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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY 10TH OCTOBER 2024

AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

MEMBERS: Councillors H. D. N. Rone-Clarke (Chairman), S. T. Nock (Vice-Chairman), R. Bailes, S. M. Evans, D. J. A. Forsythe, D. Hopkins, C.A. Hotham, D. J. Nicholl, S. R. Peters and J. D. Stanley

Parish Councillor TBC

Members are asked to note that the membership of the Audit, Standards and Governance Committee will change at the Council meeting due to take place on 9th October 2024 due to changes to the political balance.

AGENDA

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

To invite Councillors to declare any Disclosable Pecuniary interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.

3. **To confirm the accuracy of the minutes of the Audit, Standards and Governance Committee meeting held on 15th July 2024 (Pages 5 - 12)**

4. **Standards Regime - Monitoring Officers' Report** (Pages 13 - 18)
5. **Annual Review from the Local Government Ombudsman** (Pages 19 - 28)
6. **Grant Thornton - External Audit Progress Update** (Pages 29 - 30)
7. **Internal Audit - External Quality Assessment and Improvement Plan**
(Pages 31 - 76)
8. **Financial Compliance Report including update on Statements of Accounts** (Pages 77 - 100)

Appendix B to the report draft 2021/22 Statement of Accounts are to follow in a supplementary papers

9. **Financial Savings Monitoring Report** (Pages 101 - 108)
10. **Appointment of Risk Champion** (Pages 109 - 110)
11. **Audit, Standards and Governance Committee Work Programme** (Pages 111 - 112)

Sue Hanley
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

2nd October 2024

**If you have any queries on this Agenda please contact
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GUIDANCE ON FACE-TO-FACE MEETINGS

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

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Audit, Standards and Governance Committee
15th July 2024

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

15TH JULY 2024, AT 6.00 P.M.

PRESENT: Councillors H. D. N. Rone-Clarke (Chairman), S. T. Nock (Vice-Chairman), R. Bailes, D. J. A. Forsythe, D. Hopkins, C.A. Hotham, S. R. Peters, J. D. Stanley, E. M. S. Gray (Substitute), R. J. Hunter (Substitute) and J. Robinson (Substitute).

Observer: Councillor S. Colella, Cabinet Member for Finance.

Officers: Ms D Goodall, Mr C. Green, Mrs J. Bayley-Hill, Ms S. Woodfield and Mr M. Sliwinski.

16/24 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors S.M. Evans, D.J. Nicholl and D Stewart, whose substitutes were Councillors J.W. Robinson, R.J. Hunter and E.M.S. Gray respectively.

17/24 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest.

18/24 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 23RD MAY 2024**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 23rd May 2024 were submitted for Members' consideration.

RESOLVED that the minutes of the Audit, Standards and Governance Committee held on 23rd May 2024 be approved as a correct record.

19/24 **WHISTLEBLOWING POLICY - UPDATE**

The Assistant Director Finance and Customer Services introduced a report which set out the background to a review of the Council's Whistleblowing policy. The updated policy was presented for Members' consideration.

During consideration of the report, the following were the main points raised:

- What protection there was for those who raised concerns, for example to prevent potential bullying or harassment.

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- It was suggested it could be made clearer who the policy applied to.
- In response to a question about whether training on the Policy would be provided, it was noted that this would form part of a comprehensive training programme to be launched by the HR team. The Head of Internal Audit reported that Internal Audit could also support the provision of training as necessary.
- It was suggested that it should be made more explicit in the policy who the person raising a concern should report to if they did not feel able to report it within their departmental management structure.
- Members suggested that the Policy as a whole should be simple to understand which would make it easier for people to come forward. An escalation flowchart might be helpful in this regard.
- The Head of Internal Audit suggested that if the Council did not already have one, a fraud response plan could set out relevant steps to follow and would also be accessible. Internal Audit could support the drafting of this if required; although it might mean a review of the internal audit plan would be necessary, it appeared reasonable to do this in view of the value added in this important area.
- There appeared to be an inconsistency between the issues outlined in the Public Interest Disclosure Act and those referred to in the policy (between definitions in paragraphs 1.6 and 1.11 of the Whistleblowing Policy) and it was not clear whether all the instances referred to in the Act had been included in the policy.
- Members asked when the policy was due to be reviewed by Browne Jacobson.
- Whilst use of the intranet (Orb) to share the contact details for the further reporting routes was useful, it was suggested that provision should be made for employees who did not use the Intranet routinely.
- In response to a question, it was noted that employees were encouraged to seek advice before reporting a concern and it was clarified that it was not intended that such advice would be sought externally. It was also confirmed that employees were not expected to provide detailed evidence when reporting concerns.

It was agreed that the policy would be reviewed in the light of the Committee's comments and brought back for further consideration. Officers would liaise to arrange for the item to be included in the Committee's work programme.

RESOLVED that the Whistleblowing Policy be reviewed in the light of comments made at the meeting and consideration of an updated draft be included in the Committee's work programme at an appropriate meeting.

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The Head of Internal Audit presented the Internal Audit Annual Report for 2023-24. The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) required the Head of Internal Audit to provide an annual Internal Audit Opinion and report that could be used by the organisation to inform its Annual Governance Statement.

The report showed that a reasonable standard of assurance had been reached overall, which was the second of the four available ratings. All ten of the audit assignments during the year had achieved at least a reasonable rating of assurance. In addition, the team had carried out one critical friend review of key controls on transactions and balances on the general ledger, validity of accounts receivable transactions and the extent to which TechOne was being used by budget managers to forecast their budget outturns. This review had largely positive outcomes but there were some recommendations for improvement, in particular for reconciliations, which managers had already been aware of. A full internal audit of this would be carried out later in the current financial year.

Further to section 4 of the report, Quality Assurance and Compliance with Professional Standards, the Head of Internal Audit reported that the team had just had an independent external quality assessment. The results of this were positive and the service was awarded the highest of the three grades. He planned to bring the full report and action plan arising from the assessment to the next meeting of the Committee.

During consideration of the report the main points discussed were:

- Section 7 – summary of Internal Audit Findings – a member asked for details about the finding that investment limits had been potentially exceeded between Bromsgrove and Redditch Authorities in one case. The Assistant Director Finance and Customer Services reported that Bromsgrove and Redditch Councils sometimes loaned funds to each other, but this arrangement was not formally recognised in the Treasury Management Strategy. It was planned to update the Strategy to address this when it was reviewed in February 2025.
- Arising from reference in the report to cyber security, a member asked what actions the Council could take with regard to the potential risk relating to ‘deep fake’. It was noted that the Council balanced the need for transparency in its business with security and when meetings were broadcast this was paused whenever exempt information was discussed.
- The view was expressed that assessment of ‘reasonable’ for the audit of project management did not reflect concerns about potential non delivery of projects. It was noted that the audit had reviewed processes rather than outcomes, but this aspect could be picked up when the issue was revisited by Internal Audit.
- It was noted that a review of ICT Cyber Security had identified the authority as an exemplar in proactively monitoring its defence to a cyber-attack as the ICT service conducted weekly health checks

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when it was only required to conduct a penetration health check annually. Members expressed the view that this positive assessment should be recognised and promoted.

- A member asked whether the recruitment to vacancies in the audit team had been achieved. The Head of Internal Audit reported that the senior posts had been filled and he was currently recruiting to an auditor vacancy. In the meantime, the work was being covered by agency employees. He would report progress with the work programme to the next meeting, but indications were that the team was achieving 50% more work in the first quarter of this financial year compared to last.
- A member challenged the findings of the debt management audit in relation to the payment for garden waste collections, and the Assistant Director Finance and Customer Services explained the timing of billing for the service.
- In relation to the audit of the Lifeline service, a member queried the approach to debts write off and asked how the service was currently advertised and whether more could be done to promote it. The Assistant Director Finance and Customer Services reported that debt recovery in this area was behind schedule currently due to other pressures, but she outlined the process behind a decision to write off debt. This included understanding an individual's circumstances and ability to pay. In view of comments about the value of the service and concerns about effective promotion, the Chairman undertook to write to the Cabinet Member for Health and Wellbeing and Strategic Housing about the views expressed by Committee members and ask that it be considered at a Member Advisory Group.

RESOLVED that the Internal Audit Annual Report and Audit Opinion 2023/24 be noted.

21/24

QUARTERLY RISK UPDATE (Q1 2024-25)

The Committee considered a quarterly update report for quarter 1 2024/25, which set out Council activity to identify, monitor and mitigate risk.

The Assistant Director Finance and Customer Services highlighted changes since the previous report to Committee. The number of Corporate and Departmental risks had reduced. She drew the Committee's attention to the preparatory work required as part of renewing the Council's insurances, which had revealed a deficiency in property data capture which was linked to the corporate customer risk linked to data. The Council's continuing actions in relation to cyber security were also noted.

During consideration of this item a member reiterated concern about the potential impact of the requirements of the Environment Bill. It was anticipated that following the General Election the timetable and

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requirements of the Bill would be clarified and officers would report back when this information was received.

A member asked for an update about application of the Levelling Up and UKSPF Projects funding. The Assistant Director Finance and Customer Services reported that the Market Street project was currently forecast to be over budget, but it was proposed to mitigate this either through borrowing or through the Council's funding held within the now defunct Greater Birmingham and Solihull Local Enterprise Partnership. A report on the capital projects using Levelling Up funding would be considered at the Cabinet meeting on 17th July, which included seeking an extension to the pre-construction service agreement whilst costs and actions were confirmed. In the meantime, the risks associated with potential costs and project delivery were being closely managed.

It was noted that Overview and Scrutiny Board had pre-scrutinised the Cabinet report in detail at its meeting on 11th July and the outcome of this would be reported to the Cabinet meeting. Members suggested however that more detail could be provided in the report to the Audit, Governance and Standards Committee without duplicating the work of Overview and Scrutiny since the Committee had a role to review risk management arrangements.

Members wished to continue to monitor this risk as proactively as possible. It was agreed to prepare a timetable of when the item was due to be discussed at Overview and Scrutiny Board and the Audit, Standards and Governance Committee, for circulation to Committee Members and Group Leaders. In the meantime, the Chairman and Vice-Chairman of the Committee would meet with the Deputy Chief Executive and Section 151 Officer to discuss how the Audit, Standards and Governance Committee and Overview and Scrutiny functions could carry out their respective roles effectively in relation to this item.

The Committee also agreed that the next quarterly risk report to the Committee should include more detailed information about this specific high-profile risk.

The Assistant Director Finance and Customer Services reported that following a recent attempted cyber-attack members had been circulated with advice about accessing Council services and drew it to their attention.

RESOLVED that the list of Corporate and Departmental risks be noted.

22/24

FINANCIAL COMPLIANCE REPORT INCLUDING UPDATE ON STATEMENTS OF ACCOUNTS

The Committee considered a report setting out progress against key financial requirements. The Assistant Director Finance and Customer Services updated the Committee on the following items which had progressed since the report was circulated:

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- The Council Tax & NDR Collection - Q4 had been completed.
- The Revenue Outturn suite – provisional - these were due to be submitted in the next couple of days.
- All other items listed in the report as 'expected to be delivered to deadline' had been achieved.

The draft 2020/21 accounts were presented to Audit Committee for comment in May and were now open for Public Inspection. The 2021/22 to 2023/4 accounts were being worked on in sequence. The Council's external auditors had indicated that the final piece of work on the take-on data had been completed and formal confirmation of this was awaited. Further to suggestions at the previous meeting of the Committee, Officers had amended the format of the accounts for 2021-22 and onward financial years so that they were easier to read and understand.

The Assistant Director Finance and Customer Services updated the Committee on recent recruitment to the Finance Team and resources being used in the team working on the accounts. Additional resource included the secondment of employees from other areas in the Finance Team.

The Cabinet Member for Finance reported that it was hoped to provide the data relating to this report in a dashboard in future. Members of the Committee supported this and commended the officers involved on the progress being made with the accounts and other financial documents.

Further to a query from a member about the timetable for production of the 2021/22 accounts, the Assistant Director Finance and Customer Services reported that due to the work involved, the Draft accounts were unlikely to be produced in July, but it was planned for them to be completed in August. The work on 2022/23 accounts was then due to be undertaken in September.

RESOLVED that the Financial Compliance report be noted.

23/24

ANNUAL APPOINTMENT OF RISK CHAMPION (INCLUDING REPORT ABOUT THE ROLE)

The Committee considered a report which set out the role of a Member Risk Champion and asked for a nomination to the role. There had been a Member Risk Champion at the Council for a number of years and at its last meeting the Committee had asked for more detail before considering who to nominate to it.

During consideration of the proposed role description, it was agreed that this should include an indication that the Committee would seek nominees from its own membership first and if not successful, then the role could be offered to other non-Cabinet members of the Council. Officers would update the role description in the light of the proposed

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addition and the appointment of a Member Risk Champion would be considered again at the next meeting of the Committee.

RESOLVED

- 1) That the updated terms of reference for the position of Member Risk Champion be approved as amended at the meeting; and
- 2) There being no nominees to the role at the meeting, other non-Cabinet members of the Council are invited to express an interest in it prior to the next meeting of the Committee.

24/24

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the proposed work programme as circulated with the agenda. It was agreed to add an item about the Internal Audit external quality assessment report and action plan to the agenda for the meeting in September 2024.

RESOLVED that the contents of the Committee's work programme, as reported and amended, be noted.

The meeting closed at 7.37 p.m.

Chairman

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MONITORING OFFICER'S REPORT

Relevant Portfolio Holder	Councillor K. May
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Report Author Claire Felton	Job Title: Assistant Director of Legal, Democratic and Property Services Contact email: c.felton@bromsgroveandredditch.gov.uk
Wards Affected	N/A
Ward Councillor(s) consulted	N/A
Relevant Council Priority	Sustainable
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 May 2024.
- 2.2 It has been proposed that from 2024-25 a report of this nature be presented to the Committee on a quarterly basis 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.

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. COUNCIL PRIORITIES - IMPLICATIONS

Relevant Council Priorities

- 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 the Council is sustainable.

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.

Operational Implications

Member Complaints

- 6.2 Since the last report the Council received two new complaints. Both were assessed and found not to be member conduct matters.

Constitution Review

- 6.3 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.
- 6.4 The latest meeting of the CRWG took place on 31st July 2024. During the meeting, Members discussed potential changes to the procedural rules for the Licensing Committee (and Licensing Sub-Committees), the rules in the constitution for consideration of Questions on Notice at Council meetings and the allowance paid to the Chairman of the Council.
- 6.5 Recommendations from the CRWG in respect of these matters will have been considered at a meeting of Council held on 9th October 2024.

Member Development

- 6.8 The Member Development Steering Group (MDSG) is responsible for co-ordinating Member training, induction and ICT support. The group meets throughout the year.
- 6.9 The next meeting of the MDSG is due to take place on 28th October 2024.

Member Training

- 6.10 A Member training programme has been arranged for 2024/25. This programme was organised in accordance with arrangements requested by the MDSG. In line with the approach agreed by the MDSG, a lot of this training has been delivered jointly with Redditch Borough Council.
- 6.11 The MDSG has previously requested that the majority of training should be delivered in person. However, Members can opt to attend most training sessions remotely, with the link to the session provided on request.

