Update report provided Jan 23
BDC	21/22	General Data Protection Regulation	Moderate	2nd	Jul-23	Q2	1 recommendation implemented and 2 partially implemented. Further follow up required.
BDC	21/22	Treasury Management	Significant	1st			Included in 22/23 Audit
BDC	21/22	Accounts Receivable	Limited	1st			Included in 22/23 Audit
BDC	21/22	Council Tax	Significant	1st			Included in 22/23 Audit
BDC	21/22	National Non-Domestic Rates	Significant	1st			Included in 22/23 Audit
BDC	21/22	Risk Management	No	1st			Included in 22/23 Audit
BDC	21/22	Benefits	Significant	1st			Included in 22/23 Audit

Client Feedback Analysis ~ IA Reporting

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Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2022/23 financial year has been received indicating that:

- the auditee was happy with the process and format of the audits. This continues to be further developed.
- Questionnaire feedback evidence directly indicates a high satisfaction rate with the audit product.

Overall Conclusions:

- The 2022/23 revised plan has been delivered.
- The financial system roll out has impacted and created potential risks across the organisation but is an improving picture.
- 27% of the audits undertaken for 2022/23 which have received an assurance allocated returned an assurance of 'moderate' or above but there remain several assurances to be confirmed. Indications are that these will fall into these categories.
- The client satisfaction rate of the Service remains high.

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Appendix 2

Audit Opinion and Commentary 2022/23

Internal Audit: Bromsgrove District Council has a responsibility for maintaining an adequate and effective internal audit function is set out in the Accounts and Audit (England) Regulations 2018.

2022/23 was a very challenging year regarding the control environment in certain areas of the Council. Remote working has continued since the pandemic. Turnover of staff for the Authority has remained high which has created its own challenges within certain Services including Finance. The loss of staff and experience impacted the Finance Team along with the continuing development of the new financial system. Coupled with a S24 Notice being given by External Audit it has resulted in a very challenging control environment. Potential risk in the core financial areas has remained due to the continuing development of a cash receipting module but there has been an improving position. Appropriate and proportionate remote access to files and systems remained in place and there is an understanding of the cyber risks that could impact the Authority. Risk Management has been relaunched and is starting to become more widely discussed and managed in the organisation and reported to the Audit, Governance and Standards Committee on a regular basis.

1. Overall Governance Conclusion

- 1.1 Based on the audits performed in accordance with the revised plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2022/23 managed the principal risks in several areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Risk remains present which could jeopardise this in the future regarding certain key areas, e.g. finance, and emerging risks will need to be identified and managed. Close monitoring of deployed measures to mitigate risks in finance is set to continue but the need to reduce the overall risk and work towards a better and sustainable approach beyond 2022/23 will be critical to create better transparency, expectation and accountability. This will be necessary to ensure the Council can continue to manage risk effectively and, ensure the development and deployment of a sound control environment where there is the potential for emerging risk. The financial system implementation introduced some key risks into the financial areas of the Council. These are ongoing at present until the cash receipting module is fully developed and fit for purpose with reconciliations linked to this fully up to date. Development has continued during 2022/23 and the organisation is in a better position than it was.

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Audit reviews continue to highlight risk in certain financial areas, e.g. budget monitoring, reconciliations. Limited assurance was reported against Debtors and Main Ledger reflecting the ongoing risk that exists. Overall progress has been made to address the issues the new system introduced and 2022/23 has seen an improving position which is set to last as the cash receipting module continues through its development and testing cycle.

2. Risk Management Conclusion

- 2.1 The Head of Internal Audit can confirm the further development of the formal risk management system has progressed over the past twelve months under the direction of the S151 Office with a view to achieving a better embedded approach for the future. This area had been relaunched on several occasions in recent years and has been a topic for corporate review for several years but over the last twelve months there has been more traction and improved reporting. Due to the development and reporting in this area during the past twelve months Audit have reported on progress. There has also been scrutiny from the Strategic Management Team and Committee. Further internal audit work is planned in 2023/24. Risk management has been present in some form in several Services, but it was not coordinated to allow for a joined-up view of risk from a corporate perspective. This is starting to change but there is further work to be done. There continues to be buy-in from the whole of the management team and continuing progress will be monitored before Committee.