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6.12 The training sessions that have taken place since the last Monitoring Officer's report or which are shortly due to take place include:

- Mock Planning Committee (Bromsgrove only) – Tuesday 28th May
- Chairing Skills Training – Thursday 30th May
- Overview and Scrutiny Training (including work prioritisation session – Bromsgrove only) – Wednesday 5th June
- Joint Member Licensing Training – Thursday 6th June
- Modern.gov app Training – Monday 10th June
- Joint Member Licensing Training – Tuesday 11th June
- Local Government Finance Training – Tuesday 30th July
- Emergency Planning and Business Continuity Training – Wednesday 18th September
- Carbon Literacy Training – Tuesday 22nd October
- Code of Conduct Training for Parish Councillors – Thursday 24th October
- Member Safety Training – Monday 4th November

6.13 Following the by-election in September 2024, a number of one-to-one training exercises have been arranged for Councillor Clarke.

6.14 Training continues to be offered by the Local Government Association (LGA) to elected Members. This training is promoted to Members throughout the year.

7. RISK MANAGEMENT

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

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

8. APPENDICES and BACKGROUND PAPERS

No appendices.

Chapter 7 of the Localism Act 2011.

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor K. May, Leader and Cabinet Member Strategic Partnerships and Governance	30.09.24
Lead Director / Head of Service	Claire Felton - Head of Legal, Democratic and Property Services	28.09.24
Financial Services	N/A	
Legal Services	Nicola Cummings, Principal Solicitor (Governance)	30.09.24

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Audit, Standards & Governance Committee 2024

10th October

Annual Review Letter of Local Government & Social Care Ombudsman

Relevant Portfolio Holder	Councillor Karen May
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton
Report Author Nicola Cummings	Job Title: Principal Solicitor Contact email: nicola.cummings@bromsgroveandredditch.gov.uk Contact Tel: 01527 881613
Wards Affected	All
Ward Councillor(s) consulted	n/a
Relevant Council Priority	Sustainability
Key Decision / Non-Key Decision	n/a
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. **RECOMMENDATIONS**

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

2. **BACKGROUND**

- 2.1 The purpose of this report is to inform the committee of the Local Government Ombudsman's Annual Review Letter, which sets out the statistics for complaints made against the Council for the period ending 31st March 2024.
- 2.2 The aim of the Annual Review Letter is to provide councils with information which will help them assess their performance in handling complaints and to learn from them.
- 2.3 For the period ending on 31 March 2024, the statistics set out in the Annual Review Letter are recorded as follows:-

Number of Complaints Received - 13

Planning and Development	8
Corporate and Other Services	1
Housing	2

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Environment and Regulatory Services	2
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Number of Complaints Decided - 10

Planning and Development	6
Corporate and Other Services	1
Housing	1
Environment and Regulatory Services	2

Of these 10 decided cases, there was only one case where the LGO upheld the complaint and found the Council to be at fault. This was in the category of planning and development. A finding of service failure [termed 'fault'] which adversely affected the complainant [termed 'injustice'] was found here. The Ombudsman's Recommendation to remedy this was as follows:-

- That the customer receive a written apology and financial redress to reflect the distress and time and trouble taken to bring the complaint.
- That officers carry out a review of procedure to ensure that breaches of planning control are not allowed to drift without action and that regular updates are provided.

The amount of the financial redress was £200.

The Ombudsman found that 5 complaints did not warrant an investigation and 3 complaints were referred back to the council as "premature". This means that the council had not had the opportunity to conduct its own investigation, which is a requirement before the Ombudsman will consider a complaint. The remaining complaint resulted in a finding of no fault following an investigation. This was recorded as complaint "not upheld".

- 2.4 Guidance issued by the LGO provides that where findings of maladministration/fault with regard to routine mistakes and service failures occur and the authority has agreed to remedy the complaints by implementing the recommendations made following the investigation, the duty to report to members is satisfactorily discharged if the Monitoring Officer makes a periodic report to members summarising the findings on upheld complaints over a

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specific period. In a small authority this may be adequately addressed through an annual report.

- 2.5 Only where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of fault or injustice, or the number of people affected, the LGO would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- 2.6 The Council continues to have a strong focus on providing good customer service and includes having processes in place to respond to complaints from customers. The Council cooperates fully with Ombudsman enquiries and investigations. There is a nominated link officer for the Ombudsman to manage their contact with the Council.
- 2.7 If Members are interested in looking at annual statistics for other authorities, this can be done through the search page on the LGO website which can be accessed using the link below:
[Your council's performance \(lgo.org.uk\)](https://lgo.org.uk)
The Annual Review Letters for all Councils are publicly available together with summaries of published decisions relating to complaints which were formally considered.
- 2.8 Since the last report on the Ombudsman's Annual Review letter in November 2023, officers have been continuing with a project to review and update the complaint handling system for the Council. That project has now almost been completed and the updated system is due to be launched imminently. At the time of writing this report officers are carrying out training sessions for staff. From a customer perspective the existing channels for reporting complaints will remain in place; the majority of the changes relate to the process staff will follow to allocate, respond to and document complaints. It is anticipated that the changes will allow for CMT and managers to have a better oversight of complaints. The LGO guidance on complaint handling was taken into consideration by officers implementing the changes and once the system is up and running the updated complaint handling process will be available for members of the public on the Council's website.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications as a result of this report.

4. LEGAL IMPLICATIONS

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- 4.1 The Local Government Ombudsman powers are contained in the Local Government Act 1974 as amended by the Local Government and Public Involvement in Health Act 2007.

The main activity of the LGO is the investigation of complaints, which are limited to complaints from members of the public.

5. OTHER – IMPLICATIONS

Relevant Council Priorities

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

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 In terms of customer implications, providing good customer service is of significant importance to the Council and the statistics in the review will assist officers in the monitoring of complaint handling and resolution.

Operational Implications

- 6.2 See answer to 6.1

7. RISK MANAGEMENT

- 7.1 The main risks associated with the details included in this report are those linked to poor standards of complaint handling. The effects of not handling complaints efficiently can include poor customer service, increased customer dissatisfaction, increased numbers of complaints and damage to the Council's reputation.
- 7.2 These risks are being managed through the Council's Customer services strategy which aims to promote good customer service throughout the Council and includes a defined procedure for responding to complaints before they

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reach the stage of being referred to the Ombudsman. As noted at paragraph 2.8 above, the Council's Complaint Handling Process has been reviewed and updated during 2024.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 Annual Review Letter 2024

Audit, Standards & Governance Committee 2024

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9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Karen May	30.09.2024
Lead Director / Head of Service	Claire Felton	25.09.2024
Financial Services	Pete Carpenter	25.09.2024
Legal Services	Nicola Cummings	24.09.2024
Policy Team (if equalities implications apply)	n/a	
Climate Change Officer (if climate change implications apply)	n/a	

17 July 2024

By email

Ms Hanley
Interim Chief Executive
Bromsgrove District Council

Dear Ms Hanley

Annual Review letter 2023-24

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2024. The information offers valuable insight about your organisation's approach to complaints, and I know you will consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to ensure effective ownership and oversight of complaint outcomes, which offer valuable opportunities to learn and improve. In addition, this year, we have encouraged Monitoring Officers to register to receive the letter directly, supporting their role to report the decisions we uphold to their council.

For most of the reporting year, Paul Najsarek steered the organisation during his tenure as interim Ombudsman, and I was delighted to take up the role of Ombudsman in February 2024. I look forward to working with you and colleagues across the local government sector to ensure we continue to harness the value of individual complaints and drive and promote systemic change and improvement across the local government landscape.

While I know this ambition will align with your own, I am aware of the difficult financial circumstances and service demands that make continuous improvement a challenging focus for the sector. However, we will continue to hold organisations to account through our investigations and recommend proportionate actions to remedy injustice. Despite the challenges, I have great confidence that you recognise the valuable contribution and insight complaints, and their swift resolution, offer to improve services for the public.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic. This year, we also provide the number of upheld complaints per 100,000 population.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and give credit to organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 24 July 2024. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Supporting complaint and service improvement

In February, following a period of consultation, we launched the [Complaint Handling Code](#) for councils, setting out a clear process for responding to complaints effectively and fairly. It is aligned with the Code issued to housing authorities and landlords by the Housing Ombudsman Service and we encourage you to adopt the Code without undue delay. Twenty councils have volunteered to take part in an implementation pilot over the next two years that will develop further guidance and best practice.

The Code is issued to councils under our powers to provide guidance about good administrative practice. We expect councils to carefully consider the Code when developing policies and procedures and will begin considering it as part of our processes from April 2026 at the earliest.

The Code is considered good practice for all organisations we investigate (except where there are statutory complaint handling processes in place), and we may decide to issue it as guidance to other organisations in future.

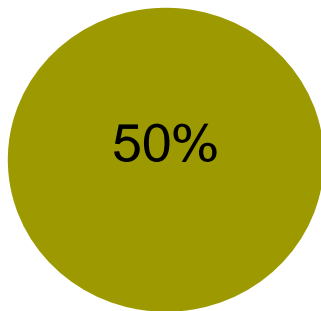
Our successful complaint handling training programme continues to develop with new modules in Adult Social Care and Children's Services complaint handling available soon. All our courses include practical interactive workshops that help participants develop their complaint handling skills. We delivered 126 online workshops during the year, reaching more than 1,700 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

Returning to the theme of continuous improvement, we recognise the importance of reflecting on our own performance. With that in mind I encourage you to share your view of our organisation via this survey: <https://www.smartsurvey.co.uk/s/ombudsman/>. Your responses will help us to assess our impact and improve our offer to you. We want to gather a range of views and welcome multiple responses from organisations, so please do share the link with relevant colleagues.

Yours sincerely,

Amerdeep Somal
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



50% of complaints we investigated were upheld.

This compares to an average of **63%** in similar organisations.

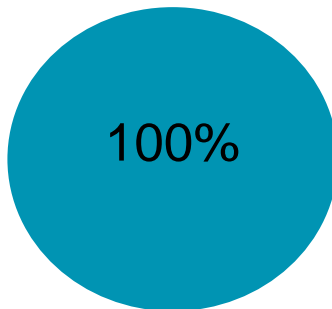
1
upheld decision

This is 1 upheld decision per 100,000 residents.

The average for authorities of this type is 1.2 upheld decisions per 100,000 residents.

Statistics are based on a total of **2** investigations for the period between 1 April 2023 to 31 March 2024

Compliance with Ombudsman recommendations



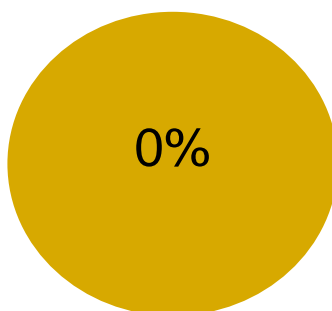
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **99%** in similar organisations.

Statistics are based on a total of **1** compliance outcome for the period between 1 April 2023 to 31 March 2024

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **21%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **1** upheld decision for the period between 1 April 2023 to 31 March 2024

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19 August 2024

Peter Carpenter
Section 151 Officer
Bromsgrove District Council and Redditch Borough Council

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Dear Peter

Bromsgrove District Council and Redditch Borough Council: An update on the application of the local authority backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact the authorities. I should be happy to discuss this further including at the next Audit Committees.

Applying the backstop for years up to 2022/23

As you will be aware, we have not yet signed the audits for years 2020/21 to 2022/23, largely due to the challenges with the ledger implementation in February 2021 and the challenges this has presented in preparing draft financial statements. For 2020/21, we have completed our audit planning and issued audit plans. We have also completed work on the data migration between the old and new ledger and have reported our findings to the Audit Committees. No detailed work on the 2020/21 financial statements has been completed and you have yet to publish draft financial statements for either Council for 2021/22 or 2022/23. For each of the years 2020/21 to 2022/23 we have completed our Value for Money work and issued interim Auditor's Annual Reports, which will be finalised when opinions on the financial statements are issued.

We consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for the 2020/21, 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then our proposed audit reports will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should we have identified any issues during the audit which ordinarily would have impacted our opinion, we will give consideration to how these should be reported in the disclaimer of opinion.

Before we issue a disclaimer of opinion, we will:

- Report any matters arising from the audit which we need to share with you under the auditing standards; and
- Share the wording of the draft disclaimer of opinion with you.

To help us meet the backstop requirements, please ensure that you have:

- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations;
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts ; and
- set aside a date for an Audit Committee in advance of 13 December 2024. In practice, we recommend arranging this in November if possible.

Please also note that we will need a letter of representation from you in respect of the financial statements before we issue a disclaimer.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

The recovery period – 2023/24 and onwards

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

We understand that you are already in discussion with Bishop Fleming as your new auditors. To help effect a smooth transition to your new auditor, we will be offering our full co-operation with Bishop Fleming and will provide access to any relevant information from previous year audit files where this is available and supports the incoming auditor.

Looking ahead

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely

[Jackson Murray](#)

For Grant Thornton UK LLP

CC Audit Committee chairs

INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT AND IMPROVEMENT PLAN

Relevant Portfolio Holder	Cllr Steve Colella
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, S151 Officer
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: chris.green@worcester.gov.uk Contact Tel: 07542 667712
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. RECOMMENDATION

- 1.1 **The Audit, Standards and Governance Committee notes the report.**

2. BACKGROUND

- 2.1 The purpose of this report is to inform members of the results of the recent Internal Audit independent External Quality Assessment (EQA) and associated Quality Assurance and Improvement Policy and Plans.
- 2.2 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The Standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 2.3 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector; and
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.

- 2.4 The Standards require that an independent External Quality Assessment (EQA) of the internal audit service be completed every 5 years. An EQA has just been completed in May 2024, and the results confirm that the service is operating **in General Conformance to the Standards**. This is the highest of the three available assessment grades. The findings of the external assessment (included at Appendix A) have been used to develop a continuous improvement action plan (included at Appendix B).
- 2.5 To support continued improvement against this positive outcome, a new Quality Assurance and Improvement Policy has also been developed, and this is included at Appendix C. This:
- Sets out required service standards
 - Will help to ensure compliance with those standards
 - Provides assurance to stakeholders that sound arrangements are in place to ensure internal audit work is of good quality and that the service is striving for continuous improvement
 - Provides a framework against which service performance can be evaluated
 - Meets the recommendations of the EQA

3. Financial Implications

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

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.

Climate Change Implications

5.2 There are no climate change implications arising from this report.

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

There are no risks arising directly from this report.

8. APPENDICES and BACKGROUND PAPERS

Appendix A ~ The External Assessment

Appendix B – The Continuous Improvement Action Plan

Appendix C – The Quality Assurance and Improvement Policy

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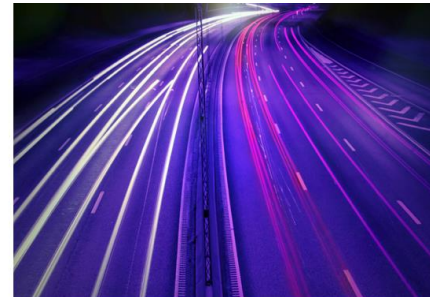
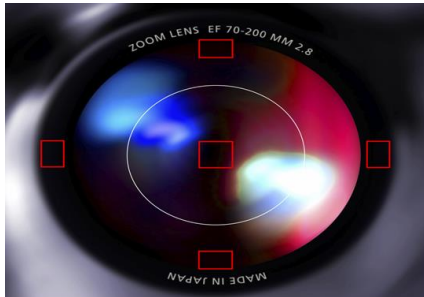


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External Quality Assessment

Internal Audit Shared Services

Executive report – May 2024



Agenda Item 7

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External Quality Assessment

Worcestershire Internal Audit Shared Services

BUSINESS
RISK
SOLUTIONS

Opinion: The Worcestershire Internal Audit Shared Services is delivering to a standard that **generally conforms** with the Public Sector Internal Audit Standards.

Key matters arising from the review:

- Increasing integration of the use by internal audit of risk-based techniques with the risk impact definitions of the client particularly in terms of planning at a strategic and engagement level would be mutually beneficial,
- Enhance focus on identifying Managements Objectives within the scope of the engagement and recognition of stakeholder expectations, as this would enable better focus on significant risk.
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by clients within risk management policies.
- Review the narrative used within the Audit Charter and the Annual Opinion in the Head of Internal Audit Annual Report to reflect continuous planning and knowledge of both significant risks and other sources of assurance that are available and upon which reliance has been placed.
- Develop Assurance mapping.

Good Practice identified during the review

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit is supported by a detailed Internal Audit Manual which guides delivery and establishes the basis of the Internal Audit Annual Opinion.
- The service has developed a documented internal audit methodology and supporting templates that delivers and evidences its service although some inconsistencies have been observed.
- Robust communication protocols exist throughout internal audit delivery, recent initiatives to discuss future delivery have been well received.
- Routine reporting informs clients and the Audit Committees regarding progress in terms of the completion of the internal audit plan, findings and the follow up of recommendations.
- The Team receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided. Some feedback has been received through the client survey within the EQA which may help focus engagement expectations and communication in future.

Worcester Shared Services Internal Audit Services (WIASS) is delivered by an in-house team comprising of 8.5 FTE staff; a series of vacancies has been experienced, and external support engaged. Two vacancies remained at a Senior Auditor level during the EQA have now been filled. Staffing resources, although managed, has had the potential to impact on the team's ability to deliver services in accordance with plans. The team has been managed by an Interim Head of Internal Audit during the latter part of 2023/24. Internal Audit works in a hybrid manner, with visits to client locations on an as required basis.

Services are managed by Chris Green, as Head of Internal Audit, who assumes the role of Chief Audit Executive (CAE) for the purposes of this review recognising that he joined the team in March 2024.

WIASS has responded to the changes of focus in professional standards by continuing to develop a risk-based approach with regard to planning and the completion of assignment work. This utilises client Risk Management Frameworks, where possible, as a basis for categorising risks, within which the team identifies what it considers to be the risks to be subject to review in consultation with management. The Internal Audit Charter is updated annually, and the Internal Audit Manual has been updated in March 2023 to reflect the requirements of the Public Sector Internal Audit Standards (PSIAS), further review will be required in 2024 following the new Global Standards for Internal Audit (GIAS) by the Institute of Internal Auditors.

From an internal audit perspective, considerable advantage is to be gained from increasing recognition of each client's Risk Management processes and the effectiveness with which they operate. The degree to which risk registers identify and articulate significant risks and those key controls which management feel reduce risk to an acceptable level (risk appetite) appears variable, and consequently planning is heavily dependent on discussions with management throughout planning phases. Alignment of internal audit definitions relating to recommendations and opinions should be more closely aligned with each client's risk impact definitions.

It would be beneficial for WIASS to identify 'managements objectives' in each review area (rather than audit objectives) and arising from which recognition of what constitutes 'significant risk', this will enable internal audit plans and assignments to focus on what matters most; the value of considering 'Control Risk' and thereby increasingly the most significant issues would enhance the assurance provided. Increased recognition of assurance including other independent sources would lead to a more comprehensive assurance framework, therefore supporting an Annual Assurance Opinion in relation to risk, governance and control and increasing alignment with the Annual Governance Statement.

Current services are assessed to '**generally conform**' with the PSIAS standards, aspects of which compare favourably within the sector and wider provision. A series of specific recommendations are made in the report that follows to reflect building on the existing strengths in relation to resources, competency and delivery in order to enhance future services. A number of suggestions for service enhancement have also been made, these are based upon both sector and other professional experience as well as knowledge of anticipated changes in the proposed new Global Internal Audit Standards.

Basis for overall opinion

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Partially Conforms means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.

Does Not Conform means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

Source: Institute of Internal Auditors (2016)

Overall assessment

1	RESOURCES		Excelling – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations.
2	COMPETENCY		Established – Processes in this area are generally compliant with the PSIAS and embedded within every-day practices; the EQA has identified a number of areas where a more consistent approach and further development would be beneficial.
3	DELIVERY		Established – Processes in this area are embedded within every-day practices and mostly reflect best practice that is consistent with PSIAS expectations. A number of areas exist where further consistency or development is required.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and approved by the Audit and Governance Committee (AGC) or its equivalent in all clients.	The combination of the Charter and the Internal Audit Manual is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS. Delivery expectations have been agreed with management and the Shared Service Board.
1100	Independence and objectivity	A process is in place regarding the identification and management of potential conflicts and/or declarations of interest.
Page 41 2020 311	The service has conducted internal assessment exercises regarding its performance.	Performance review is embedded within quality control procedures and supported by a staff appraisals process and client feedback which identifies and supports performance development needs.
2020	Active engagement at Member and management level	Represents the establishment of a good understanding of key issues through routine interaction with management at all levels and Members.
2030	The need for appropriate internal audit resources has been recognised.	The concept of continuing to develop an in-house team supported by an external resources provides for both sufficient resources and those of a technical or specialist nature.
2060	Reports are produced using a standard format which is consistently applied. Customer feedback is routinely requested.	Demonstration of a consistent approach to communication which is well received by management and the AGSC – effective follow-up using automated software ensures issues are not lost.
2300	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.	Effective supervision and review of progress ensures a consistent approach and delivery of the approved methodology.
2400	Internal auditors must communicate results of engagements.	The internal audit team routinely conducts exit meetings with clients regarding the findings emerging from engagements.

Part one



Compliance with the Public Sector Internal Audit Standards

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Agenda Item 7

Business Vision and Mission, Governance arrangements, Recognition of standards, Charter, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

	Issue identified	Recommended action
1.	<p>Internal Audit Charter (IAC) The IAC para 5.1 states “<i>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.</i>”.</p> <p>Whilst compliant with the PSIAS, alignment with the requirement to provide an annual opinion on governance, risk and control would provide a more robust basis for continuity of assurance within the Head of Internal Audit Annual report.</p>	<p>Consider the value of including a statement to align the continuous development of internal audit plans with the provision of an annual opinion reflecting the changing risk environment in which each client operates and where independent assurance from internal audit is designed to support the Annual Governance Statement.</p> <p style="text-align: right;">PSIAS 1000</p>
2.	<p>Quality Assurance Improvement Program (QAIP) WIASS has developed quality assurance processes which contribute towards maintaining and evidencing appropriate review of the delivery of a quality service and support for staff development. This has not been developed into a formal QAIP as outlined within the standards.</p>	<p>Consider introducing a formal QAIP policy which incorporates all elements of quality assurance including client feedback and appropriate key performance indicators agreed with clients.</p> <p>Include a more detailed statement in the Head of Internal Audit Annual Report in which:</p> <ol style="list-style-type: none"> 1. Confirmation that all measures contained in the process have been completed, and 2. How any significant deviations or development needs will be resolved, <p style="text-align: right;">PSIAS 1300</p>

	Issue identified	Recommended action
3.	<p>Key Performance Indicators (KPI's) WIASS monitors a range of performance issues relating to delivery of the internal audit plan and resulting outcomes, including completion, categorisation of recommendations and follow-up.</p> <p>This is supported by a request for client feedback following completion of each audit.</p>	<p>Consider introducing a limited set of formal KPI's based on quantitative and qualitative data to support the QAIP process referred to above. This may include details of:</p> <ol style="list-style-type: none"> 1. Training days completed 2. High level recommendations identified, accepted and implemented on a timely basis. <p>Such detail will then provide further evidence regarding conformity with the PSIAS.</p> <p style="text-align: right;">PSIAS 1321</p>
4.	<p>Skills Audit The CAE has identified that a Skills Audit would be beneficial in order to consider future training and development needs. It would be beneficial to further develop this approach within strategic audit planning processes to consider whether assurance needs within the three-year planning horizon require additional training in advance of need. An annual £5k budget has been provided to address any needs identified.</p>	<p>In addition to assessing current skills against the IIA Skills Matrix it would be beneficial to consider anticipated client assurance needs in order to develop training plans to match future delivery expectations.</p> <p style="text-align: right;">PSIAS 1230</p>

	Issue identified	Recommended action
Page 45	<p>1. Audit Universe A stated previously, the current internal audit planning model is based on a risk assessment, identifying business objectives, key risks impacting those objectives and taking into consideration input from management and other key stakeholders</p> <p>Further development of this approach based upon the client's view of significant risk at both a strategic and operational level would enhance internal audits' ability to demonstrate a commitment to helping each client achieve its objectives .</p>	<p>It would be beneficial to increasingly align development of the internal audit planning system with the Councils risk management processes in order to ensure that resources were consistently focused on areas where assurance is required regarding the operation of policies, procedures and controls that mitigate the significant risks to which the Council is exposed at an inherent level.</p> <p>Enhancement of risk management processes to identify inherent and residual risk, as well as existing controls, available assurance and further mitigating actions would be beneficial to internal audit delivery.</p> <p>Global Internal Audit Standards are anticipated to increasingly call for alignment of risk registers with the internal audit universe.</p> <p style="text-align: right;">PSIAS 2000/2010</p>
	<p>2. Governance The standards require the CAE to provide an annual opinion regarding the effectiveness of governance arrangements, which is recognised within the IAC.</p> <p>Current planning includes various aspects of the governance process including Ethics, Conflicts of Interests and Members expenses.</p>	<p>In Local Government, each Council establishes a Code of Governance in accordance with CIPFA SOLACE – it would be beneficial to further map internal audit activity to the content of the Code within the Internal Audit Planning process in order to provide assurance at a level which contributes directly to the Annual Governance Statement through the Head of Internal Audit Annual Report.</p> <p>Consider extending the explanation regarding the internal auditor's responsibility regarding assurance on Governance processes in the introduction of the IAC to define how the opinion is derived in practice.</p> <p style="text-align: right;">PSIAS 2110</p>

Competency continued

	Issue identified	Recommended action
3.	<p>Assurance mapping</p> <p>The IAC (s.5.1d) recognises the need for internal audit to comment ‘the assurance methodology adopted’. This is consistent within expectations within PSIAS.</p> <p>Internal Audit practice currently also identifies key controls and sources of assurance at an operational level, although this is not formally recognised, it is a function required of internal audit within PSIAS 2050 when planning internal audit activity.</p>	<p>Consider developing the internal audit methodology by formally documenting the sources of assurance available to internal audit within each engagement as part of routine processes. Assurances maybe both internal and external.</p> <p>Use the accumulated knowledge gained to support the Annual Assurance opinion in the Head of Internal Audit’s Annual Report as is likely to be required by the new GIAS.</p> <p style="text-align: right;">PSIAS 2050</p>
4.	<p>Management Objectives</p> <p>Current WIASS practice is to define ‘Objectives and Scope’ within the Planning document and Audit Brief for an engagement. These are then supported by an analysis of areas for review and associated risks.</p> <p>The risks identified within documentation are not consistent.</p> <p>Consideration of ‘Managements Objectives’ is required by PSIAS 2201 as this is likely to support a better understanding of the area to be reviewed along with a focus on the significant risks to the achievement of the stated objectives as agreed with management.</p>	<p>Review the terminology used within templates to reflect Management’s Objectives within the area for review. Consequently, base identification and discussion of risks in relating to the achievement of the agreed objectives.</p> <p>It would be beneficial to list all risks within the planning document and then refine these on the Audit Brief to reflect those of a significant’ nature which will then become the focus for assurance.</p> <p>Consider introducing a ‘Heat Map’ process to determine which are significant risks (as defined within the client’s Risk Impact and Likelihood gradings) to agree those which will become the scope of the review.</p> <p style="text-align: right;">PSIAS 2201</p>

Competency continued

	Issue identified	Recommended action
5.	<p>Fraud Risk Current practice is to include an analysis of any identified fraud risks within the Planning and Audit Brief documentation.</p> <p>This practice is inconsistent and does not provide for all fraud risks to be considered.</p> <p>Some clients have conducted a Fraud Risk Analysis and participate in the National Fraud Initiative (NFI).</p>	<p>Whilst identification of fraud risk should be a routine consideration within each review, ensure that identification is comprehensive and is aligned with client risk appetite regarding its significance along with all other risks.</p> <p style="text-align: right;">PSIAS 2210 A2</p>
6.	<p>Financial systems review Demonstration of compliance with the CIPFA Code of Financial Management provides assurance relating to the minimum standards of financial management in Local Authorities.</p> <p>Recognition of assurance available or otherwise within the annual process should inform internal audit planning and assurance reporting needs.</p> <p>There is a tendency for internal audit plans to focus on financial aspects rather than the wider strategic or operational environment and associated risks.</p>	<p>Internal Audit planning should consider the degree to which reported compliance with the Code can be relied upon for assurance purposes and as a consequence allocate resources to review areas where additional independent assurance is required and therefore beneficial regarding significant risk exposure.</p> <p style="text-align: right;">PSIAS 2010</p>

Competency continued

Issue identified	Recommended action
<p>7. Engagement Planning – Control Risk</p> <p>Whilst internal audit planning is being increasingly based upon a risk model as required by the PSIAS, the process largely depends upon discussions with the management in pre-audit meetings and the maturity of the current risk management processes.</p> <p>The degree to which the internal audit methodology allows a focus on “Significant”, as opposed to covering ‘other risks’ is determined by each auditor and their supervisor.</p> <p>The ability of the internal audit team to target areas of greatest potential risk exposure which threaten achievement of Council objectives at a Strategic or Operational level may be better informed through recognition of risk at inherent and residual (current) levels, although it is recognised that this may not be readily identified in all risk management processes.</p> <p>Inherent risk can beneficially be used within planning of reviews, whereas residual risk becomes more relevant following completion of the review which should assess the adequacy and effectiveness of the control framework. The use and understanding of this process will introduce the concept of ‘Control Risk’ to the ECIAAS delivery and should help identify areas where internal audit assurance maybe most beneficial. .</p>	<p>Engagements should be increasingly constructed to reflect significant risks and aligned to Risk Impact definitions within the Risk Management Strategy. This will ensure standard recognition of terminology throughout the Council.</p> <p>Assessment of ‘Control Risk’ in relation to the achievement of Management Objectives would focus reviews upon:</p> <ul style="list-style-type: none"> • Those risks where the assessment is that the combined impact/likelihood score has decreased most and where if assumptions are incorrect critical business risk exposure may exist, • Risks where the value of ‘Control Risk’ is limited or zero and as a result suggesting the controls may be insufficient or ineffective, and • Key Controls (rather than a wider view of all controls which may have little impact on risk reduction or the achievement of business objectives). <p>By focusing on Management Objectives, significant risks and key controls there may be efficiencies to be gained within assignments through targeting resources to issues of greatest importance or concern.</p> <p style="text-align: right;">PSIAS 2201</p>

Competency continued

Issue identified

Recommended action

6. Grading of recommendations

The grading of recommendations currently represents ‘an assessment of weakness relating to the system objectives’ identified within an engagement, without directly reflecting the significant risk as defined in client risk management systems at a recommendation or overall opinion level.

As stated earlier a significant feature of the PSIAS is a focus on significant risk and therefore aligning internal audit terminology with ‘client speak’ in terms of risk impact definitions may improve communication regarding findings, recommendations and opinions. It would be beneficial to align future grading of recommendations with those impact definitions used within the client risk management process. That for Worcester City Council is shown below:

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Definition of Priority of Recommendations

Priority	Definition
H	Fundamental control weaknesses that present a significant material risk to the function or system objectives and requires immediate attention by Senior Management.
M	Other control weaknesses where there are some controls in place but there are issues with parts of the control that need to be addressed by Management within the area of review.
L	Issues of best practise where some improvement can be made.