3. Audit Opinion

- 3.1 The internal audit of Bromsgrove District Council's systems and operations during 2022/23 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit, Governance and Standards Committee on 21st July 2022 and any subsequent revisions.
- 3.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. During 2022/23 the shared service conformed to CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

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- 3.3 The Internal Audit Plan for 2022/2023 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk). It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, procurement, projects, grants, and GDPR were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 3.4 The 2022/23 internal audit plan was revised due to changing circumstances and restrictions regarding resources. The revised plan was delivered in full providing sufficient coverage for the Head of Internal Audit Shared Service to form an overall audit opinion.
- 3.5 The results of 15 reviews were taken into consideration. Areas which returned a level of 'limited' assurance included debtors and main ledger.
- 3.6 To mitigate risk a clear management action plan was formulated to address all issues identified across the plan. Comprehensive management action plans were agreed and the s151 Officer informed. There remains a clear understanding that further work is required to embed risk management throughout the organisation and to further development the cash receipting element of the financial system. This is set to continue under the direction of the s151 Officer.
- 3.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except when reported otherwise. The financial system and budget monitoring was a key theme identified specifically in some of the returns which will be picked up directly with management. No areas of significant risk have been identified in addition to those already identified during the year.
- 3.8 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

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3.9 There has been a wide spectrum of assurance applied to the reviewed areas during 2022/23. The implementation of the new finance system created risk hotspots which are being addressed. Audits that have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified give some balance to the overall picture. Any assurance provided is limited to the areas of the system where controls are in place and are operating effectively. Critical friend reviews are used to assist a Service area to move forward and provide support, guidance and an independent view when there is transformation happening. It is difficult to draw a comparison with the previous year results and corporate position as the reviews are not like for like apart from the core financial areas. An improvement has been seen for creditors but there remain challenges in other areas as already reported.

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

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
June 2023

Audit, Standards & Governance Committee
1st June 2023



**Worcestershire Internal Audit
Shared Service (WIASS)**

Internal Audit Charter

Bromsgrove District Council

Definitions

1. Management refers to the Chief Executive, Executive Directors, Heads of Service and Service Managers
2. Board refers to the Audit, Standards & Governance Committee

This Charter was last reviewed by the Audit, Standards and Standards Committee during July 2022.

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1. Introduction

Purpose

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

Provision of Internal Audit Services

- 1.2 WIASS covers five district authorities Wychavon, Malvern Hills, Bromsgrove, Redditch and Worcester and one Fire Service, Hereford and Worcester Fire and Rescue Authority. WIASS will provide internal audit services to third parties under contractual arrangements.

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

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

2. Mission and Definition

- 2.1 Mission:

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

Additional information can be found on the local intranet site:

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

- 2.2 Definition:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. Scope and Authority of Internal Audit Work

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

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

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

(a) make available such documents and records; and

(b) supply such information and explanations;

as are considered necessary by those conducting the internal audit.

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

To aid compliance with Regulation 5 of the Accounts and Audit Regulations 2018 as amended, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives".

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

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

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

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

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

- review and assess the soundness, adequacy, integrity and reliability of financial and non-financial management and performance systems, and quality of data;

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- reviewing the means of safeguarding assets;
- examine, evaluate and report on compliance with legislation, plans, policies, procedures, laws and regulations;
- promote and assist the Partner in the effective use of resources
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the Partner and recommend arrangements to address weaknesses as appropriate;
- advise upon the control and risk implications of new systems or other organisational changes.
- provide a 'critical friend' to assist services to achieve value for money
- undertake independent investigations into allegations of fraud and irregularity in accordance with the Partner's policies and procedures and relevant legislation
- at the specific request of management¹, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management¹ have made proper provision for resources within the annual plan
 - management understands that the work being undertaken is not internal audit work.

3.4 IA's remit extends across the entire control environment of the organisation and is not limited to certain aspects or elements.

4. Responsibility of Management¹ and of Internal Audit.

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

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

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- 4.3 Similarly, it is the responsibility of Management to put in place adequate controls to prevent and detect fraud, irregularities, waste of resource, etc. Internal Audit will assist Management to effectively manage these risks. However, no level of controls can guarantee that fraud and the like will not occur even when the controls are performed diligently with due professional care. As a consequence all cases of actual or suspected fraud should be reported to the Head of Internal Audit Shared Service forthwith. The Head of Internal Audit Shared Service will then decide the course of action to be taken with due regard to the Partner's Constitution, e.g. Whistleblower's Charter, Stopping Fraud and Corruption Strategy, etc.
- 4.4 Any officer of a partner organisation who has genuine concerns at raising a suspected instance of fraud or malpractice through their normal reporting channels can raise the matter under the Partner's Whistleblower's Charter directly with any of the persons named in the policy document, including the Head of Internal Audit Shared Service. Head of Internal Audit Shared Service will then pursue the matter in accordance with the provisions of the policy document.
- 4.5 Internal audit is not responsible for any of the activities which it audits. WIASS will not assume responsibility for the design, installation, operation or control of procedures. However, should any partner/client contract for specialist services within an area then the WIASS staff member assigned will not be asked to review any aspect of the work undertaken until two years have passed from the completion of the assignment.
- 4.6 The Head of Internal Audit Shared Service will ensure that the relevant Head of Service and/or Section 151 Officer is briefed on any matter coming to the attention of internal audit, either through a review or otherwise, that could have a material impact on the finances, create an unacceptable risk or be fraudulent for the Partner as quickly as possible, and will ensure the appropriate Officer of the Authority e.g. Director, Monitoring Officer is regularly briefed on the progress of audits having a corporate aspect. Matters involving fraud or malpractice are to be reported in line with the anti-fraud and corruption policy. The most appropriate action/engagement of the relevant Head of Service will be determined by the HoWIASS depending on the circumstances.
- 4.7 In order to (1) maintain a broad skills base within Internal Audit and (2) maximise the ability of the team to offset the cost of providing the internal audit function to the Partner, the strategic plan will include a commitment that internal audit obtains income to the Partner from external work either from partnership working and/or selling its expertise. Such activities will be governed by targets set out in the Collaborative Administrative Agreement and will be approved and reported on to the Client Officer Group.

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5. Planning and Reporting

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

- a) prior to the beginning of each financial year, following consultation with Management¹ and after taking into account comments from Members arising from the reporting process set out below, provide the Committee with:
 - a risk based audit plan forecasting which of the Partner's activities are due to receive audit attention in the next 12 months. The risk based plan will take into consideration a number of risk factors including corporate risk register, service risk register, local knowledge, corporate promises or objectives, key strategic documents e.g. five year plan and any external audit guidance. Where there is a potential difference between strategy/plan and resource this is reported to the Board²;
 - a detailed operational plan using a risk based assessment methodology showing how/what resources will be required/allocated in the coming financial year in order to meet the requirements of the Partners strategic plans. The Plans will be flexible and include a small contingency contained as part of the consultancy budget to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The Head of Internal Audit Shared Service will bring to the attention of the s151 Officer if this budget is depleted so an additional contingency can be agreed. 'Consultancy', for the purposes of WIASS activity, is defined as work that is of a specialist nature and commissioned/requested in regard to an area of work activity within a service area that is in addition to the agreed partners audit plan. The work can be financial or governance based and the output will provide management¹ with challenges to consider depending on its nature. The approach to the assignment can be flexible but follow a similar path in regard to the methodology.
- b) during the course and at the close of each financial year provide the Board² with:
 - quarterly progress reports on actual progress compared to the plan and performance indicators. Such reports to highlight serious problems, either affecting the implementation of the plan, or, in the take up of audit recommendations;