The Internal Audit Team currently grades recommendations at three levels of priority High, Medium and Low, which may be better described as risk rather than priority levels as this emphasises timing rather than risk exposure.

We believe the profession is generally moving towards use of a three-tier opinion structure.

Impact definitions

Tolerable Risk (1-3)	Significant Risk (4-6)	Unacceptable Risk (7-9)
Low	Medium	High
<ol style="list-style-type: none"> 1. No significant disruption to service capability 2. Unlikely to cause any adverse publicity 3. No more than 6 people involved 4. Unlikely to cause complaint/ litigation 5. Financial loss below £10,000 6. Breaches of local procedures/ standards 	<ol style="list-style-type: none"> 1. Short to medium term disruption to service capability. 2. Needs careful public relations management 3. Up to 40 people involved 4. High potential for complaint, litigation possible 5. Financial loss between £10,000 and £250,000 6. Breaches of regulations/ national standards 	<ol style="list-style-type: none"> 1. Short to medium term loss of service capability 2. Adverse local publicity, potential for embarrassment nationally 3. More than 40 people involved 4. Strong possibility of litigation 5. Financial loss in excess of £250,000 6. Breaches of law punishable by fines and/or imprisonment

Although not as developed as elsewhere in the sector, this would assist in both agreeing the specific risk focus of each engagement as well in assessing the relative importance of findings at the exit meeting, grading recommendations and in providing an opinion within assurance reports. Examples of other LA risk impact definitions have been provided.

Expand and explain the manner in which recommendations and the link to deriving an opinion in the IA Manual and in relation to the stated to the existing Priority/Assurance Matrices

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

	Issue identified	Recommended action
Page 50	<p>1. Engagement documentation A standard process for the conduct of engagements is in place and is outlined in the Internal Audit Manual.</p> <p>This includes the use of a series of templates at planning, fieldwork and reporting stages.</p> <p>Inconsistencies exist within the sample of audit files reviewed regarding:</p> <ul style="list-style-type: none"> a) Interpretation of risk b) Evidencing supervision particularly at draft and final report stages c) Recording of client communication d) Recording feedback at Clearance meetings, and e) Presentation of findings at Clearance meetings 	<p>On completion of current recruitment, organise a appropriate training to:</p> <ul style="list-style-type: none"> a) Induct new staff b) Ensure a consistent approach by all staff to all client engagements, and c) Demonstrate consistent application of the approved practices within annual self-assessment and QAIP processes. <p>Delivery of approach must be evidenced before use of the statement that delivery is consistent with the PSIAS.</p> <p style="text-align: right;">PSIAS 2040/1321</p>
	<p>2. Risk Management opinion The IAC (para 2.3) recognises the need for the CAE to provide assurance regarding risk management processes.</p> <p>WIASS has reviewed risk management in accordance with the PSIAS and this supports the opinion provided in the Annual Report.</p> <p>The opinion relating to risk management is achieved by consideration of both review of the process at a strategic level and supported by conclusions reached within individual engagements.</p>	<p>It would be beneficial to support the opinion by adding further clarification in the either the IAC or the Annual Report as to how in practice this is achieved, thereby also demonstrating the independence of the CAE.</p> <p style="text-align: right;">PSIAS 2120</p>

	Issue identified	Recommended action
<p>3.</p> <p>Page 51</p>	<p>Release of draft and final reports File review identified delays in the clearance of reports which may arise due to:</p> <ul style="list-style-type: none"> a) Failure of management to respond to recommendations, b) Staff absence within either WIASS or the client, or c) WIASS staff having been allocated too many audits at a particular time (identified in self-assessment). <p>Quality standards in relation to the release of reports are recognised within the IAC para 5.6.</p> <p>Timely delivery of reports represents an essential feature of the provision of assurance and ensuring that appropriate remedial action is undertaken by management.</p> <p>The IAC includes reference to remedies where management fail to respond to draft reports.</p>	<p>Consider:</p> <ul style="list-style-type: none"> a) Including planned dates in the Annual Internal Audit Plan regarding the date at which the final report outcomes will be presented to the Audit and Governance Committee. b) Inclusion of recommendations graded as 'High' in risk registers as soon as these are observed. c) Enforcing para 5.7 of the IAC when appropriate and recording of the issue within progress reports to the Audit and Governance Committee. <p style="text-align: right;">PSIAS 2450</p>
<p>4.</p>		

	Issue identified	Recommended action
<p>5.</p> <p>Page 52</p>	<p>HoIA Annual Report</p> <p>The terminology used by the CAE to express an Annual Opinion is understated as this currently reflects assurance regarding risk management, governance and control in relation only to the work of the internal audit team in the current year.</p> <p>The report identifies risks or areas of concern that have been identified during the year rather than a wider commentary on the risks facing the client, the knowledge of the CAE and the other assurance sources that are available.</p> <p>A summary of the outcomes of processes that might constitute the QAIP is not included.</p>	<p>In practice the opinion is based upon a much broader knowledge of the client, gained through previous years programmes and that gained within and provided for within the internal planning cycle, including discussions with management and reference to risk management processes.</p> <p>It would be good practice to support a comprehensive assurance opinion in relation to risk management, governance and control with broader reference to significant risks and other sources of assurance that are available, including reference to those within the risk management process and any future assurance mapping objectives.</p> <p>In this form, the opinion would also better align with the required content of the Annual Governance Statement.</p> <p>Planning for continuous assurance over a defined period rather than on the basis of a single years' plan was reflected in R1.</p> <p style="text-align: right;">PSIAS 2060/2450</p>

Suggested enhancements for consideration

Comments in this section relate to matters where either:

1. Current processes would benefit from adopting best practice seen elsewhere in the delivery of internal audit services and where it is felt these would be beneficial to delivery, and/or
2. The new Global Internal Audit Standards, which apply from 1 April 2025, will require enhancement of existing processes in order to demonstrate compliance.

Suggested Enhancements for consideration

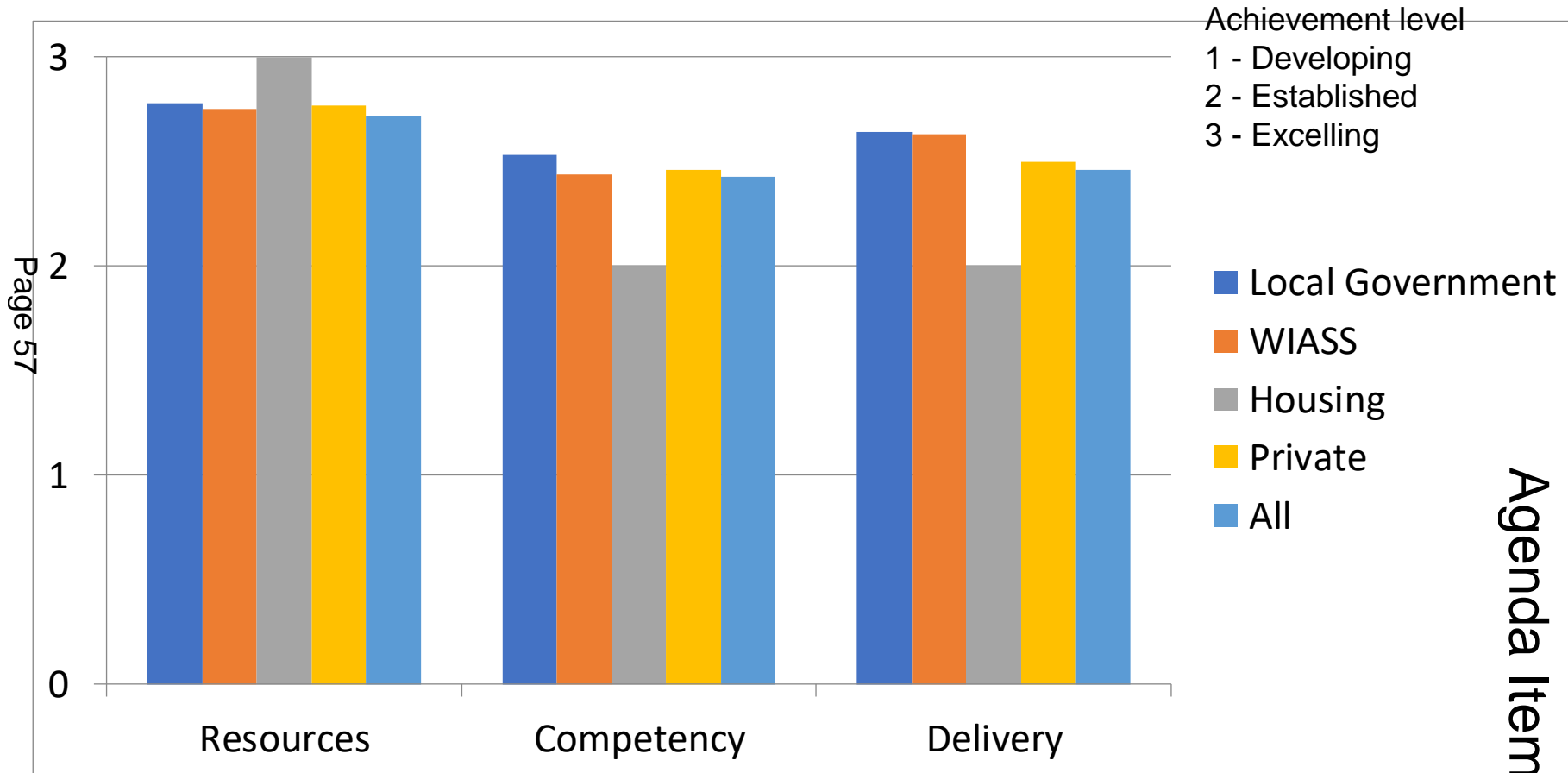
	Issue identified	Recommended action
Page 54	<p>1. Client surveys Progress has been made in obtaining verbal feedback from clients following each audit engagement, although formal feedback using a questionnaire has been variable.</p> <p>This experience is consistent with other sector experience.</p> <p>The survey conducted within the EQA achieved a 58% response rate which is broadly in accordance the sector norm of 60-70%,</p>	<p>Internal Audit may find it useful to implement an approach now being used by other teams which provides for:</p> <ol style="list-style-type: none"> 1. Issue of the digital form to the relevant client manager following and engagement within the draft report, and 2. Support the feedback gained with an annual survey to Senior Client Managers. <p>In this way feedback may be directed toward different aspects of the provision of internal audit service as well as seen as more relevant, as a result encouraging increased participation which can be included in the QAIP process.</p> <p style="text-align: right;">PSIAS 2000</p>
	<p>2. Head of Assurance – Performance Development The s151 Officer at Worcester City Council conducts the annual Performance and Development review for the Head of Assurance with informal input from clients.</p>	<p>Consider incorporating more formal input from key client officers and Audit Committee Chairs.</p> <p style="text-align: right;">PSIAS 1100</p>

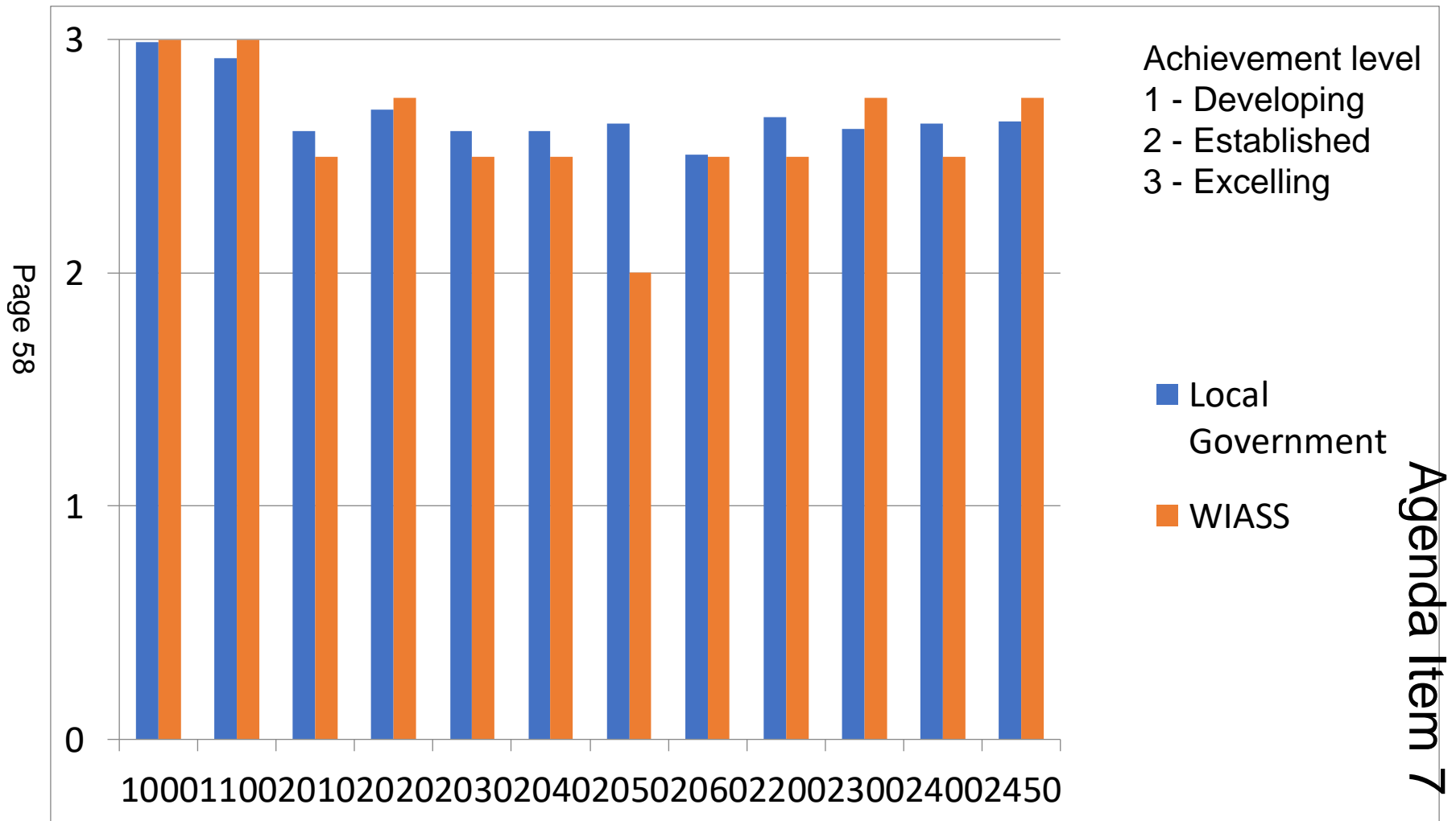
Suggested Enhancements for consideration

	Issue identified	Recommended action
3.	<p>Confidentiality Internal audit reports are currently distributed without a clause restricting access and ensuring that if viewed outside of the organisation no 'legal responsibility' is provided to those who may seek to rely upon the content..</p>	<p>The Internal Audit Team should consider the need to include appropriate confidentiality and limitation of liability clauses in all reports which are or may be shared with clients, Audit Committees and third parties directly or indirectly.</p> <p style="text-align: right;">PSIAS 2440</p>
Page 55	<p>Stakeholders Whilst the PSIAS does make reference to considering the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions (2010.A2).</p> <p>WIASS partially recognises this within its Internal Audit Charter in para 5.1 although this omits reference to other stakeholders.</p> <p>The emphasis in the proposed new Global Internal Audit Standards is much stronger.</p>	<p>Consider how future internal audit activity may demonstrate appropriate consideration of other stakeholder expectations:</p> <ol style="list-style-type: none"> 1. In devising internal audit plans 2. When identifying Management Objectives in future audits. <p style="text-align: right;">PSIAS 2010</p>

Part three

Benchmarking





Appendix

1. Summary of client feedback
2. Key IPPF/PSIAS standards assessed
3. Basis for EQA
4. Grading of recommendations

Summary stakeholder feedback

Question	Positive (%)	Negative (%)
I understand Internal Audit's role in the organisation and its purpose.	100	
Internal Audit is customer focused and understands what the organisation is trying to achieve.	100	
Internal Audit considers the viewpoints of the organisation when planning and undertaking reviews and aims to provide a good balance between assurance and good practice with opportunities for improvement.	100	
Internal audit has a presence in the organisation which is visible and approachable.	80	20
The Internal Audit team provides a flexible and reliable service which adds value through the assurance audits and additional work it undertakes.	100	
Internal Audit makes you aware of any significant issues that occur during an audit on a timely basis and you have the opportunity to respond or provide additional information.	100	
Internal audit has the skills to provide appropriate assurance and advice to meet our needs?	100	
Good practice and ideas from other organisations are shared through audits, day to day contact, meetings or other engagement methods.	53	47
Average	92%	8%

Conclusion:

Feedback from stakeholders confirms that clients consider that they receive a good quality internal audit service whose brief is clearly understood and the assurance and advice that is provided is well regarded. Recent meetings with the new Head of Assurance have been well received. Observations were made regarding enhanced communication with functional management regarding 'major' issues and the value of increasing emphasis on sharing best practice from within the sector.