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- an annual report summarising the overall results for the year compared to the plan and pointing out any matters that will impact on internal audit's ability to meet the requirements in the strategic plan;
- c) during the course and close of each full systems/risk audit provide the client manager¹ with:
 - a copy of an audit brief and audit information request setting out the objectives and scope of the audit prior to commencement of the audit and a confirmation of resource requirements for the audit.
 - draft recommendations, which will be discussed with the responsible manager¹ prior to sending the draft audit report. The manager¹ is responsible for confirming the accuracy of the audit findings and is invited to discuss the report during the 'clearance' meeting prior to the issue of the draft report.
 - an audit report containing an overview of the quality of the control system, an opinion as to the level of system assurance and detailed findings and recommendations including priority. 'Assurance', for WIASS purposes, is defined as the determination of an overall outcome against a predetermined criteria leading to an applied level giving an overall summary for the work audited.
- d) shortly after the close of each financial year provide for the purposes of the Annual Governance Statement:
 - an annual audit opinion of the Partner's system of controls based on the audit work performed during the year in accordance with the plans at 5.1(a) above and reported in accordance with 5.1(b) and (c) above and on the assurance methodology adopted, and, a statement of conformance with the Public Sector Internal Audit Standards and the results of quality assurance and improvement programme.

5.2 Expectations of Clients:

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports as outlined at 3 above. Responses should include an action plan, dates for action and responsibility where actions are delegated. The final 'High' and 'Medium' recommendations will be reported to the Board².

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- 5.3 Audit reports will be drawn up following the internal audit report framework. A matrix type report displaying audit findings, risks and recommendations along with a column for management comments, as per 5.1(c), will be provided to management¹. The report will also contain an introduction and priority categories for each of the recommendations. A covering report will be attached to the matrix providing details of the partner organisation, circulation, audit scope and objectives, an audit opinion, an executive summary and an audit assurance rating as well as a clear indication of what action is required by management.
- 5.4 Upon completion of audits, the audit exceptions will be discussed with the relevant line manager and will form the basis of the draft audit reports. The draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings and content. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response in the form of an action plan to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded. The managers' responses are recorded in the final reports that are issued to the appropriate Management¹ officers as deemed relevant for the audit.
- 5.5 In accordance with professional standards, after three/six months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed recommendations and action plans have been implemented, or, are in the process of being implemented. A formal follow up procedure / methodology is used to follow up audit reports and reported on an exceptions basis.
- 5.6 Internal Audit works to the reporting quality standards of:
- draft audit reports to be issued within 5 working days of the clearance meeting;
 - management responses received within 10 working days;
 - final audit reports to be issued within 5 working days of the final discussions of the draft audit report and receipt of management responses;
 - final reports to be followed-up initially within 3 to 6 months of the date issue of the final audit report depending on the recommendation priority and residual risk, to ensure that the accepted recommendations due for implementation have been established.
- 5.7 Escalation for late or non return of audit reports will be instigated when after two requests the reports have not been provided by management. The escalation will commence with the s151 Officer being informed of the late return. If the report remains outstanding then the Board² will be

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informed of the inaction with a view to them calling in the Officer to justify the late return.

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

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

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

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

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

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

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

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

For further information on the principles of public life:

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

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

1. Demonstrates integrity:

WIASS works independently, without influence or undue bias. The audit plan is created so that there are no conflicts of interest between the officer and the audit. Potential conflicts of interest are formally checked annually with all members of the WIASS team. Areas of risk for WIASS are identified and mitigated. Potential areas of risk include, but are not limited to, auditors re-auditing Risk Management, NFI, and Regulatory Services in

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consecutive years and Services that they have transferred from. Officers that have conflicts of interest, or if they are / have been working in the area of audit, will not undertake any audits in the conflicting area for a minimum of three years, safeguarding the officers and WIASS' integrity. Further protection is in place by using randomly selected testing samples and a series of independent review stages. All audit working papers, reports and findings are reviewed and if necessary challenged before being issued to the client by either the Head of Service or Team Leader.