Other relevant observations

Risk based approach that is formulated to ensure best practice, address risks and add value

I would be very interested to discuss ways in which we can develop it under the new Head of Service.

We have fortunately had a recent session with head of audit that gave a more in depth knowledge of its processes and procedures.

On occasion there has been a lack of engagement with senior responsible managers / subject matter leads at an early enough stage which has led to reports being drafted without the full context. This is improving.

Capacity and resourcing issues in the team has meant that coverage has not been as good as it could be and the quality of some auditors, who have now left, has not always been to a high standard.

I have long called for the team to share their experience and observations gained from working at other councils in the County but never received anything back.

It is good that the service is shared - as it gives a set of inbuilt comparisons for best practice and gives additional resilience for the overall service.

Issued	26	Returned	15	Response rate	58%	Average
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Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Basis for EQA

Compliance with IPPF/PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Competency**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels

Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS standards in order to demonstrate a contribution to the achievement of the organisations' objectives in relation to risk management, governance and control.
Review	The Internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services

- In grading our recommendations, we have considered the wider environment in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists, as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.

APPENDIX B - Worcestershire Internal Audit Shared Service Improvement Plan

REF	ACTION	TARGET DATE	COMMENTS
RESOURCES			
1	Update the Internal Audit Charter to include: <ul style="list-style-type: none"> a statement that the continuous development of internal audit plans is aligned with the provision of an annual opinion reflecting the changing risk environment in which each client operates, and where independent assurance from internal audit is designed to support the Annual Governance Statement. A statement setting out how internal audit's annual governance opinion is derived. 	31/03/2025	
2	Introduce a formal Quality Assurance and Improvement Policy. Include a more detailed statement in the Head of Internal Audit Annual Report in which: <ul style="list-style-type: none"> Confirms that all measures contained in the process have been completed, and States how any significant deviations or development needs will be resolved. 	30/09/2024 31/07/2025	Policy being submitted for member approval in September 2024. To be included in the next HOIA Annual Report.
3	Consider introducing a limited set of formal KPI's based on quantitative and qualitative data to support the QAIP process.	Completed	KPIs have been developed for 2024/25 and are included in the new Quality Assurance and Improvement Policy. The results will be included in the next HOIA Annual Report.
4	Complete the auditor skills audit and agree revised development plans, taking into account client needs and future expectations.	31/12/2024	The Institute of Internal Auditors Skills Matrix will be used. The Worcester City Council Learning Plan function will be utilised.
COMPETENCY			

REF	ACTION	TARGET DATE	COMMENTS
1	Develop an internal audit 'universe' (long list of potential areas for review) for each partner organisation, aligned with risk registers.	31/03/2025	This will be completed and utilised in development of internal audit plans for 2025/26.
2	Map internal audit activity with the Code of Corporate Governance.	31/03/2025	This will be completed and utilised in development of internal audit plans for 2025/26.
3	Document the sources of assurance available to internal audit within each engagement as part of routine processes. Use the accumulated knowledge gained to support the Annual Assurance opinion in the Head of Internal Audit's Annual Report	Completed 31/07/2025	This is reflected in the standard work programme template. To be incorporated within the next annual HOIA report.
4	Review the terminology used within templates to reflect Management's Objectives within the area for review. Refine the risks on the Audit Brief to reflect those of a significant nature which will then become the focus for assurance.	31/12/2024	The terminology is covered on the standard templates. The Audit Briefs will be amended to highlight those which are most significant, so that they become the focus for assurance work.
5	Ensure that identification of fraud risks is comprehensive and is aligned with client risk appetite regarding its significance along with all other risks. Ensure that audit reports include commentary on the fraud risks evaluated.	31/12/2024	This action relies upon clients articulating their risk appetite. Going forward, internal audit reports will include an evaluation of the fraud risks identified.
6	Consider the degree to which reported compliance with the CIPFA Code of Financial Management can be relied upon for assurance purposes. Allocate resources to review areas of significant risk exposure where additional independent assurance is required.	31/03/2025	This will be completed and utilised in development of internal audit plans for 2025/26.
7	Where possible and practicable, ensure that the assessment of 'Control Risk' in relation to the achievement of Management Objectives focuses reviews upon:	31/12/2024	Internal documentation and assessments will be updated to accommodate this.

<u>REF</u>	<u>ACTION</u>	<u>TARGET DATE</u>	<u>COMMENTS</u>
	<ul style="list-style-type: none"> Those risks where the assessment is that the combined impact/likelihood score has decreased most and where if assumptions are incorrect critical business risk exposure may exist. Risks where the value of 'Control Risk' is limited or zero and as a result suggesting the controls may be insufficient or ineffective. Key Controls (rather than a wider view of all controls which may have little impact on risk reduction or the achievement of business objectives). 		
8	Align the grading of internal audit recommendations with those impact definitions used within the client risk management process.	30/11/2024	The standard documentation will be updated to reflect this.
DELIVERY			
1	<p>On completion of current recruitment, organise appropriate training to:</p> <p>a) Induct new staff</p> <p>b) Ensure a consistent approach by all staff to all client engagements, and</p> <p>c) Demonstrate consistent application of the approved practices within annual self-assessment and QAIP processes.</p>	<p>Completed</p> <p>Completed</p> <p>31/07/2025</p>	<p>Recruitment to the Senior Auditor posts has been completed. This is enhancing the level of on the job support and supervision of staff.</p> <p>An induction plan has been developed for new staff.</p> <p>Arrangements in place and ongoing.</p> <p>To be completed and incorporated within the next annual HOIA report.</p>
2	Add further clarification in the HOIA Annual Report as to how in practice the opinion on the organisation's risk management arrangements is derived.	Completed	This was incorporated within the HOIA Annual Reports for 2024/25.

REF	ACTION	TARGET DATE	COMMENTS
3	<p>Consider:</p> <ul style="list-style-type: none"> Including planned dates in the Annual Internal Audit Plan regarding the date at which the final report outcomes will be presented to the Audit and Governance Committee. Inclusion of recommendations graded as 'High' in risk registers as soon as these are observed. Recording of issues related to delayed management responses to audit reports within progress updates to the Audit and Governance Committee. 	<p>Completed</p> <p>31/10/2024</p> <p>Ongoing</p>	<p>This has been incorporated for 2024/25.</p> <p>This links with Action 8 under 'Competency' above. Responsibility for updating and maintaining risk registers lies with clients. Where 'High risk' graded recommendations are made, it will be emphasised to management that the relevant risk register should be updated.</p> <p>Provision already exists and the Head of Internal Audit will consider doing this where appropriate to the circumstances.</p>
4	Expand the annual HOIA report and opinion to incorporate much broader knowledge of the client, gained through previous years programmes and that gained within and provided for within the internal planning cycle, including discussions with management and reference to risk management processes.	31/07/2025	To be completed and incorporated within the next annual HOIA report.
SUGGESTED ENHANCEMENTS			
1	Issue of the customer satisfaction survey to the relevant client manager following and engagement with the draft report, rather than after issuing the final report.	30/09/2024	This will be communicated to the team.
	Support the feedback gained with an annual survey to Senior Client Managers.	30/04/2025	

<u>REF</u>	<u>ACTION</u>	<u>TARGET DATE</u>	<u>COMMENTS</u>
			To be issued at the end of the current financial year. The results will be analysed and incorporated within the next annual HOIA report.
2	In relation to the performance development of the Head of Internal Audit, consider incorporating more formal input from key client officers and Audit Committee Chairs.	31/10/2024	To be discussed at the next meeting of the Shared Service Client Officer Group in October 2024.
3	Consider the need to include appropriate confidentiality and limitation of liability clauses in all reports which are or may be shared with clients, Audit Committees and third parties directly or indirectly.	31/10/2024	The standard documentation will be updated to reflect this.
4	Consider how future internal audit activity may demonstrate appropriate consideration of other stakeholder expectations: <ul style="list-style-type: none"> • In devising internal audit plans. • When identifying Management Objectives in future audits. 	31/03/2025	This will be considered in advance of the new Global Standards going live in April 2025.

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QUALITY ASSUARANCE AND IMPROVEMENT POLICY

SEPTEMBER 2024

1. INTRODUCTION

- 1.1 Internal auditing is defined as “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”. (Source: Public Sector Internal Audit Standards – PSIAS).
- 1.2 The Council’s internal audit function aims to meet the expectations of its stakeholders and deliver consistently high-quality services. This requires a lot of effort and commitment to identify and consistently apply effective professional practice. This is why PSIAS Standard 1300 requires the Head of Internal Audit to develop and maintain a Quality Assurance and Improvement Policy (QAIP).
- 1.3 The QAIP is designed to provide reasonable assurance to the various stakeholders of Worcestershire Internal Audit Shared Service (WIASS) that Internal Audit:
 - Performs its work in accordance with its Charter, which is consistent with the PSIAS, Definition of Internal audit and Code of Ethics
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and continually improving the Council’s operations.
- 1.4 The QAIP covers all aspects of the Internal Audit activity. The PSIAS states that the QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.
- 1.5 The Head of Internal Audit is ultimately responsible for the QAIP.

2. INTERNAL ASSESSMENTS

2.1 In accordance with PSIAS Standard 1300, internal assessments are carried out through both ongoing and periodic reviews.

Ongoing Reviews

2.2 Ongoing reviews are conducted through:

- Supervision of all engagements
- Regular, documented review of audit brief and working papers
- Audit Manual setting out the procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards
- Feedback from customer surveys on individual engagements
- Monitoring of performance against agreed performance indicators and regular reporting to the partner Audit, Governance and Standards Committee, Senior Management Team (or equivalent), and the Client Officer Group (COG)
- All draft and final reports, recommendations and levels of assurance are reviewed and approved by the Head of Internal Audit.
- Follow up and reporting on the implementation of actions agreed at the end of each engagement

Periodic Reviews

2.3 Periodic reviews are designed to assess conformance with the PSIAS and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders.

2.4 Periodic assessments will be conducted through:

- Quarterly Progress Reports to the Audit, Governance and Standards Committee which includes progress against the annual plan, reports issued during the period, details of the opinions, and summaries of key issues and outcomes from the work undertaken
- Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Audit Governance and Standards Committee
- Feedback from the Section 151 Officers, COG, and Chair of the Audit Governance and Standards Committee to inform the annual appraisal of the Head of Internal Audit in accordance with Standard 1100
- An annual self-assessment against the PSIAS
- Periodic Skills and Competency exercise for each Internal Auditor

QUALITY ASSURANCE AND IMPROVEMENT POLICY

- 2.5 Significant areas of non-compliance with PSIAS identified through internal assessments will be reported in the Internal Audit Annual Report and used to inform the Council's Annual Governance Statement (AGS).
- 2.6 Results of internal assessments will be reported to the Audit Governance and Standards Committee at least annually. The Head of Internal Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.7 The Head of Internal Audit will also periodically identify improvement requirements, for example in respect of audit planning, assurance mapping, audit processes, counter fraud, skills development for the team, audit profile and performance.

3. EXTERNAL ASSESSMENTS

- 3.1 An external assessment will occur at least once every five years as required by the PSIAS. This process will express an opinion about Internal Audit's conformance with the PSIAS, Definition of Internal Audit and Code of Ethics and include recommendations for improvement, as appropriate.
- 3.2 The appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Governance and Standards Committee.
- 3.3 The results of external assessments will be reported to the Audit and Governance Committee, COG, and Section 151 officers within a reasonable timeframe following receipt of the external assessor's report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.
- 3.4 The Head of Internal Audit will implement appropriate follow-up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

4. REVIEW OF THE POLICY

- 4.1 This document will be subject to periodic review and will be updated accordingly following any changes to the PSIAS or the operating environment of internal audit.

QUALITY ASSURANCE AND IMPROVEMENT POLICY

5. TIMELINE OF ASSESSMENT WORK

5.1 The following table sets out the timeline and frequency of the assessment work:

Nature of Assessment Work	Timeline and Frequency
Engagement supervision	Ongoing
Reviews of audit brief and working papers	Ongoing
Compliance with the Audit Manual	Ongoing
Review of audit work completed by the Head of Internal Audit	As and when required
Report consultation process	At completion of each assignment
Customer feedback	At completion of each assignment
Progress and performance monitoring	Aligned with Audit and Governance Committee and COG meetings
Progress reporting on improvement plan	Aligned with Audit and Governance Committee and COG meetings
Head of Internal Audit or Senior Auditor review and approval of: <ul style="list-style-type: none"> • Draft and final reports • Recommendations • Levels of assurance • Risk exposure assessments 	Ongoing
Follow up and reporting on the implementation of agreed audit actions	Aligned with each Audit Governance and Standards Committee meeting
Skills and Competency Exercise for Internal Auditors	Annually
Incorporating input from key client officers and Audit Committee Chairs when evaluating the performance of the Head of Internal Audit	Annually
PSIAS self-assessments	Annually
Review of compliance with this QAIP	Annually
External assessment	Every 5 years

6. PERFORMANCE MANAGEMENT

6.1 The following performance targets have been established for 2024/25:

Description	Narrative	Target
Delivery	% of audit days delivered by Year End	90%
Productivity	% of available time spent on productive audit work	80%
Effectiveness	% of agreed recommendations implemented by the target date	75%
Customer Satisfaction	% of Post Audit Questionnaires which have rated the service as "Very Good" or "Good"	80%

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Accounting Policies Report

Relevant Portfolio Holder	Councillor Steve Colella Finance and Enabling Portfolio Holder
Portfolio Holder Consulted	Yes
Relevant Head of Service	Debra Goodall
Report Author	Job Title: Interim Head of Finance & Customer Services Contact email: Debra.Goodall@bromsgroveandredditch.gov.uk Contact Tel:
Wards Affected	All
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	All
Key Decision / 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 **RECOMMEND** that:

- 1) Progress on the 2020/21, 2021/22, 2022/23 and 2023/24 Audit processes be noted.
- 2) Any areas of concern within this key compliance report are raised with Cabinet.

2. BACKGROUND

2.1 From a Governance point of view, the financial framework 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. The Accounting Policies report which was tabled at the Audit, Standards and Governance Committee on the 1st June set out the Financial Governance Framework, and associated references to key documentation, that the Council, it's Member and Officers work to. These are (in summary):

- **The Budget and Policy Framework Procedure Rules.** These set out: The framework for Cabinet Decisions, Decisions outside the budget or policy framework, Urgent Decisions outside of the Budget or Policy Framework, Virement rules, In-year changes to policy framework and, Call-in of decisions outside the budget or policy framework. These rules set out how decisions can be made, by whom and how they can be challenged.
- **Financial Procedure Rules** which are set out in Part 15 of the Constitution. These "operational policies" run to 36 pages and set out how the organisation financially runs it's "day to day" business.

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- **Finance Protocols** which set out requirements and expectations of the Finance Team and Services in terms of financial administration and demarcation of duties.
- 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 Draft 2020/21 accounts have been presented to Audit Committee for comment in May and are open for Public Inspection. 2021/22 to 2023/4 are being worked on in sequence with 21/22 and 22/23 being in draft by August.
- 2.4 The 2024/5 budget was approved at Council on the 21st February 2024.

Legislative Requirements

- 2.5 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.
- 2.6 The following are key legislative deliverables, which were circulated by the Government in December 2023 for the period December 2023, through the 2024/5 financial year. Delivery against these requirements will be set out in the final column of the table.
- 2.7 In wider sets of deliverables (outside the 2024/5 DLUHC Listing) we have the following returns that have been delivered:

Form	Code	Description	Proposed Dispatch	Deadline	Proposed Publication	Position
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2023-24	15-Dec-23	19-Jan-24	15-Feb-24	Delivered 26/1/24
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2024-25	15-Dec-23	31-Jan-24	21-Feb-24	Delivered 9/2/24 (Civica issue)
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2023-24	15-Dec-23	12-Jan-24	14-Feb-24	Delivered 15/2/24 (Civica issue)
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2023-24	15-Dec-23	08-Jan-24	15-Feb-24	Delivered 17/1/24

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Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2023-24 data and forecast end year local authority revenue expenditure update.	15-Dec-23	26-Jan-24	07-Mar-24	Delivered 19/2/24
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2024-25 and Council tax levels for 2024-25 set by parishes.	02/02/2024 (tbc)	11-Mar-24	21-Mar-24	Delivered 26/2/24
of which: Parish council tax	-	-	-	11-Mar-24	08-May-24	Delivered 26/2/24
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2024-25 Budget	16-Feb-24	05-Apr-24	20-Jun-24	Draft completed. 8/4/24
Capital Estimates Return	CER	Capital forecast for 2024-25	23-Feb-24	22-Mar-24	13-Jun-24	Delivered 22/3/24
Non-Domestic Rates Outturn-unaudited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- provisional data	28-Mar-24	30-Apr-24	10-Jul-24	Draft delivered to Pool 14/4/24
Non-Domestic Rates Outturn-audited	NNDR3	Collects information from all billing authority on the amount of non-domestic rates collected in 2023-24- final data	n/a	30-Sep-24	15-Nov-24	
Quarterly Borrowing & Lending - Q4	QB4	Local authority borrowing and investments from all local authorities to the end of Q4 2023-24	22-Mar-24	05-Apr-24	13-Jun-24	Delivered 5/4/24
Capital payments & receipts Q4 and provisional outturn	CPR4	Cumulative capital expenditure and receipts for Q1, Q2, Q3, and Q4 2023-24. Expanded collection, used as provisional outturn.	22-Mar-24	19-Apr-24	13-Jun-24	Delivered 29/4/24
Council Tax & NDR Collection - Q4	QRC4	Annual data of levels of council tax and non-domestic rates collected by local authorities in 2023-24 and Q4 2023-24	12-Apr-24	03-May-24	19-Jun-24	Delivered 7/5/24
Capital Outturn Return	COR	Final capital outturn figures for 2023-24	26-Apr-24	26-Jul-24	10-Oct-24	Delivered 29/07/24
Revenue Outturn suite - provisional	RO	Local authority revenue expenditure and financing for 2023-24 Outturn (provisional)	26-Apr-24	28-Jun-24	29-Aug-24	Delivered 19/7/24
Revenue Outturn suite - certified	RO	Local authority revenue expenditure and	n/a	11-Oct-24	12-Dec-24	

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		financing for 2023-24 Outturn (final)				
Exit payments	-	Local authority exit payments 2023-24	03-May-24	07-Jun-24	18-Jul-24	Delivered 30/06/2024
Quarterly Borrowing & Lending - Q1	QB1	Local authority borrowing and investments from all local authorities to the end of Q1 2024-25	24-Jun-24	05-Jul-24	08-Aug-24	Delivered 05/07/24
Quarterly Revenue Update - Q1	QRU1	Q1 2024-25 data and forecast end year local authority revenue expenditure update	28-Jun-24	02-Aug-24	12-Sep-24	Delivered 2/08/24
Capital Payments & Receipts - Q1	CPR1	Cumulative capital expenditure and receipts for Q1 2024-25	21-Jun-24	19-Jul-24	08-Aug-24	Delivered 19/07/24
Council Tax & NDR Collection - Q1	QRC1	Quarterly return of how much council tax and non-domestic rates are collected in Q1 2024-25	21-Jun-24	12-Jul-24	14-Aug-24	Delivered 01/07/24
Local Government Pension Funds	SF3	Collect information on income and expenditure on local government pension schemes for 2023-24	05-Jul-24	13-Sep-24	23-Oct-24	
Council Tax Base/ Supplementary	CTB	Information about the 2024 council tax base for each billing authority.	20-Sep-24	11-Oct-24	06-Nov-24	
Quarterly Borrowing & Lending - Q2	QB2	Local authority borrowing and investments from all local authorities to the end of Q2 2024-25	23-Sep-24	04-Oct-24	14-Nov-24	
Quarterly Revenue Update - Q2	QRU2	Quarter 1 & 2 2024-25 data and forecast end year local authority revenue expenditure update	20-Sep-24	25-Oct-24	05-Dec-24	
Capital Payments & Receipts - Q2	CPR2	Cumulative capital expenditure and receipts for Q1 and Q2 2024-25	20-Sep-24	20-Oct-24	14-Nov-24	
Council Tax & NDR Collection - Q2	QRC2	Quarterly return of how much council tax and non-domestic rates are collected in Q2 2024-25	20-Sep-24	04-Oct-24	20-Nov-24	
Capital Payments & Receipts - Q3	CPR3	Cumulative capital expenditure and receipts for Q1, Q2 and Q3 2024-25	13-Dec-24	17-Jan-25	13-Feb-25	
Non-Domestic Rates Forecast	NNDR1	Billing authority forecasts of the amount of non-domestic rates to be collected in the 2025- 26	13-Dec-24	31-Jan-25	19-Feb-25	

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Quarterly Revenue Update - Quarters 3 & 4	QRU3	Quarter 1 to 3 2024-25 data and forecast end year local authority revenue expenditure update.	13-Dec-24	24-Jan-25	06-Mar-25	
Quarterly Borrowing & Lending - Q3	QB3	Local authority borrowing and investments from all local authorities to the end of Q3 2024-25	13-Dec-24	06-Jan-25	13-Feb-25	
Council Tax & NDR Collection - Q3	QRC3	Quarterly return of how much council tax and non-domestic rates are collected in Q3 2024-25	13-Dec-24	10-Jan-25	12-Feb-25	
Council Tax Requirement/ Parish Council Tax	CTR1/2/3/4	Information on council tax levels set by local authorities in 2025-26. Council tax levels for 2025-26 set by parishes	Early Feb 2025	12-Mar-25	20-Mar-25	
of which: Parish council tax	-	-	Early Feb 2025	12-Mar-25	07-May-25	
Revenue Account Budget	RA	Local authority revenue expenditure and financing for 2025-26 Budget	14-Feb-25	04-Apr-25	19-Jun-25	
Capital Estimates Return	CER	Capital forecast for 2025-26	21-Feb-25	21-Mar-25	12-Jun-25	
Monthly Borrowing & Lending	MB	Monthly sample used to provide an estimate of the level of net borrowing by local authorities to go into the ONS/HMT monthly publication Public Sector Finance Statistics	5 working days before 1st working day of the month	Day 5 of each month	for quarter months only, see QB1, QB2, QB3, QB4 dates	Delivered to date
Local Government Finance Statistics	LGFS33	Annual compilation of finance data collected from local authorities covering out-turn data for 2022-23	N/A	N/A	Spring 2024	

This data for Sept 24 to March 25 is set out in **Appendix A** in Calendar format.

Budget

- Delivered by 11th March in preceding financial year – **2024/5 Budget and MTFP delivered 21st Feb 2024**
- Council Tax Base – Yearly – **2024/25 delivered in 17th January 2024**
- Council Tax Resolution – **Yearly 2024/5 delivered in 21st February 2024**
- Council Tax Billing – Yearly (2 weeks before 1st DD is due to be taken) – **Bills distributed in March 2024**
- **Policies**

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- Treasury and Asset Management Strategies
 - 24/25 Strategy Approved **delivered 21st Feb 2024**
 - 23/24 Half Yearly Report **delivered November 23.**
 - 23/24 Draft Outturn Report **delivered September 24**
- 24/5 Council Tax Support Scheme **approved on 24th January 2024.**
- Minimum Revenue Provision – yearly – **Approved as part of the 2024/5 MTFP.**
- Financial Monitoring – **2024/5 Q1 Finance and Performance Report delivered to Cabinet Sept 24**
- Risk Management – **Q1 2024/5 delivered July 2024.**
- Savings Report – **23/4 Outturn Report delivered in May 2024.**
- Financial Controls (still in development)
 - Clearance of suspense accounts – See the chart at the end of this Report for progress.
 - Bank Reconciliation - **linked to above point although a separate stream assessing/clearing 2023/4 and prior year items.**
- Over £500 spending.
 - **Updated to August 2024.**

The following deliverables, prior to December 2023 are still to be delivered:

- **Closure**
 - Draft Accounts for 2021/22 and 2022/23.
 - 2020/21 Audit **see the later section.**
- Government Returns
 - VAT – Monthly
 - **Still to be delivered for 20/21 – dependent on closure of accounts, discussions ongoing with HMRC.**
 - Revenue Outturn Reports
 - **Still to be delivered for 21/22 – dependent on closure of accounts**
 - Whole of Government Accounts Returns – August
 - **Still to be delivered for 20/21, 21/22 and 22/23 – dependent on closure of accounts**

2.8 The key returns that have still not been delivered are the Revenue and Capital Outturn forms for 2020/21 and 2021/22 and the VAT returns. These will now be completed over the summer as draft accounts are compiled.

Update on the Statement of Accounts

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

- Closure 2020/21
 - Following agreement of opening balance positions the 2020/21 Accounts were opened to Public Inspection following the May Audit, Standards and Governance Committee.
 - Sign off of 20/21 Accounts – to be confirmed with the External Auditors.
- Closure 2021/22

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- Updated Outturn position – still to be provided following the full closure of these accounts.
- Draft Accounts planned to be presented to this Committee today (without any 2020/21 Audit Adjustments) and then put out for Public Inspection. These Accounts can be found at **Appendix B**.
- Audit of Accounts following Audit of 2020/21 Accounts.
- Sign off of the Accounts – to be confirmed with External Auditors.
- **Closure 2022/23**
 - Draft Provisional Outturn Report – Cabinet Report delivered in September 2023. This will be updated following the draft closure of the accounts.
 - Draft Accounts planned to be presented in late October to allow a month for Public Inspection to comply with the new Audit backstop requirements (without any 2020/21 or 2021/22 Audit Adjustments).
 - Audit of Accounts following Audit of 2020/21 and 2021/22 Accounts.
- **Closure 2023/24**
 - Draft provisional Outturn Report presented to Cabinet in July 2024.
 - RO/CO Returns have been provided to Government.
 - Draft Accounts planned to be presented to the November Audit, Standards and Governance Committee (without any 2020/21, 2021/22, 2022/23 Audit Adjustments) and then put out to public consultation as per the updated backstop requirements.
 - Audit of Accounts for 23/24 is dependent on the recently approved changes to legislation and Public Sector Audit Appointments (PSAA) changes to External Auditor allocations for the next 5 years. Given that the Council's External Auditors will change from Grant Thornton this handover period, including due diligence and handover arrangements, will need to be carefully managed,
- **Closure Process being undertaken (high level view)**
 - The Council have been closing 3 years in parallel and concurrently.
 - DG has updated the 21/2 and future years formats so easier to manipulate and complete.
 - IAS19 Pension Reports have been received and will be addressed on a concurrent basis.
 - Initial PPE valuations have been received and updates to these are being made following discussions with the valuers. All three years are being provided at the same time and will be combined into a single document.
 - NNDR/Council Tax (Collection Fund) – Journals awaiting actioning.
 - Reconciliations – significant team of 5 now working on these over all the open financial years.
 - Bank Reconciliation – Banks have been reconciled.
 - VAT working plan required in order to move from central assessment in Q2 2024/5.
- **Value for Money Opinions for 2021/22 and 2022/23**
 - External Auditors delivered their joint Value for Money Opinions in November 2023:
 - S24 Recommendation still in place and extended for 2021/2 and 2022/3 Accounts.

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- 5 of the 6 2020/21 Key Recommendations either delivered or now linked to Improvement Recommendations.
- 9 of 13 2020/21 Improvement Recommendations either fully or partially delivered.
- One new Key Recommendation – linked to Workforce Strategy.
- Ten updated Improvement Recommendations.

2.10 Following the General Election in July 2024, the New Minister of State for Housing, Communities and Local Government Jim McMahon OBE MP wrote to Councils on the 30th July. In this letter the minister notes that the significant and unacceptable backlog of unaudited accounts, which will likely rise again to around 1,000 later this year. This situation undermines trust and transparency in the way taxpayers’ money is being spent and auditors cannot focus on up-to-date accounts, where assurance is most valuable.

2.11 To tackle the backlog, The Minister intends to lay secondary legislation when parliamentary time allows to provide for an initial backstop date of 13 December 2024 for financial years (FYs) up to and including 2022/23 and five subsequent backstop dates: 2015/16 through to 2019/20 must be signed off by the 30th December 2023.

Financial Year	Backstop date
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

2.12 Parliamentary approval was given on the 9th September, for financial years 2024/25 to 2027/28, the date by which local bodies should publish ‘draft’ (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate. This will give those preparing accounts more time to ensure they are high-quality accounts. A new suite of guidance is planned by the NAO and Financial Reporting Council (FRC) on these measures, and we continue to work with other organisations to consider what guidance would be most constructive and helpful for local bodies.

2.13 The Minister expects that there will be full assurance, with “clean” opinions for many bodies by the first backstop date of 13 December 2024. However, due to the time constraints, auditors are likely to issue ‘disclaimed’ audit opinions (no assurance) on many accounts – early indications are that this could be several hundred in this first phase which may, in the short term, cause additional concern. I recognise that aspects of these proposals are uncomfortable. Without this action by the Government, audits would continue to be delayed and the system will move even further away from timely assurance. The Minister’s guidance is set out in **Appendix C**.

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- 2.14 Our present External Auditors have responded to this statutory change. This has been discussed as an earlier items and their letter is set out in **Appendix D**. The National Audit Office as also commented on the change on the 20th September and their letter is attached as **Appendix E**.
- 2.15 Bishop Fleming, our Auditors for 23/4 onwards, are still waiting for the formal outcomes following the approval of the financial instrument. Their view is that it is better for them to pause issuing any audit plans for now. When they have the outcomes, they will be in a better position to set out what work they as auditors need to do on disclaimed audits.
- 2.16 We are on the 23a version on TechOne and expect to upgrade to 24b in the Autumn. This upgrade has given access to more functionality. However, Redditch and Bromsgrove are still the only Councils on Cash Receipting, when the weekly updates come in they have do additional checks to ensure the functionality is working as expected.

Update On 2024/25 Budget

- 2.17 The Councils 2024/25 Budget was approved on the 21st February 2024 at Council. Budgets will be loaded onto TechOne in March.
- 2.18 Quarter One 2024/5 Financial and Performance monitoring went to Cabinet in September 2024.

Compliance Items

- 2.19 In their meeting in January 2024, Members requested further training to ensure they were informed in their decision making in this committee. The first of these training sessions has been set up in advance of the May Audit, Standards and Governance Meeting and the second before the July Audit Standards and Governance Meeting.
- 2.20 There are a number of areas where compliance will be measured going forwards. Compliance to process and timetable is a key underlying theme of the Draft External Audit Report 2020/21 and the Combined 2021/22 & 2022/23. These items are being measured to improve how we work and change behaviours. This will lead to an improved financial health/knowledge across both Councils. Not all these measures can be put in place instantly but there should be the full suite by the middle of the summer (Debt indicators depend on the clearing of suspense and the updating of the bank reconciliations).

Training:

- Closure Training took place in March with 83 attending.
- Mandatory Budget Manager Training (including the use of TechOne) took place in September 2023 – upskilling budget managers with the tools to input their forecasts directly onto TechOne.
- Mandatory Financial Awareness Training for managers took place in August and September.

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- Payments Purchase Order Training takes place monthly.

New tranches of training are being organised

Treasury Management

- The Half Yearly Treasury Management Report was presented to Cabinet on the 22nd November.
- The 2024/5 Strategies were approved by Council in February.
- The 2023/4 Outturn Report was approved by Cabinet in September (Council in October).

Audit VFM Report Requirements

- More Budget Consultation.
- Wider savings monitoring will be undertaken by this Committee quarterly.
- Capital and its deliverability will be reviewed as part of the Budget Tranche 2.
- Benchmarking is now incorporated into the budget process (using LG Futures data).
- The Internal Audit Service will be externally assessed in early 2024.
- The Council will seek an independent Audit Committee member and ensure the Committee remains apolitical in nature.
- The whistleblowing policy will be updated before the end of the financial year.
- Procurement and contract rules will be updated by the end of the financial year (to reflect changes to legislation happening in April 2024).
- Performance Indicators will be reviewed and updated following Strategic Priority setting sessions.

The Council is still to run sessions to assess its “risk appetite”.

Errors:

- Non delivery of GPC Card Data (monthly basis) – still to be started.
- Miscoding on TechOne per month – by Service Area - will begin once the cash receipting suspense has been cleared.

Procurement:

- The new ‘No Compliance No Order’ process has been live since April 2023.
- The number of contracts in place is growing regularly and we are confident that this process is having a positive effect. We hope that eventually we get to the place where the number of orders coming to procurement for approval as contracts are not in place are minimal.
- Council in February approved an increase of the Key Decision Level from £50k to £200k. The Q1, Q2 and Q3 Finance and Performance Monitoring Reports now set out:
 - All contracts requiring renewal over the next year that are over the present £200k threshold and these are placed on the forward plan.
 - All contracts requiring renewal over the next year that are between £50k and £200k for reference.

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- All contracts that are being procured by Redditch over this period that relate to Bromsgrove Services.

2.21 Work is ongoing on the clearance of the Cash Receipting suspense accounts. The Council now has processes in place for the different types of error that have taken place since the implementation of the TechOne system. Corrections will be actioned by journal although conversations are taking place with TechOne to ensure as much as possible can be automated. As reported earlier in this report, this will ensure the delivery of accounts from 2021/2 to 2023/4 to the timescales set out. One of the processes is the clearance of Treasury transactions which by their nature are a manual process but of significant size.

Summary

2.22 This report sets out the policies (local and national) that underpins the Council finances and the key deliverables. The 20/21 Accounts have now been submitted for Audit and the report sets out the Plan for the delivery of other years accounts. This report is now up to date as at the middle of September and is 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.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

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

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Operational Implications

- 6.2 Operational implications have been dealt with as part of the 2023/24 MTFP and 2024/25 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. BACKGROUND PAPERS

Interim Auditors Annual Report on Bromsgrove District Council 2021/22 & 2/22/23 – Audit Standards and Governance Committee November 2023, Council December 2023.

Section 24 Report to Audit and Council – November/December 2022.

Accounting Policies Report – March, July, September and November 2023, January, March, May and July 2024 – Audit, Standards and Governance Committee

Finance Recovery Report – July 2023, October 2023 – Cabinet

Programme Management Office Requirements – June 2023 – Cabinet

Approvals to Spend Report - July 2023 – Cabinet

9. Appendices

Appendix A – Calander of Financial Requirements – Sept 24 – March 25

Appendix B – Draft 2021/22 Statement of Accounts

Appendix B – Letter from Minister on Closure Timetables

Appendix C – Letter from Grant Thornton on Closure Timetable

Appendix D - Letter from the National Audit Office on Closure Timetable

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Appendix A – Calendar of Financial Requirements

SEPTEMBER 2024						
MONDA	TUESDA	WEDNES	THURSD	FRIDAY	SATURD	SUNDAY
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13 <small>Local Government Pension Funds</small>	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30 <small>Non-Domestic Rates & Outturn Audited</small>	1	2	3	4	5	6

OCTOBER 2024						
MOND	TUESD	WEDNE	THURS	FRIDAY	SATUR	SUNDAY
30	1	2	3	4 <small>Quarterly Borrowing & Lending Q2 (QB2)</small>	5	6
7	8	9	10	11 <small>Revenue Outturn Suite – provisional (RO)</small>	12	13
14	15	16	17	18	19	20 <small>Capital Payments and Receipts Q2 (CPR2)</small>
21	22	23	24	25 <small>Quarterly Revenue Update Q2</small>	26	27
28	29	30	31	1	2	3

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Performance Committee 10th October 2024

NOVEMBER 2024						
MONDA	TUESDAY	WEDNES	THURSDA	FRIDAY	SATURDA	SUNDAY
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	1

DECEMBER 2024						
MONDA	TUESDAY	WEDNES	THURSD	FRIDAY	SATURD	SUNDAY
25	26	27	28	29	30	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

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JANUARY 2025						
MONDA	TUESDA	WEDNES	THURSD	FRIDAY	SATURD	SUNDAY
30	31	1	2	3	4	5
6 <small>Quarterly Borrowing and Lending Q3 (QB3)</small>	7	8	9	10 <small>Council Tax and NDR Collection – Q3 (QRC3)</small>	11	12
13	14	15	16	17 <small>Capital Payments and Receipts Q2 (CPR3)</small>	18	19
20	21	22	23	24 <small>Quarterly Revenue Update – Q3 and 4 (QRU3)</small>	25	26
27	28	29	30	31 <small>Non-Domestic Rates Forecast (NDR1)</small>	1	2

FEBRUARY 2025						
MONDA	TUESDA	WEDNES	THURSD	FRIDAY	SATURD	SUNDAY
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	1	2

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MARCH 2025						
MONDA	TUESDAY	WEDNES	THURSD	FRIDAY	SATURD	SUNDAY
24	25	26	27	28	1	2
3	4	5	6	7	8	9
10	11	12 <small>Council Tax Requirement / Parish Council Tax</small>	13	14	15	16
17	18	19	20	21 <small>Capital Estimates Return</small>	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

BROMSGROVE DISTRICT COUNCIL

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Appendix C - Letter from Minister Jim McMahon MP



Ministry of Housing,
Communities &
Local Government

Jim McMahon OBE MP

*Minister of State for Local Government and
English Devolution*

2 Marsham Street

London

SW1P 4DF

Josh Goodman

Chief Executive

Office for Local Government

September 2024

Dear Josh,

Office for Local Government – review of long-term role, and short-term remit

I am committed to resetting the relationship between local and central government and to clarify the roles and responsibilities of central government and the sector. I have therefore decided to review the role of Oflog by the end of 2024 to ensure that it will add the greatest possible value to the system of transparency, accountability and support of local government. I will welcome the views of the sector over the coming months.

In the meantime, I would like Oflog to continue to deliver its previous remit, with the exception that we have agreed that Oflog should pause on piloting and rolling out its current model of 'early warning conversations' while we consider the Government's overall approach to early warning and interventions.

Oflog's short-term remit, effective immediately, is as follows:

Inform

We need to empower communities to have a voice on what their local authority is doing. It can be hard to navigate the wealth of available data – we are rich on data but poor on insights. Although the current Oflog Data Explorer is live, it is incomplete and covers only a fraction of local authority activity. Oflog will:

- continue to update data for existing metrics on the Data Explorer;
- continue to add new metrics to the Data Explorer, with a focus on areas most relevant to the government's missions;

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BROMSGROVE DISTRICT COUNCIL

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- continue to improve the Data Explorer, including ensuring it better explains the data's limitations and how it should be used responsibly by third parties; and
- develop options for new, additional, or alternative data tools to help citizens understand local authorities' performance, being clear about how these would add value to existing tools and reporting provided by central government and the sector.

As Oflog is an office within my department, I will approve all new metrics for the Data Explorer prior to publication.

Support

Oflog will continue its work to understand the current landscape of support available to local authorities and, where there are gaps, will inform discussions with MHCLG officials about how these gaps might be best filled.

In parallel, Oflog should continue its programme of webinars that convene groups of similar LAs to learn from each other. It should also continue to take a "test and learn" approach to new forms of support. This could include publishing new analysis, research or tools on local authority performance and best practice.

I am interested in what Oflog could do to improve LAs' digital and data capability. Oflog should develop a proposition, working across government.

Warn

We have agreed that Oflog should pause on piloting and conducting its current model of 'early warning conversations' while we consider the Government's overall approach to early warning and interventions. I would like Oflog to work with MHCLG officials on options to help identify when LAs might need support to recover, rebuild or reform.

This remit will be updated after further consideration of Oflog's role in the sector.

Yours sincerely



Jim McMahon OBE MP

Minister of State for Local Government and English Devolution

Audit, Standards and Performance Committee 10th October 2024

Appendix D – Letter from Grant Thornton

Commercial in confidence



19 August 2024

Peter Carpenter
Section 151 Officer
Bromsgrove District Council and Redditch Borough Council

Grant Thornton UK LLP
2 Glass Wharf
Bristol BS2 0EL

T +44 (0)117 305 7800
F +44 (0)117 305 7784
grantthornton.co.uk

Dear Peter

Bromsgrove District Council and Redditch Borough Council: An update on the application of the local authority backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirms the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact the authorities. I should be happy to discuss this further including at the next Audit Committees.

Applying the backstop for years up to 2022/23

As you will be aware, we have not yet signed the audits for years 2020/21 to 2022/23, largely due to the challenges with the ledger implementation in February 2021 and the challenges this has presented in preparing draft financial statements. For 2020/21, we have completed our audit planning and issued audit plans. We have also completed work on the data migration between the old and new ledger and have reported our findings to the Audit Committees. No detailed work on the 2020/21 financial statements has been completed and you have yet to publish draft financial statements for either Council for 2021/22 or 2022/23. For each of the years 2020/21 to 2022/23 we have completed our Value for Money work and issued interim Auditor's Annual Reports, which will be finalised when opinions on the financial statements are issued.

We consider that there will not be sufficient time to conclude our work in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for the 2020/21, 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then our proposed audit reports will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should we have identified any issues during the audit which ordinarily would have impacted our opinion, we will give consideration to how these should be reported in the disclaimer of opinion.

Before we issue a disclaimer of opinion, we will:

- Report any matters arising from the audit which we need to share with you under the auditing standards; and
- Share the wording of the draft disclaimer of opinion with you.

Chartered Accountants

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BROMSGROVE DISTRICT COUNCIL

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Commercial In confidence

To help us meet the backstop requirements, please ensure that you have:

- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations;
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts ; and
- set aside a date for an Audit Committee in advance of 13 December 2024. In practice, we recommend arranging this in November if possible.

Please also note that we will need a letter of representation from you in respect of the financial statements before we issue a disclaimer.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

The recovery period – 2023/24 and onwards

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

We understand that you are already in discussion with Bishop Fleming as your new auditors. To help effect a smooth transition to your new auditor, we will be offering our full co-operation with Bishop Fleming and will provide access to any relevant information from previous year audit files where this is available and supports the incoming auditor.

Looking ahead

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely

Jackson Murray

For Grant Thornton UK LLP

CC Audit Committee chairs

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Performance Committee 10th October 2024

Appendix E – Updated from Catherine Francis 20th September



Ministry of Housing,
Communities &
Local Government

Catherine Frances
Director General for Local
Government and Public Services
2 Marsham Street
London
SW1P 4DF

To All Chief Executives, Chief
Financial Officers, Local Authority
Leaders and Local Audit Firm Partners

20 September 2024

Dear Colleagues,

UPDATE ON ACTION TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

Local authorities and other local bodies provide vital public services to local communities. Effective local audit, in turn, helps ensure transparency and accountability for public money spent on these services and builds public confidence.

Following the Minister of State for Housing, Communities and Local Government's letter of 30 July 2024, I am writing today to provide a further update on the action the Government is taking to tackle the significant local audit backlog in England.

On 30 July, Minister McMahon issued a [written ministerial statement](#) (WMS) in Parliament setting out proposals to tackle the local audit backlog. As that statement set out, the proposals included setting a statutory backstop date of 13 December 2024 to clear the backlog of unaudited accounts up to and including Financial Year 2022/23. This will enable the system to refocus on recent accounts where assurance is most valuable. There will also be five further backstop dates up to and including financial year 2027/28 to allow assurance to be rebuilt over several audit cycles.

The Government has now laid in Parliament two pieces of legislation which would give effect to these proposals: [the Accounts and Audit \(Amendment\) Regulations 2024](#) and, on behalf of the Comptroller & Auditor General of the National Audit Office (NAO), [a draft Code of Audit Practice 2024](#). In parallel, we published a response to feedback on the [audit backlog consultation](#) held earlier this year.

The Accounts and Audit (Amendment) Regulations 2024 are due to come into force on 30 September 2024. This will remove the current requirement to publish audited accounts for financial year (FY) 2023/24 on that date. The deadline for the publication of audited accounts for FY 2023/24 will, instead, be 28 February 2025 to coincide with the second backstop. The Regulations also amend the date by which bodies should publish draft (unaudited) accounts to 30 June for financial years 2024/25 – 2027/28.

The draft Code must be laid in Parliament for a period of 40 calendar days (excluding periods during which both Houses of Parliament are adjourned for more than 4 days). Once both the Code and Regulations are in force, auditors will be required to produce timely audit opinions

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Performance Committee 10th October 2024

(which may result in the issue of a disclaimed or modified opinion), which will in turn mean that local bodies can prepare accountability statements by statutory backstop dates.

As the WMS highlighted, aspects of these proposals are uncomfortable, particularly around issuing modified or disclaimed audit opinions where audits cannot be completed by a backstop date. Given the scale of the backlog, however, and the absence of viable alternatives, the difficult decision was taken to proceed. Without these measures, audits would continue to be delayed, and the system will move even further away from timely assurance. All key local audit organisations support these bold measures, while recognising their exceptional nature. As Minister McMahon set out in his WMS, the Government is clear that local bodies should not be unfairly judged based on disclaimed or modified opinions, caused by the introduction of backstop dates that are largely beyond their control. Auditors are expected to provide clear reasons for the issuing of such opinions to mitigate the potential reputational risk that local bodies may face.

To support auditors in meeting their responsibilities under the Code of Audit Practice, the NAO has issued specific [guidance](#), endorsed by the Financial Reporting Council (FRC) on implementing the reset and recovery of local audit in England. This guidance sets out the public interest considerations that require auditors to act in ways that enable a return to the completion of audits on a timely manner whilst complying with professional standards. As set out in Minister McMahon's WMS, the Government is clear that a proportionate approach to the rebuilding of assurance, once the backlog is cleared, is required by auditors - and all system partners including the FRC, NAO and auditors, are aware that this is the Government's objective. Work is ongoing to further understand the financial impact of these measures and consequent action.

In order to comply with the regulations, and to help auditors deliver opinions, any local body that has not yet done so should publish their unaudited accounts (including financial statements, the annual governance statement and narrative statement) and hold the 30-day public inspection period for all years up to and including FY 2023/24 as soon as possible. The Chartered Institute of Public Finance and Accountancy (CIPFA) will soon publish information to help preparers understand the impact of the backstop dates and how they should approach any unpublished accounts, alongside guidance for audit committees via its Better Governance Forum.

It should not be necessary for the audit of the previous year's accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance. It is a legislative requirement for bodies to publish unaudited accounts. If bodies feel they are in a position where they will not be able to do this ahead of the backstop, following engagement with their auditor, they should contact the Department or their relevant sponsor department at the earliest opportunity.

As you may be aware, MHCLG will hold a webinar for senior officials on 24 September between 1045 – 1115, with support from key local audit organisations, to discuss ongoing work to address the local audit backlog. This is the first in a series of cross system communication and engagement events which will take place between now and the first backstop date of 13 December. The webinar can be joined via this [link](#). I would strongly encourage you to attend if possible.

Finally, I would like to share my appreciation for all of the hard work that finance teams, key audit partners and others have already delivered in support of these measures. Continued and effective collaboration is vital to ensure the best possible outcomes for the local audit system. As Minister McMahon set out in his WMS, the Government is committed to significant reform to overhaul the local audit system and will continue to review the evidence, including considering

BROMSGROVE DISTRICT COUNCIL

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the recommendations of external reviews to date, and update further in the Autumn on longer-term plans.

A handwritten signature in black ink, appearing to read 'C. Frances', with a small dot at the end.

Catherine Frances

Director General for Local Government and Public Services

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Audit, Standards and Governance Committee - 10rd October 2024

Financial Savings Monitoring Report

Relevant Portfolio Holder		Councillor Colella – Portfolio Holder for Finance and Governance
Portfolio Holder Consulted		Yes
Relevant Head of Service		Debra Goodall
Report Author	Job Title: Head of Finance & Customer Services Contact email: debra.goodall@bromsgroveandredditch.gov.uk Contact Tel:	
Wards Affected		All
Ward Councillor(s) consulted		No
Relevant Strategic Purpose(s)		All
Key Decision / 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 RECOMMEND that:

- 1) **The Q1 position on the 2024/25 Departmental Savings Programme be noted, including any potential implications for future years.**

2. **BACKGROUND**

- 2.1 As part of the 2024/25 budget, which was agreed at Council in February 2024, there were a number of savings options approved through the two-tranche process to deliver the balanced budget for the year. Savings from both tranches of the budget process have been combined in **Appendix A**. To these those 2023/4 savings items relating to future years have been added.
- 2.2 Additionally, an Improvement Recommendation in the Interim Auditors Annual Report on Bromsgrove District Council 2021/22 and 2022/23 was that “savings delivery is monitored independently of basic budget monitoring at a Corporate level”. As such savings monitoring will be part of the Audit, Governance and Standards Committee on a quarterly basis. This was delivered in the 2023/4 financial year and this is the first report of the 2024/5 year.
- 2.3 The Quarter 1 2024/25 Finance and Performance Monitoring report was reviewed by Cabinet in September 2024.
- 2.4 The Quarter 3 position was a £103k overspend position. The opening £12.5m full year revenue budget was approved in February 2024.

Agenda Item 9

BROMSGROVE DISTRICT COUNCIL

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Service Description	2024-25 Approved Budget	2024-25 Approved Q1 Budget	Q1 Adjusted Spend	Q1 Budget Variance	Full Year Forecast	Full Year Budget Variance
Business Transformation and Organisational Development	1,792,618	437,654	343,594	-94,060	1,764,057	-28,562
Community and Housing GF Services	1,159,987	289,997	-362,771	-652,768	984,081	-175,906
Corporate Services	994,465	248,616	288,260	39,643	1,009,778	15,313
Environmental Services	3,798,721	949,680	3,012,375	2,062,695	4,335,978	537,257
Financial and Customer Services	1,441,300	360,325	1,145,170	1,505,495	1,840,240	398,941
Legal, Democratic and Property Services	1,563,913	390,978	532,843	141,865	1,501,999	-61,913
Planning, Regeneration and Leisure Services	1,365,472	341,368	962,131	620,763	1,529,625	164,153
Regulatory Client	397,337	99,334	136,997	37,663	585,527	188,190
Starting Well	0	0	156,618	156,618	20,138	20,138
Grand Total	12,513,813	3,117,953	3,924,879	806,926	13,571,425	1,057,612
	-	-	-	-	-	-
Corporate Financing	12,513,813	3,117,953	4,262,479	1,096,526	13,468,689	-954,876
	-	-	-	-	-	-
Grand Total	12,513,813	3,117,953	4,262,479	1,096,526	13,468,689	-954,876
TOTALS	0	0	-337,601	-289,600	102,736	102,736

2.5 As this is expenditure at Q1 it is important to note that, at this stage in the financial year there are a number of instances where annual expenditure or accruals may distort the profiling as reflected in the Q1 actual. The above profiles have assumed support services and grant are adjusted to budgetary levels and accruals are netted out of the figures.

2.6 Overall, the Council is currently forecasting a full year revenue overspend of £103k at Quarter 1. This is mainly due to the additional fleet costs described below and also the pay award yet to be ratified and projects to a full year overspend of £1,053k. This position will continue to be reviewed particularly given the impact of the increasing costs linked to inflation and further updates will be provided to Councillors throughout 2024/25.

2.7 This forecast overspend is predominantly due to:

- **Business Transformation £29k underspend** – due to vacant posts
- **Community and Housing GF Services £178k underspend** – due to vacant posts and increased income.
- **Corporate Services £15k overspend** – additional fees and charges income
- **Environmental Services £537k overspend** – forecasted additional expenditure on salaries, fuel and vehicle hire. The overspend, particularly on vehicle hire, has

Audit, Standards and Governance Committee - 10th October 2024

- been mitigated by ordering a number of new vehicles, however the lead times are long.
- **Financial and Customer Services £399k overspend** – increased forecast expenditure on agency fees due to vacancies
 - **Legal, Democratic and Property Services £62k underspend** – increased property rental income with lower maintenance fees
 - **Planning, Regeneration and Leisure Services £164k overspend** – salary savings offset by reduced fees & charges income, professional fees and agency staff
 - **Regulatory Client £188k overspend** – additional spending due to transfer of Envirocrime and Planning Enforcement from NWEDR
 - **Starting Well £20k overspend** – additional salaries
- 2.8 The above overspends (£1.058m) are offset by additional income (£955k) in Corporate Financing from additional grant income together with increased investment interest receivable and lower interest payable.
- 2.8 As previously reported in the Quarter 2 report, vehicle hire has put a pressure on the revenue budgets this year, as the refurbishment project on the Refuse fleet is requiring vehicles on hire to continue the work. There have also been issues with the fleet unrelated to the refurbishment project that has resulted in higher rental costs as well. Overall, it is anticipated that this will result in a cost pressure in the region of £300k for the year.
- 2.9 The position at year end is that the two Amber items still require careful monitoring:
- The Service Review figure as per the text in the table is more than covered by the difference between Establishment Staffing vacancies and Agency staff. However, this savings figure increases significantly in 2024/5 but should still be covered by the difference. A full Council Establishment Review is being undertaken in May 2024 which will confirm the ongoing position and also put in place processes which keep tight control of staffing changes – which account for almost 50% of the Council's controllable budgets.
 - The Capacity Grid project, recouping old Council Tax and Business Rates debt is in mid flow. Presently levels for pre 2023/4 are £196k of Council Tax and £10k of Business Rates. We are assessing £1.9m of Council Tax Debt and £360k of Business Rates debt.
- 2.10 The red item will not be delivered. additional resource has been bought in to get the accounts up to date. Following a recruitment drive in Q4, 5 staff have been recruited and they all start early in the 2024/5 financial year. This will reduce costs over the present Agency charges. The plan is that the accounts will be bought up to date by the end of the Summer and as such the team should be at Establishment and the ongoing budget position rectified.

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- 2.11 The 2024/5 position is also shown in the table in Appendix A. The vast majority of savings items link to either increases in grant, agreed increases in Tax or items that will not be delivered until future financial years
- 2.12 The largest savings in recent years are on pension costs which link to the 2023 triennial revaluation. These revised figures run for three years. There is a risk for the 2026/7 financial year that these figures will go up when the next triennial revaluation takes place
- 2.13 The following items will require careful tracking in this financial year
- Delivery of the 7% increase on Fees and Charges across the majority of Council chargeable services.
 - The deliverability of Planning income increases.
 - The deliverability of the parking increases.

3. FINANCIAL IMPLICATIONS

- 3.1 The savings have significant financial implications if not delivered.
- 3.2 The Council presently has an estimated £5.213m in General Fund Reserves to cover one off issues, and £6.379m in Earmarked Reserves for specific purposes as per the MTFP report that went to Council in February. These are the only recourse, apart from additional reductions in spending/additional income, that the Council has to mitigate the present overspend position. The £5.213m General Fund figure includes accounting for the additional overspend.

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising as a result of this report.

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 borough and our communities. Our Financial monitoring and strategies are integrated within all our Strategic Purposes.

Climate Change Implications

- 5.2 The green thread runs through the Council Plan. 2023/24 savings options which had implications on climate change would have been addressed at that time.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

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6.1 There are no direct equalities implications arising as a result of this report. Any implications will have been dealt with as part of the 2023/24 and 2024/25 Budget processes.

Operational Implications

6.2 Operational implications will have been dealt with as part of the 2023/24 and 2024/25 Budget process.

7. RISK MANAGEMENT

7.1 Non delivery of savings options, depending on their financial magnitude can have either a small or significant effect on the Council's finances. As such mitigations need to be in place to deal changes to what was agreed by Council in February 2023 and February 2024.

8. APPENDICES and BACKGROUND PAPERS

Appendix A – Bromsgrove Savings Monitoring 2023/24

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Cllr Colella	01/10/2024
Lead Director / Head of Service	Pete Carpenter	27/09/2024
Financial Services	Debra Goodall	27/09/2024
Legal Services	Claire Felton	27/09/2024
Policy Team (if equalities implications apply)	N/A	
Climate Change Officer (if climate change implications apply)	N/A	

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 23rd May 2024

Appendix A – Bromsgrove Savings Monitoring 2023/24

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	RAG Status	Narrative
2023/4 Budget Items						
Service Reviews	-140	-330	-405	-405	Yellow	Establishment review is now taking place. Monitoring position is £2.9m of vacancies covered by £1.6m of Agency staff. This is being evaluated for the savings required and will be reported in the Q2 monitoring. This savings was not delivered in 2023/4 as additional resource has been bought in to get the accounts up to date.
Finance Vacancies	-100	-100	-100	-100	Red	
Engage Capacity Grid (One Off)	-200	-200	0	0	Yellow	Needs to be carefully monitored as slightly under recovered in 23/4.
Environmental Services Partnership	0	-25	-50	-50	Yellow	Q1 monitoring suggest slight issue, will be updated in Q2 monitoring.
Total 2023/4 Items	-440	-655	-555	-555		
2024/5 Budget Items						
Utilities increases		-140	-140	-140	Green	Only 60% drawn down in 23/4 – this is the 40% remainder. Not drawn down in 23/4, £125k put in for 24/5
23/4 Inflation Budget		-188	-194	-194	Green	
7% increase Fees & Charges		-273	-273	-273	Yellow	Will need testing given the £100k reduction in registrars fees
2% C Tax Increase 25/6			-191	-191	Green	This is the present allowable increase level
2% C Tax Increase 26/7			-101	-101	Green	This is the present allowable increase level
2% Fees & Charges 25/6			-101	-101	Green	This is future years
2% Fees & Charges 26/7			-101	-101	Green	This is future years
Gov Grant at 23/4 Levels		-515	-515	-515	Green	As per Government Guidance
Increase in number of Properties (Council Tax Base)		-36	-84	-121	Green	This is 50% of the projected property increases in the Local Plan
Council Tax increase to 3%		-91	-91	-91	Green	Allowable in 2024/5
Planning Income at 25% increase		-145	-145	-145	Yellow	Not included in original fees and Charges – needs validating

2023/24

Agenda Item 9

BROMSGROVE DISTRICT COUNCIL

Audit, Standards and Governance Committee 23rd May 2024

Parking Income	-100	-100	-100		This is the first increase in a number of years and will require monitoring as is linked to other changes in Parking provision in Bromsgrove.
Impact of 23/4 Pay Award	-125	-125	-125		
Business Rates Adjustment	-427	-350	-350		Budget Review of central items highlighted this savings.
Additional Grant announced on 23/1/24	-126	-126	-126		Based on the LG Futures model for the Worcestershire Business Rates Pool
24/5 Savings	-2,166	-2,435	-2,768		As per Government Guidance

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Appendix 1 Member Risk Champion – Roles and Responsibilities

The overall purpose of the role of the Member Risk Champion is to promote, encourage, challenge and drive improvement of the Council's Risk Management processes. The Champion will work closely with Member colleagues and officers in meeting the risk management responsibilities.

The Risk Champion at the Council is expected to provide regular updates at every meeting of the Committee in respect of their work as Risk Champion. This could take the form of written or verbal updates to the Committee.

The main responsibilities of the Member Risk Champion are:

- to promote the Council's Risk Management Strategy and acting as a recognised point of contact for risk related questions.
- to help ensure the Council's risk management systems are operating effectively and to report to the Audit, Standards and Governance Committee as to the robustness or otherwise of those systems.
- to encourage Member colleagues to raise the profile of risk at both formal and informal council meetings thereby embedding the risk management throughout the Council.
- to raise and maintain an awareness of all matters connected with risk management.
- to take a lead role in the development of all members in relation to risk management.

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE – WORK PROGRAMME 2024/25

10th October 2024

Standing items:

- Standards Regime – Monitoring Officer's Report
- Grant Thornton – External Audit Progress Update
- Internal Audit Progress Report
- Financial Compliance Report including update on Statements of Accounts
- Financial Savings Monitoring Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Annual Review from the Local Government Ombudsman

5th December 2024

Standing items:

- Risk Management Report / Quarterly Risk Update
- Grant Thornton – External Audit Progress Update
- Internal Audit Progress Report
- Financial Compliance Report including update on Statements of Accounts
- Risk Champion Update
- Committee Work Programme

Other items:

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16th January 2025

Standing items:

- Standards Regime – Monitoring Officer's Report
- Grant Thornton – External Audit Progress Update
- Internal Audit Progress Report
- Financial Compliance Report including update on Statements of Accounts
- Financial Savings Monitoring Report
- Risk Champion Update
- Committee Work Programme

Other items:

- Capital Strategy 2025-26 including Treasury Management Strategy

AUDIT, STANDARDS & GOVERNANCE COMMITTEE – WORK PROGRAMME 2024/25

20th March 2025

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

Other items:

- Audit, Standards and Governance Committee Annual Report 2024/25