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

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

4. Aligns with the strategies, objectives, and risks of the organisation:
The audit plan and it's content is discussed with Management¹and s151 Officers to ensure that risks are identified; appropriate processes, systems and strategies are tested and that areas of risk are monitored and mitigated. Corporate and service risk registers are used along with corporate knowledge and the promises and objectives. Five year plans are also considered as part of the risk profiling and plan definition.

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5. Is appropriately positioned and adequately resourced:
As a shared service, WIASS is hosted by Worcester City Council, but audit allocations ensure a presence in all authorities that it serves across the year. Resources are monitored and tracked throughout the annual audit plan, with forecasting used as often as possible to prevent resources becoming too stretched resulting in reduced coverage. WIASS is governed by a Client Officer Group made up from the Partner s151 Officers but also has direct access to Management¹ and the Board² Chairs. Delegated powers are used should there be any resourcing issues.

6. Demonstrates quality and continuous improvement:
Continuous monitoring of the teams performance via trackers is conducted. Quarterly and annual reports are issued to committee and board members demonstrating trends in productivity and value. Individual reviews via 1-2-1 meetings are held monthly with the Team Leader and include personal development plans for all team members. Improvements and changes will also be made using external assessment as well as internally generated client feedback forms. A self assessment will be completed each municipal year to further provide assurance of quality and improvement. The Service is working with partners to ensure that it continues to provide a 'fit for purpose' Service by developing techniques that will complement requirements, continue to add value and work in a changing environment e.g. critical friend reviews. There is a continuous desire to ensure that the Service changes and adopts best practice methods as identified by the professional institutions e.g. IIA, CIPFA.

7. Communicates effectively:
Various forms of communication are adopted (verbal, written, diagram / graph) throughout the review process by all members of the WIASS team. Continued monitoring and improvements to the methodology are conducted, making the report and testing documents clearer for all users. Findings are discussed verbally with management¹ prior to the issue of a formal report. Reports are issued to Officers and Committee¹ on a regular basis.

8. Provides risk-based assurance:
The audit plans are risk based with reviews being classified from high to low risk. The review scope is risk based which drives the review without creating restrictions on the areas covered. All findings are rated high, medium or low risk. Risks associated with the findings are linked directly to the recommendation and the management action to mitigate it. The review risk is combined to create the overall assurance level of the audit,

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which will be presented to the client with explanation and reasoning in the form of a report.

9. Is insightful, proactive and future-focused:

Insightful – where possible WIASS officers with relevant background experience will be assigned to conduct audits in similar fields. Continued monitoring of current “audit and fraud affairs” is distributed to all WIASS team members. A sharing of knowledge is encouraged in the Service and pre-engagement research. Identification of best practice is shared amongst the authorities. Reports identify areas that are working well as well as those that require improvement. Reviews look for efficiencies and better ways of working.

Proactive – scoping meetings are held for all audits allowing for changes to the audit scope in line with changes in service delivery and legislation between annual planning and audits starting. There is also an ability to vary the plan should an emerging risk present itself using delegated powers so the audit service can be proactive in providing assurance to those in governance. Consultancy days are built into the plans to allow for pre implementation of new system/process advice.

Future-focused – The Service will scan the horizon for risks and issues that are emerging. Networking using, for example, the Midlands Audit Group is used to help inform the audit plans and consultancy assignments to provide information to the partners before it becomes a potential issue for them. Monitoring of the next generation initiatives from Central Government and having a team of auditors aware of the potential risks and impact along with environmental control issues will assist in adding value for our partners.

10. Promotes organisational improvement:

Ethics and culture are key aspects to organisation improvement. WIASS reviews consider ethical and cultural aspects and the potential impact and associated risk. Liaison with s151 Officers, Senior Management Teams and governance boards where applicable to promote continuous organisational development. Audit Reports are issued to management¹ to ensure oversight of the organisation and areas of concern including common themes are looked at and improved on. High and Medium priority findings are followed up after a 3 or 6 month period respectively using an established methodology to ensure that potential risks are being mitigated and there is continuous improvement. Findings will be followed up until such time that they are satisfied. Follow up on findings will be documented and reported to Management, Heads of Service and or the appropriate s151 to give assurance of action and risk mitigation.

For further information please reference:

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

8. External Relationships

8.1 The main contacts are with:

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

but may include other external parties as necessary.

8.2 Assurance will be accepted and reported from 3rd parties as long as WIASS can rely on their work, and they are suitably qualified to carry out the assessment. The relevance of the work will also be a consideration in using a 3rd party certification e.g. IT integrity testing.

8.3 Where work is undertaken on a contractual basis assurance will be provided to 3rd parties outside of the partnership as appropriately agreed. The methodology applied to audit 3rd party organisations will be the same as the methodology used for the members of the partnership. All of the safeguards used to protect the integrity of the audits carried out for the partnership will be extended to 3rd parties as well and appropriate reporting protocols established as part of any contractual agreement. These will be established as part of the engagement with a clearly identified engagement officer and requirements. No contract will be entered into if it is considered that the independence or integrity of the Service will be compromised. If, during the delivery of a contract, it becomes apparent that there is undue influence being brought to bare and/or that the actions of the client is undermining the ethos of internal audit the HoWIASS will inform the Client Officer Group without delay so a strategic decision can be made to avoid any potential reputational damage or compromised independence. Any assurances provided to 3rd Parties will

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be based on the established internal methodology and the defined definitions of the different levels and priorities.

Notes

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

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Version Control:	Date of Change	Action	Updated by
1.0	2 nd March 2012	Charter for WIASS	AB
2.0	9 th August 2012	Update to Charter	AB
3.0	23 rd April 2013	Update to Charter re. International Standards	AB
4.0	21 st Janaury2016	Update to Charter re. legislative requirements & title changes	AB
5.0	1 st July 2016	Update re. titles and definition of 'consultancy' and 'assurance'.	AB
6.0	April 2017	Full review in line with Standards	HT
7.0	May 2017	COG suggestion: Update of H&WFRS name to reflect legal entity & 'Council's' to 'Partners'.	HT
8.0	June/July 2018	External Assessment recommendations: Update to Mission & Definition Inclusion of 3.4, IA remit Update to 4.6 regarding HIASS responsibility on briefing Inclusion of 5.7, escalation for late and non return audit reports Inclusion of 6 – Principle of Public Life Inclusion of 7 – Core Principles of Public Practice Inclusion of 8.2, assurance from 3 rd Parties Inclusion of 8.3, assurance to 3 rd Parties	HG, AB, HT
9.0	June 2021	Review of Charter	AB
10.0	June 2022	Review of Charter	AB
11.0	May 2023	Review of Charter	AB

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

1st June 2023

THE 2023/24 INTERNAL AUDIT PLAN

Relevant Portfolio Holder	To be confirmed
Portfolio Holder Consulted	-
Relevant Head of Service	Peter Carpenter, S151 Officer
Report Author: Andy Bromage	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

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

- 1) **2023/24 Audit Plan is approved subject to any comments / proposed changes.**

2. BACKGROUND

2.1 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

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

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- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisation changes, e.g. transformation.

2.2 Formulation of Annual Plan

WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2023/24, which is included at Appendix 1, is a risk-based plan which considers the adequacy of the council's risk management, performance management, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the Corporate and Service risk registers. Large spend budget areas have also been considered, along with direct association to the Council Plan 2020-2024. The Internal Audit Plan for 2023/24 has been agreed with the s151 Officer, considered by the Senior Management Team, and is brought before Committee in draft form. It has been formulated with the aim to ensure Bromsgrove District Council meet its strategic purposes, delivers its promises and has directly linked the various aspects to identify the 'golden thread' regarding the objectives and risk identification to Service delivery. It was brought before the Audit, Standards and Governance Committee in draft format as the involvement of the Committee is considered an important facet of good corporate governance, contributing to the internal control assurance given in the Council's Annual Governance Statement.

We recognise there are other review functions providing other sources of assurance, both internally and externally, (e.g. ICT Public Service Network, Cyber Essentials, assurance testing) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus increasing the internal audit coverage without adding additional days to the plan.

The audit plan is available to the external auditors. We understand the importance of working with the external auditors and how their focus has changed leading to duplication of testing in certain areas. We will seek to eliminate duplication of effort by discussing those areas of mutual interest e.g. Benefits and key recommendations from the External Audit Annual Reports.

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By bringing a plan of work before the Audit, Standards and Governance Committee which had been formulated with the aim to ensure Bromsgrove District Council meets its strategic purposes it allows Members to have a positive input into the audit work programme for 2023/24 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer and within the finite resource available. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for internal audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a constantly changing risk profile. To ensure flexibility there is the possibility that the plan will be updated during the year to address such challenges and any emerging risks. It is planned that a regular review before Senior Management Team will take place to ensure the audit plan remains risk focussed, and any required changes can be considered.

2.3 Resource Allocation

The Internal Audit Plan for 2023/24 has been based upon a resource allocation of 235 chargeable days, an allocation which has been agreed with the council's s151 Officer. A summary of the days as well as the detailed plan provision has been included at Appendix 1. Although all areas have been considered an assessment has been made whether to include in the plan based on the overall risk and governance profile. The Head of Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 235 days allocation is based on transactional type system audits. This is budgeted for by the Council. When Audits take place there is the need for coordination with Service Departments to release staff to assist in the completion of these audits.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Bromsgrove District Council and Redditch Borough Council the plan continues to be organised in a smarter way to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days the reviews will continue to be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. the customer journey impacts on the majority of service areas so the audit review will consider this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the result being better corporate coverage and ownership of the audit outcomes.

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Due to both external and internal audit findings and the Section 24 Notice, the financial systems have been included as audit areas. The budgets were significantly increased last year in this area. No additional days have been included for 2023/24 but budgets have been maintained as certain risks remain in these areas. It is hoped that in time a 'watching brief' approach can be adopted when there is a confidence in the new financial system, an embedded process of control and anti-fraud measures thus leading to a reduction in the allocated days. However, during 2023/24 this will not be the case due to the challenges encountered in the system. A 'Grants' budget has been maintained due to the increasing certification and sign off requirements of Central Government for certain grants. As numbers of grants increase, assurance is now required from the Chief Internal Auditor and Chief Executive that the grants have been spent in accordance with the requisite terms and conditions. Consequently, additional assurance work is required to provide the certification required. Operational support days are included to give a little flexibility and contingency in the plan, e.g. consultancy. The allocated days may not be used during the year but is good practice to include and are necessary to support the delivery of the plan. The total 'Audit Plan' days are often adjusted during the year which is reflected in the contribution the Authority pays towards the Shared Service overall. A direct comparison of days cannot be taken from the reported days for 2022/23 and 2023/24 in Appendix 1 as not all the audited areas covered during 2022/23 have been listed as there is no requirement to revisit them in 2023/24. Where there is a direct correlation, this has been included for information purposes.

The Internal Audit Plan for 2023/24 is set out at Appendix 1.

2.4 Monitoring and reporting

Operational progress against the Internal Audit Plan for 2023/24 will be closely monitored by the Head of Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising out of this report. The Authority is billed for the number of days that are delivered during the year and contribution adjustments are made to reflect a revised position. The strategic financial position of the Service is monitored as part of the Client Officer Group meetings which take place every quarter.

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- 4.1 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”.

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

5. STRATEGIC PURPOSES - IMPLICATIONS**Relevant Strategic Purpose**

- 5.1 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

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

6. OTHER IMPLICATIONS**Equalities and Diversity Implications**

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

Operational Implications

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

7. RISK MANAGEMENT

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

- 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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8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan 2023/24

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APPENDIX 1

SUMMARY OF DETAILED PLAN

Planned Days	2023/24
Financial	77
Corporate Work	71
Service Delivery and Operational	59
Sub total	207
Audit management meetings Corporate meetings / reading Annual plans, reports & Committee support	28
Sub total	28
Total Audit Days	235

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Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
CORPORATE							
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack			9*	15*	3 - 4
Risk Management Embedding (note 2)	Fundamental to strategic purpose delivery	S151 request			10*	10*	3 - 4
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR – Cost of Living			0	5*	2
Procurement and Contract Management (Note 3)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request			9*	8*	4
Corporate Data Quality and Usage (Critical Friend)	Fundamental to strategic purpose delivery	S151 request			0	10*	2
Projects – Levelling Up	Fundamental to strategic purpose delivery	COR22 - Delivery of Levelling up, Towns Fund and UK Shared Prosperity Fund work & S151 request			0	8*	2
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils			10*	10	1 to 4
Sub TOTAL						71	
Worcester Regulatory Services							
Focus to be confirmed	Statutory and Regulatory Requirement	COR15 – Impact to changes in Partner Funding Arrangements			12	12	2
Sub TOTAL						12	

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Audit Area	Corporate Link	Risk Register Reference			Resource 2022/23 Comparison	Proposed Resource 2023/24	Indicative Planned Qtr.
Service Delivery							
Human Resources							
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151			0	5	2
Sub TOTAL						5	
Advisory, Consultancy & Contingency	Operational support	N/a	N/a		10	10	1 - 4
Fraud & Investigations incl. NFI	Operational support	N/a	N/a		10	10	1 - 4
Completion of prior year's audits	Operational support	N/a	N/a		8	8	1
Report Follow Up (all areas)	Operational support	N/a	N/a		10	10	1 - 4
Statement of Internal Control	Operational support	N/a	N/a		4*	4*	1 & 4
Sub TOTAL						42	
Audit Management Meetings	Operational support	N/a	N/a		15	28	
Corporate Meetings / Reading	Operational support	N/a	N/a		5		
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a		16		
Sub TOTAL						28	
TOTAL CHARGEABLE						235	

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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: Ongoing risk with financial system therefore audit budgets maintained.

Note 2: Risk management relaunched 2022/23 reviewing ongoing progress against action plan and reporting.

Note 3: Procurement – ensuring embedding continues.

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE – WORK PROGRAMME 2023/24

1st June 2023

- Election of Chairman
- Election of Vice-Chairman
- Standards Regime – Monitoring Officer’s Report
- Annual Update Report on Regulation of Investigatory Powers Act 2000 (RIPA)
- Risk Management Report / Quarterly Risk Update
- Grant Thornton – External Audit Progress Update
- Financial Compliance Report including update on Progress on Statements of Accounts
- Internal Audit Annual Report & Audit Opinion 2022/23
- Internal Audit Plan 2023/24
- General Dispensations Report
- Annual Appointment of Risk Champion
- Committee Work Programme

17th July 2023

Standing items:

- Standards Regime – Monitoring Officer’s Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Dispensations Report (personal dispensations)

14th September 2023

Standing items:

- Standards Regime – Monitoring Officer’s Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

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Other items:

-

27th November 2023

Standing items:

- Standards Regime – Monitoring Officer’s Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Annual Review from the Local Government Ombudsman

18th January 2024

Standing items:

- Standards Regime – Monitoring Officer’s Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items:

-

7th March 2024

- Standards Regime – Monitoring Officer’s Report
- Risk Management Report / Corporate Risk Register
- External Audit (Grant Thornton) – Progress Update
- Submission of Statements of Accounts (Verbal Update)
- Internal Audit Progress Report
- Financial Compliance Report
- Risk Champion Update
- Committee Work Programme

Other items: