



Borough of Tamworth

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## AUDIT AND GOVERNANCE COMMITTEE

20 March 2014

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 27th March, 2014 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. D. ...', written over a circular stamp.

### A G E N D A

#### NON CONFIDENTIAL

- 1 **Apologies for Absence**
- 2 **Minutes of the Previous Meeting (Pages 1 - 4)**
- 3 **Declarations of Interest**

*To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.*

*When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.*

- 4 Final Accounts 2013/14 - Action Plan** (Pages 5 - 14)  
(Report of the Director of Finance)
- 5 Audit & Governance Committee Self Assessment** (Pages 15 - 20)  
(Report of the Head of Internal Audit Services)
- 6 Internal Audit Charter and Plan 2014-2015** (Pages 21 - 36)  
(Report of the Head of Internal Audit Services)
- 7 Risk Management 1314** (Pages 37 - 68)  
(Report of the Head of Internal Audit Services)
- 8 Regulation of Investigatory Powers Act 2000** (Pages 69 - 70)  
(Report of the Solicitor to the Council and Monitoring Officer)
- 9 Draft Audit Plan - 2013-14** (Pages 71 - 84)  
(Report of Grant Thornton (External Auditor))
- 10 Draft Certification Work Plan** (Pages 85 - 92)  
(Report of Grant Thornton (External Auditor))
- 11 Audit Committee Update** (Pages 93 - 114)  
(Report of Grant Thornton (External Auditor))
- 12 Auditing Standards - Communication with the Audit and Governance Committee** (Pages 115 - 140)  
(Report of Grant Thornton (External Auditor))

*People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail [committees@tamworth.gov.uk](mailto:committees@tamworth.gov.uk) preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.*

To Councillors: M Couchman, K Gant, M Gant, S People, S Pritchard, P Seekings and M Thurgood



## **MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 30th JANUARY 2014**

**PRESENT:** Councillor M Gant (Chair), Councillors M Thurgood, M Couchman, K Gant, S People, S Pritchard and P Seekings

**Officers** John Wheatley (Executive Director Corporate Services), Jane Hackett (Solicitor to the Council and Monitoring Officer), Stefan Garner (Director of Finance) and Angela Struthers (Head of Internal Audit Services)

**Visitors** James Cook (Grant Thornton)  
Joan Barnett (Grant Thornton)

### **43 APOLOGIES FOR ABSENCE**

None. Councillor K Gant attended but left the meeting due to ill health.

### **44 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 31 October 2013 were approved and signed as a correct record.

*(Moved by Councillor S People and seconded by Councillor M Couchman)*

### **45 DECLARATIONS OF INTEREST**

There were no declarations of Interest.

### **46 THE ROLE OF THE AUDIT COMMITTEE**

James Cook of Grant Thornton presented a number of slides on the Role of the Audit Committee for Members.

### **47 CERTIFICATION REPORT FOR 2012/13**

The Report of Grant Thornton (External Auditor) was considered.

- RESOLVED:** That:
- 1 The Certification Report for 2012/13, as it identified no key issues and as Council has good arrangements in place for completion and submission of its claims and returns it be endorsed, and;
  - 2 Thanks to officer efforts is made accordingly.

*(Moved by Councillor M Gant and seconded by Councillor M Thurgood)*

#### **48 AUDIT PROGRESS REPORT**

The Report of Grant Thornton (External Auditor) was considered.

- RESOLVED:** That the Audit Progress Report on the external auditor's responsibilities be endorsed.

*(Moved by Councillor S Peple and seconded by Councillor M Gant)*

#### **49 FINANCIAL GUIDANCE**

The Report of the Head of Internal Audit Services seeking Member endorsement of the recently reviewed Financial Guidance which forms an important part of the Council's regulatory framework, and to provide an opportunity for Members of the Committee to raise any issues they consider appropriate on the subject was considered.

- RESOLVED:** That the Changes to Financial Guidance be endorsed.

*(Moved by Councillor M Gant and seconded by Councillor M Thurgood)*

#### **50 INTERNAL AUDIT QUARTERLY REPORT 2013/14 QUARTER 3**

The Report of the Head of Internal Audit Services reporting on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 3<sup>rd</sup> quarter of 2013/14 and providing members with assurance of the ongoing effective operation of an internal audit function and enable any particularly significant issues to be brought to the Committee's attention was considered.

- RESOLVED:** That the Internal Audit Quarterly Report 2013/14 Quarter 3 be endorsed.

*(Moved by Councillor M Gant and seconded by Councillor S Pritchard)*

**51 REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Report of the Solicitor to the Council and Monitoring Officer informing Members of the surveillance carried out under the Regulation of Investigatory Powers Act 2000 was considered.

**RESOLVED:** That the quarterly RIPA monitoring report be endorsed.

*(Moved by Councillor M Gant and seconded by Councillor S Peaple)*

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Chair

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## AUDIT & GOVERNANCE COMMITTEE

27<sup>th</sup> March 2014

### Report of the Director of Finance

#### FINAL ACCOUNTS 2013/14 – ACTION PLAN

##### Purpose

To provide an outline of the corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2013/14 (including deadlines but not including detailed responsibilities) and to obtain corporate commitment to the action plan.

##### Recommendations

##### That:

1. **the target of 16<sup>th</sup> June 2014 for closure of the final accounts and production of a draft statement for 2013/14 be approved;**
2. **staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required); and**
3. **the Statement be presented to the Audit & Governance Committee on 25<sup>th</sup> September 2014.**

##### Executive Summary

The Accounts and Audit Regulations 2011, require that the statement of accounts be produced by 30<sup>th</sup> June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30<sup>th</sup> September.

The key issues affecting the achievement of these deadlines are detailed in **Appendix A**. The action plan identifies key processes and milestones in achieving the statutory requirement.

The way the Council prepares and reports its accounts (including professional reporting standards and statutory timetables) is a key element within the Council's External Auditor's, (Grant Thornton - GT) assessment of the Council performance within the Annual Audit Letter.

The action plan is a key element in the process to deliver the Council's final accounts in compliance with legislation and maintain a high quality standard.

Key milestone dates will be regularly reviewed / monitored to achieve deadlines with material variances reported to CMT and Members (with proposed remedial actions).

The information provided (detailed in **Appendix B**), although not comprehensive, highlights information that will need to be supplied in order to meet the deadline.

Key milestones – Provisional Dates:

- Completion of the draft accounts by 16<sup>th</sup> June 2014;
- Detailed management quality assurance review by 26<sup>th</sup> June 2014;
- Submission to Grant Thornton (and to Members) on or before 30<sup>th</sup> June 2014;
- Report to Audit & Governance Committee on 25<sup>th</sup> September 2014;
- Latest publish date 30<sup>th</sup> September 2014;

Consideration and approval of this report is a key control and evidence of the Council's plans for the closedown and production of its accounts in compliance with statutory requirements.

### Legal and Risk Implications

The Council has a statutory duty to prepare the Draft Statement of Accounts by 30<sup>th</sup> June 2014.

There is a risk that if the Council is not sufficiently pro-active, the Council's Statement of Accounts may not remain compliant with both the Code of Practice on Local Authority Accounts and International Financial Reporting Standards (IFRS) which would result in a potential delay or criticism over the production of the Accounts and potentially a qualified audit opinion.

The following top level risks have been identified. The full details are contained within the Covalent risk register.

<b>Risk No</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action Required to Manage Risk</b>
<b>1</b>	Further research reveals the new requirements of either the Code of Practice or IFRS to be more complex and time consuming than initially thought.	<b>M / H</b>	An early start, adequate research, adequate initial resources, sufficient resource/budget provision for contingencies
<b>2</b>	Incorrect interpretation of changes in either the Code of Practice or IFRS	<b>M / H</b>	Adequate training, sufficient resources. Ensure all reasons for actions, inclusions and exclusions, are fully documented.
<b>3</b>	Guidance by CIPFA changing possibly causing delays	<b>M / H</b>	Regular review and rescheduling of project timetable



<b>Risk No</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action Required to Manage Risk</b>
<b>4</b>	Inadequate training	<b>L / M</b>	Research available training, ensure all relevant staff attend, training budget to be adequate
<b>5</b>	Failure to identify all leases	<b>L / M</b>	Ensure staff understand exactly what is involved / process to outline the requirements
<b>6</b>	Key staff leaving	<b>L / M</b>	Ensure there are sufficient skills within the team to cover

### **Resource and Value for Money Implications**

There are no financial implications arising from this report.

A significant amount of work will need to be undertaken during the period March through to early June to ensure completion of the Financial Statements by 16<sup>th</sup> June. There is a high risk of this deadline not being achieved should insufficient resources be directed towards the achievement of this goal – deadlines / key milestones will be closely monitored.

### **Report Author**

Please contact Lynne Pugh, Chief Accountant extension 272.

<b>Background papers</b>	Accounts and Audit Regulations 2011
	Revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533) as amended consultation (January 2011)
	Code of Practice on Local Authority Accounting in the United Kingdom (2013) based on IFRS

## Key Issues in the Production of the Statement of Accounts

One of the main ways a Local Authority communicates its financial performance to local stakeholders and the wider community is through its published financial statements.

The Accounts and Audit Regulations 2011, require that the statement of accounts be produced by 30<sup>th</sup> June and require approval of the final audited accounts by the Audit & Governance Committee of the Council ('those charged with Governance') before 30<sup>th</sup> September. This was successfully achieved for the 2012/13 financial year with draft accounts being prepared by 30<sup>th</sup> June 2013 and audited accounts approved by the Audit and Governance Committee, at its meeting on 26<sup>th</sup> September - in compliance with the statutory deadline.

Between completion of the statement in June and the conclusion of the on-site audit in August, a substantial amount of work will be required liaising with the external auditors to ensure an unqualified audit report.

Following the completion of the 2012/13 audit the only amendments to the Statement of Accounts were minor and were only to enhance the disclosure notes – no change to the primary statements.

To meet the necessary deadlines, the closure process for 2012/13 has been reviewed to identify any lessons to be learned for future years.

The main issues affecting the closure of accounts for 2012/13 included:

- the need for corporate ownership of the process;
- reliance on staff in Directorates and third parties who have other priorities;
- the need for key officers (lead by Corporate Finance) to focus on the achievement of critical deadlines, in the face of and in preference to other competing priorities;
- the need to check/validate creditor accruals (and avoid large numbers of reversals where evidence cannot be provided) – it would aid timely completion of the process if accruals were processed by Managers in compliance with laid down parameters (i.e. receipt of goods/services **before** 31<sup>st</sup> March);

***Commitment will be required to ensure that appropriate time and staffing resources will be focussed on the achievement of the key tasks within all directorates.***

A planning meeting has already been held with the Audit Lead from Grant Thornton to discuss the draft timetable of the year end process (**Appendix C**) with further meetings arranged prior to the commencement of the on-site audit of the accounts to discuss progress to date.

A detailed year end timetable has been prepared (**attached at Appendix B**) and communicated; ensuring tasks are allocated, in the right sequence, to named individuals. The timetable will include a firm cut off date for accruals and practical details, such as publication and committee deadlines.

It is essential that there is a review at the end of closedown to highlight any lessons to be learned for next year. Equally vital is clear supporting documentation and an audit trail. These will not only help in the current year audit process but will be a sound base for future years.

A risk management approach is essential when resources are limited. The focus will be on known areas of risk based on past experience. A summary of issues from the 2012/13 closedown with material delays are detailed below.

An escalation process will be in place if it is evident that critical tasks are slipping. There is still some room for development to ensure an efficient closedown for 2013/14.

### 2012/13 - Significant Issues

Item	Issue	Proposed Solution / Action Already taken	Action
Manual Accruals	A number of manual accruals were received after the deadline and following identification by Accountant (i.e. not identified proactively by budget managers) – improvement needed as any late or missed accruals could delay the process and create additional work	By 31/3/14, Directorates will be asked to ensure that where goods/services have been received the majority of orders are 'goods receipted' within e-financials,,, thereby generating 'auto-accruals' on 1/4/14  The minimum level for manual accruals will be £5k (as set by Executive Director Corporate Services). However, should material accruals have been missed (i.e. over £5k) then the Service Accountant must be advised and appropriate action taken	ALL
Related Party Transactions	Again - Delayed return of some signed statements.	Requirements for any remaining Members to be contacted in person at Council/Committee meetings - for sign off by 30/4/14 at the latest.	Solicitor to the Council

A flexible 'teamwork' approach to make the most of scarce staff resources will be implemented, if necessary. Agreed variations to the flexible working policy or overtime pay (under the discretion of the Director of Finance) to speed up the closure of accounts would be considered as well as the need to bring in contract staff.

System weaknesses can cause delays and frustrations and appropriate contingency support will be essential, should problems arise.

Procedures have been in place for a number of years to ensure that key reconciliations are performed on a monthly basis during the year and centrally managed suspense or bank control accounts are cleared regularly.

The continued requirement to prepare accounts under IFRS will require a well thought-out approach to the use of estimates and de minimis levels for year-end accruals.

This has already been discussed and agreed with Grant Thornton during the planning meeting held on 15<sup>th</sup> January 2014 with further planning meetings scheduled during the coming weeks to communicate progress and discuss any issues that may arise.

The aim should be to provide appropriate information to enable the efficient closedown without the need to re open the accounts for late / omitted items i.e. a 'get it right first time' approach. Managers should make every endeavour to include appropriate accruals, temporary reserves and retained funds and provide the required information in a timely manner.

Knowing the previous year's outturn position earlier will help inform not only the current year's financial performance monitoring but the forthcoming year's budget strategy.

It could also further boost confidence in the Council's financial management - the timeliness and accuracy of the financial statements and the supporting records form part of the auditor's assessment within the Annual Audit Letter.

## Appendix B

Ref	CORPORATE REQUIREMENTS FINAL ACCOUNTS 2013/14	LEAD OFFICER	DEADLINE
1	Temporary Reserve / Retained Fund information	ALL	07/03/2014
2	Review all outstanding orders and delete where necessary	ALL	07/03/2014
3	Postal Franker Reading / Costs	DAES	Close of Business 31/03/14
4	All "goods receipts" should be on e-financials by 31/03/14, with evidence held by the Service Departments, in order to ensure 'auto-accruals' are generated. (It is recommended as many as possible done by 07/03/14)	ALL	31/03/2014
	Deadline for approved manual accruals. (ie goods need to be received by 31/03/14.) Refer to year end guidance	ALL	11/04/2014
5	Staff Holiday and Flexi Leave entitlement as at 31/03/14	ALL	11/04/2014
6	Manual accruals to be kept to a minimum, with EDCS approval/authorisation only. The minimum level for manual accruals will be £5,000. (However, should material accruals have been missed (i.e. over £5,000) then the Directorate Accountant must be advised and appropriate action taken)	ALL	
7	Notify all stock holders of the need for stocktakes to be carried out at 31/03/14 and information returned to Accountancy	ALL	04/04/2014
8	Petty Cash imprest reconciliation. A reminder of the need to complete returns at 31/3/14 will be issued	ALL	04/04/2014
9	IT stock purchases and disposals (hardware and software) information	DTCP	04/04/2014
10	Bad debt information: e-financials Sundry Debtors and overpayments Homelessness and Housing Rents	DF DF DHH	11/04/2014
11	Completion of asset acquisitions / disposals / revaluations / impairment and production of the asset register certified by qualified valuer	DAES	Draft by: 11/04/2014 Final Certified by: 25/04/2014
12	All reconciliations to be completed and returned to Accountancy; debtors, benefit, HAA/mortgages, rent, car loans, rent allowance etc. (monthly reconciliations should be completed during the year)	ALL	11/04/2014
13	HAA SOCH Mortgage principal repayment information	DF	11/04/2014
14	Related Party Transaction information. Requirement to be sent by 21/03/14 - Approach at Committee if delayed	EDR S&MO	11/04/2014

<b>Ref</b>	<b>CORPORATE REQUIREMENTS FINAL ACCOUNTS 2013/14</b>	<b>LEAD OFFICER</b>	<b>DEADLINE</b>
15	Housing Capital salaries detailed by capital project	DAES	11/04/2014
16	Managers' confirmation of continued existence and responsibility for assets	ALL	11/04/2014
17	Information for completion of DWP and Subsidy estimated claims from benefits	Head of Benefits	11/04/2014
18	Sale of council house enhancement information (Reg 14)(final quarter)	DAES	11/04/2014
19	Improvement grant reconciliation	DAES	11/04/2014
20	Collection fund information (NNDR3)	EDCS DF	25/04/2014
21	FRS17 Pension information from SCC Pension Fund	SCC	25/04/2014
22	Review Code of Corporate Governance and prepare Annual Governance Statement	Head of Internal Audit	02/05/2014
23	Review grant estimates (Benefits) / comparison to actual submissions	Head of Benefits	30/05/2014
24	Review potential post balance sheet events / impact on accounts	ALL	Up to 30/09/14

**Audit Planning Timetable 2013/14**

<b>Date / Deadline</b>	<b>Completion of:</b>	
15/01/2014	Audit Planning Meeting / requirements (following changes to code, financial analysis, working papers & format, use of estimates etc) key dates to be agreed with Audit Commission	
20/01/14	Initial Planning Work – walkthrough testing	
Feb/ Mar 2014	Cipfa / GT Workshops	
10/03/14	Interim Visit (8 days) – walkthrough and early testing	
14/04/14	Interim Visit (4 days) – further testing	
27/03/14	Audit Planning Meeting / requirements	
27/03/14	Opinion audit plan to Audit & Governance Cttee	
08/05/14	Audit Planning Meeting / requirements	
16/06/2014	Draft Statement preparation	
2 weeks	Quality assurance	
<b>26/06/2014</b>	<b>Submission of Accounts (to GT / Members)</b>	
26/06/2014	High Level Audit Plan for 2013/14 Audit confirmed (for planning / management purposes)	
Early July	Engagement Lead / Engagement Manager review	
07/07/2014	On Site Audit Commences (prepare working papers / reconciliations / quality assurance process)	
11/07/2014	Weekly Meeting with Audit Manager (including emerging Governance report issues) - issues to date documented in <b>one logical list i.e. no repeated issues</b>	Accountants / Key Officers to be available for Auditor questions by appointment
18/07/2014	Weekly Meeting with Audit Manager	
23/07/2014	On Site Audit Concludes (the statement will be changed, as necessary, as the audit proceeds) - Weekly Meeting with Audit Manager	
18/07/2014	Appointed Day	
<b>01/08/2014</b>	<b>Draft list of audit amendments / issues received (subject to Engagement Lead review)</b>	
<b>08/08/2014</b>	<b>Final list of audit amendments / issues received (after Engagement Lead review)</b>	
29/08/2014	Amended Statement of Accounts prepared	
12/09/2014	Audit Findings Report received	
25/09/2014	Audit Findings Report to Audit & Governance Committee	
25/09/2014	Sign Off	
30/09/2014	Publish at latest	

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THURSDAY 27 MARCH 2014

**REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES**

**AUDIT & GOVERNANCE COMMITTEE SELF ASSESSMENT**

**EXEMPT INFORMATION**

None

**PURPOSE**

To complete a self assessment of the effectiveness of the Audit & Governance Committee and produce an improvement action plan if required.

**RECOMMENDATIONS**

**That members of the Committee complete the self assessment checklist at Appendix A in order to formulate an improvement plan if required.**

**EXECUTIVE SUMMARY**

To ensure that effective governance arrangements exist, the authority is required to review the effectiveness of the system of internal control. Part of this review includes the review of the effectiveness of the Audit & Governance Committee.

The attached self assessment questionnaire contains questions from the CIPFA guidance on how to measure the effectiveness of the Audit & Governance Committee plus additional appropriate questions.

The aim of the self assessment questionnaire is to identify areas of compliance and areas where improvement may be required.

Members are requested to complete the questionnaire in order to formulate an improvement plan if required.

**RESOURCE IMPLICATIONS**

None

**LEGAL/RISK IMPLICATIONS BACKGROUND**

None

## **SUSTAINABILITY IMPLICATIONS**

None

## **BACKGROUND INFORMATION**

None

## **REPORT AUTHOR**

Angela Struthers, Head of Internal Audit Services ex 234

## **LIST OF BACKGROUND PAPERS**

None

## **APPENDICES**

Appendix A - Audit & Governance Committee Self Assessment 2013/14

**Audit & Governance Committee Self Assessment 2013/14**

<p><b>Terms of Reference</b>          Have the Committee's terms of reference been approved by the full Council and do they follow the CIPFA model.</p>	
<p><b>Internal Audit Process</b>          Does the Committee approve the strategic audit approach and the annual programme</p> <p>Is the work of Internal Audit reviewed regularly</p> <p>Are summaries of quality questionnaires from managers reviewed</p> <p>Is the annual report from the Head of Internal Audit presented to the Committee</p> <p>Does the Committee ensure that officers are acting on and monitoring action taken to implement recommendations</p>	
<p><b>External Audit Process</b></p> <p>Are reports on the work of External Audit and other inspection agencies presented to the Committee</p> <p>Does the Committee input into the external audit programme</p>	

<p><b>Regulatory Framework</b></p> <p>Does the Committee take a role in overseeing</p> <ul style="list-style-type: none"> <li>• Risk management strategies</li> <li>• Annual Governance Statement</li> <li>• Anti-fraud arrangements</li> <li>• Confidential reporting policy</li> <li>• Financial regulations</li> <li>• Constitution</li> <li>• Complaints handling/ombudsman's report</li> </ul>	
<p><b>Accounts</b></p> <p>Does the Committee take a role in overseeing the annual statement of accounts</p>	
<p><b>Membership</b></p> <p>Has the membership of the Committee been formally agreed and a forum set</p> <p>Is the chair free from executive or scrutiny functions</p> <p>Are members sufficiently independent of the other key committees of the council</p> <p>Have all members' skills and experiences been assessed and training given for identifying gaps</p>	

<p>Can the Committee access other committees as necessary</p>	
<p><b>Meetings</b></p> <p>Does the Committee meet regularly</p> <p>Are separate, private meetings held with the external auditor and internal auditor</p> <p>Are meetings free and open without political influence being displayed</p> <p>Are decisions reached promptly</p> <p>Are agenda papers circulated in advance of meetings to allow adequate preparation by members</p> <p>Does the Committee have the benefit of attendance of appropriate officers at its meetings</p> <p>Can special meetings be organised to allow a quick response to emergencies</p> <p>Does External Audit regularly attend meetings and update members on their progress/external audit issues</p>	
<p><b>Training</b></p> <p>Is induction training provided to members</p> <p>Is more advanced training available as required</p> <p>Is the Committee made of members with a different mix of skills and experience</p>	

<p><b>Administration</b></p> <p>Does the authority's s151 officer or deputy attend meetings</p> <p>Are key officers available to support the Committee</p> <p>Do reports to the Committee communicate relevant information at the right frequency and in a format that is effective</p>	

## AUDIT & GOVERNANCE COMMITTEE

27<sup>TH</sup> MARCH 2014

### Report of the Head of Internal Audit Services

#### INTERNAL AUDIT CHARTER AND PLAN 2014-2015

##### EXEMPT INFORMATION

None

##### PURPOSE

To advise Members of the proposed Internal Audit Charter and Plan for 2014-2015, to provide Members with assurance on the appropriate operation of Internal Audit.

##### RECOMMENDATION

**That the Committee endorses the attached Internal Audit Charter and Plan 2014-2015 and raises any issues it deems appropriate.**

##### EXECUTIVE SUMMARY

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 (IIA – UK & Ireland).

The consideration and approval of an appropriate Internal Audit Charter and Plan by Members is an important element in providing assurance to the organisation that adequate arrangements are in place to provide the expected independent, objective opinion. The Charter complies with the Public Sector Internal Audit Standards (effective 1<sup>st</sup> April 2013).

In accordance with good practice, the Head of Internal Audit Services has consulted members of Corporate Management Team, to ensure current and proposed developments/projects and risks are identified, and has built these into an evaluation of the priority of the different potential areas for audit review. A proposed Audit Plan for 2014 – 15 is attached at **Appendix 2**. The Audit Plan constitutes the main operational delivery of the Internal Audit Service as part of its Internal Audit Charter which in turn sets out how the service proposes to meet statutory and professional requirements; the Charter is also attached at **Appendix 1**.

Members will recall that the Committee's Terms of Reference include the function to "receive, but not direct, internal audit's plan".

This report aims to provide members of the Committee with such an opportunity.

### **RESOURCE IMPLICATIONS**

None

### **LEGAL/RISK IMPLICATIONS**

If a thorough risk-assessed, adequately-resourced audit plan is not in place the Authority will fail to comply with statutory requirements and will not be able to provide the appropriate assurance on the internal control environment. Internal Audit has reviewed the risks to the effective delivery of its functions and has in place appropriate steps to ensure delivery.

### **SUSTAINABILITY IMPLICATIONS**

None

*“If Members would like further information or clarification prior to the meeting please contact Angela Struthers, Head of Internal Audit Services on Ext. 234.”*





## INTERNAL AUDIT CHARTER

Document Status: Draft

Originator: A Struthers

Updated: A Struthers

Owner: A Struthers

Version: 01.01.02

Date: 05/03/14

## Document Location

This document is held by Tamworth Borough Council (the Authority), and the document owner is Angela Struthers.

Printed documents may be obsolete. An electronic copy will be available on the Authority's Intranet. Please check for current version before using.

## Revision History

Revision Date	Version Control	Summary of changes
25/01/13	1.01.01	1 <sup>st</sup> draft
05/03/14	1.01.02	Review

## Approvals

Name	Title	Signature	Date
Audit & Governance Committee	Committee Approval		
Tony Goodwin	Corporate Management Team Approval		
John Wheatley	Executive Director Corporate Services		
Angela Struthers	Head of Internal Audit Services		

## Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

## Distribution

The document will be available on the Intranet and the website.

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## 1 Definition of Internal Auditing

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. (IIA – UK & Ireland)

The internal audit service will comply with the Public Sector Internal Auditing Standards (PSIAS) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA). The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing;
- Code of Ethics; and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

This Charter will be periodically reviewed in consultation with senior management and the board. Changes to the International Professional Practice Framework will be incorporated as and when they occur.

The following posts will be designated as shown below in order to comply with the PSIAS.

Post	Designation
Audit & Governance Committee	Board
Corporate Management Team	Senior Management
Chief Executive	Head of Paid Service
Head of Internal Audit Services	Chief Audit Executive

The Chief Audit Executive will report conformance to the PSIAS in the annual report to the Board.

## 2 Mission Statement of Internal Audit

To provide a high quality, cost-effective service, which adapts and responds to the Authority's needs based on achieving a high standard of professionalism and expertise in service delivery and also to contribute in achieving Best Value Public Services and improving the organisation's operations.

## 3 Purpose and Statutory Requirements

The internal audit activity will evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information amongst the board, external and internal auditors and management.

In addition, the other objectives of the function are to:

- Support the Executive Director Corporate Services to discharge their s151 duties of the Local Government Finance Act 1972 by maintaining an adequate and effective internal audit service;
- Contribute to and support the Authority's objectives of ensuring the provision of and promoting the need for, sound financial systems; and
- Investigate allegations of fraud or irregularity to help safeguard public funds.

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011 which state in respect of Internal Audit that:

*“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”*

The work of Internal Audit forms part of the assurance framework, however, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

#### **4 Objectives**

The Chief Audit Executive's responsibility is to report to the Board on its assessment of the adequacy of the entire control environment.

It does this by:

- Providing assurance to the Council and its management on the quality of the Council's operations, whether delivered internally or externally, with particular emphasis on systems of risk management, resource control and governance. Assurance to third parties will be provided where specific internal audit resources are allocated to the area under review (e.g. pension contributions).

- Providing consultancy services to internal and external delivered services.

## **5 Role and Scope of Work**

The scope on internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Evaluating the potential occurrence for fraud as part of the audit engagements;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organisation's risk management processes;
- Monitoring the degree of coordination of internal audit and external audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters to the Board;
- Evaluating specific operations at the request of management, as appropriate;
- Support management upon the design of controls at appropriate points in the development of major change programmes.

With regard to risk management, internal audit will carry out individual risk based engagements to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.

Internal audit operate in an advisory capacity to:

- Report upon the level of risk maturity and scope for improvement;
- Facilitate the identification and assessment of risks;
- Coach management in responding to risks.

The CAE is responsible for:

- Developing the Corporate Risk Management Strategy in liaison with the Management Teams and Service Units;
- Promoting support and overseeing its implementation across the Council;
- Monitoring and reviewing the effectiveness of the risk management strategy;
- Assisting with the identification and communicating risk management issues to Units;
- Advising Corporate and Service Unit management teams on strategic and operational implications of risk management decisions;
- Supporting Corporate and Service Unit management teams in their liaison with any external partners when identifying and managing risk in joint projects.

## **6 Proficiency and Due Professional Care**

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Internal Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit activity will adhere to the Council's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Job descriptions and person specifications for each post within Internal Audit Services define the appropriate knowledge, skills and experience and are reviewed periodically.

Personal Development Reviews will be completed in accordance with the Council's policy. Staff will be supported to fulfil training and development needs identified in order to support their continuous professional development programme.

Internal Auditors will exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives with detailed Terms of Reference (including consultancy engagements);

- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

Where gaps exist in knowledge and skills in the formation of internal audit plans, the CAE can engage specialist providers of Internal Audit Services.

Internal Audit staff will be suitably supervised and work will be reviewed by a senior member of staff.

## **7 Authority**

The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Authority's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit service in fulfilling its roles and responsibilities.

## **8 Organisation**

The Chief Audit Executive will report functionally to the Board and administratively (i.e. day to day operations to the Executive Director Corporate Services).

The Board will receive performance reports on the Internal Audit Function on a quarterly basis.

## **9 Independence and Objectivity**

The internal audit service will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or reporting content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The internal audit service will also have free and unrestricted access to the Head of Paid Service and the Board.

The Chief Audit Executive will confirm to the Board, at least annually, the organisational independence of the internal audit activity.



## 10 Internal Audit Plan

At least annually, the Chief Audit Executive will submit to Senior Management and the Board an internal audit plan for review and approval.

The internal audit plan will be developed based on prioritisation of the audit universe using a risk-based methodology, including input from Senior Management. Any significant deviation from the approved plan will be communicated to Senior Management and the Board for approval. The use of other sources of assurance and the work required to place reliance on them will be highlighted in the audit plan.

Contingency time will be built in to the annual audit plan to allow for any unplanned work. This will be reported on in accordance with the internal reporting process to the Board.

Approval will be sought from the Board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. The Audit Plan balances the following requirements:

- the need to ensure the Audit Plan is completed to a good practice level (currently at least 90% of planned audits remaining required and deliverable in the year);
- the need to ensure core financial systems are adequately reviewed to provide assurance that management has in place proper arrangements for financial control (on which External Audit will place reliance);
- the need to appropriately review other strategic and operational arrangements, taking account of changes in the authority and its services and the risks requiring audit review;
- the need to have uncommitted time available to deal with unplanned issues which may need to be investigated eg allegations of financial or other relevant irregularities, or indeed specific consultancy. (NB there are separate guidelines over circumstances in which Internal Audit may and may not get involved in such investigations or consultancy, and further reference to this is made within the corporate Counter Fraud and Corruption Strategy and guidance);
- to enable positive timely input to assist corporate and service developments.

A joint working arrangement with External Audit will be sought such that Internal Audit resources are used as effectively as possible.

## **11 Reporting and Monitoring**

A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each internal audit engagement and will be distributed as appropriate. A summary of the internal audit results will be communicated to the Board.

The final internal audit report will include management's response and corrective actions in regard to the specific findings and recommendations. It will also include a timetable for anticipated completion of action to be taken.

The Internal Audit service will be responsible for following up the recommendations made to ensure that management have implemented them in the agreed timescales. This will be completed within six months from the finalisation of the audit. Additional implementation reviews will be carried out where high priority recommendations remain outstanding or a significant number of recommendations remain outstanding.

## **12 Quality Assurance and Improvement Programme**

The Chief Audit Executive will periodically report to the Board on the internal audit service purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will 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.

In addition, the Chief Audit Executive will communicate to Senior Management and the Board on the internal audit service's quality assurance and improvement programme, including results of ongoing internal assessments and improvement plans and external assessments. External assessments will be conducted at least every five years by a professionally qualified and experienced assessor.

The improvement plan resulting from the internal and external assessments will be reported to and monitored by the Board.

INTERNAL AUDIT PLAN - 2014/15					APPENDIX 2
AREA OR SUBJECT OF REVIEW	Risk Rating	Audit type	days allocated		
<b>KEY FINANCIAL SYSTEMS</b>					
MAIN ACCOUNTING & BUDGETARY CONTROL	Low	Key Financial System	15		
TREASURY MANAGEMENT	Low	Key Financial System	8		
CREDITORS	Medium	Key Financial System - interim	5		
DEBTORS	Low	Key Financial System	15		
COUNCIL TAX	Low	Key Financial System - interim	5		
NNDR	Low	Key Financial System - interim	5		
PAYROLL	Low	Key Financial System - interim	5		
BANK REC & CASH	Low	Key Financial System	15		
HOUSING & COUNCIL TAX BENEFITS	Low	Key Financial System - interim	5		
CAPITAL STRATEGY & PROGRAMME MANAGEMENT	Low	Key Financial System	15		
HOUSING RENTS	Low	Key Financial System - interim	5		
HOUSING RESPONSIVE REPAIRS & PROPERTY CONTR	Medium	Key Financial System	20	118	
<b>STRATEGIC &amp; OPERATIONAL RISKS</b>					
Castle Grounds/Parks & Open Spaces	Medium	Risk Based Review	7		
Commissioning	Medium	System Based Review	8		
Housing Anti Social Behaviour	Medium	Risk Based Review	7		
Estate Caretaking	Medium	Risk Based Review	7		
Homelessness	Medium	Risk Based Review	7		
Private Sector Housing	Medium	System Based Review	8		
Right to Buy Sales	Low	System Based Review	7		
ICMC/Customer Services	High	System Based Review	10		
Performance Management	High	System Based Review	12		
Project Management	High	System Based Review	12		
Equalities	Medium	System Based Review	8		
Time Recording & Absence	Medium	System Based Review	8		
VAT	High	System Based Review	8		
				109	
<b>ICT AUDIT REVIEWS</b>					
ISO27001	Low	ICT review	8		
ISO20000	Low	ICT review	8		
Remote Access	High	ICT review	8		
DIP Application Review	High	ICT review	7		
Website	High	ICT review	8		
IT Change Control	High	ICT review	7		
Internet Controls	High	ICT review	8		
M3 Application Review	High	ICT review	8		
Data Protection	High	ICT review	8		
IT Disaster Recovery	Medium	ICT review	8		
Express application review	Medium	ICT review	7		
Network Controls	High	ICT review	7		

				92					
<b>CONSULTANCY</b>									
Golf Course project			8						
Legal Spend Review			5						
				13					
<b>IMPLEMENTATION REVIEWS</b>									
Data Quality & Records Management			2						
Legal Compliance			2						
Cemeteries			2						
Disabled Facilities Grants			2						
Health & Safety			2						
Community Leisure			2						
Sheltered Housing			2						
Commercial/ Industrial Properties			2						
RIPA			2						
Asbestos & Legionella			2						
Corporate Property Management			2						
Committee Decisions & Reporting			2						
Standards & Declarations			2						
Gazetter			2						
Scheme of Delegation			2						
Castle			2						
Corporate Business Continuity			2						
Income Management			2						
Homelessness			2						
Safeguarding Children & Vulnerable Adults			2						
Licences			2						
Corporate Policy Management			2						
Section 106 agreements			2						
Tourism and Town Centre			2						
Procurement			2						
Gifts & Hospitality			2						
Organisational Development			2						
Orchard Application			2						
I Trent Application			2						
Exchange/Email Application			2						
CRM			2						
BACs			2						
Software Asset Management			2	66					
<b>ANNUAL GOVERNANCE &amp; ASSURANCE FRAMEWORK</b>									
ANNUAL GOVERNANCE STATEMENT	HIGH		13						
ANNUAL AUDIT OPINION	HIGH		3						
ANNUAL AUDIT PLANNING & REVIEW	HIGH		6						
COUNTER FRAUD CULTURE	HIGH								
- NATIONAL FRAUD INITIATIVE & PROACTIVE COUNTER FRAUD WORK			15						
- REVIEW OF FRAUD RISK REGISTER			2						
- REVIEW OF COUNTER FRAUD POLICIES AND DOCUM	HIGH		3						

INTERNAL AUDIT QUALITY ASSURANCE & IMPROVEMENT	HIGH		3						
REVIEW OF FINANCIAL GUIDANCE	HIGH		4	49					

REVIEW WORK COMPLETED ON BEHALF OF STAFFORDSHIRE COUNTY COUNCIL									
PENSION CONTRIBUTIONS	MEDIUM	SUBSTANTIVE TESTING	2	2					
<b>CORPORATE SUPPORT</b>									
GOVERNANCE TRAINING			5						
AUDIT & GOVERNANCE COMMITTEE SUPPORT			15						
EXTERNAL AUDIT LIAISON			2						
SPECIAL INVESTIGATIONS			20						
CONTINGENCY			30	72					
<b>TOTAL AUDIT DAYS</b>			<b>521</b>						
				521					
Approvals									
<b>Name</b>		<b>Signature</b>		<b>Date</b>					
Audit & Governance Committee - Chair									
CMT - Chief Executive									
Executive Director Corporate Services									
Head of Internal Audit Services									

THURSDAY 27 MARCH 2014

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

RISK MANAGEMENT 2013/14

**EXEMPT INFORMATION**

None

**PURPOSE**

To report on the Risk Management process and progress to date for the current financial year.

**RECOMMENDATIONS**

**That the Committee considers this report and raises any issues it deems appropriate.**

**EXECUTIVE SUMMARY**

One of the functions of the Audit & Governance Committee is to monitor the effectiveness of the authority's risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management.

Work completed this financial year includes the complete review of the Corporate Risk Register. The Corporate Risk Register is reviewed by Corporate Management Team (CMT) on a quarterly basis. Corporate risks have been assigned to relevant members of the Corporate Management Team. Through regular review, risks may be added or removed from the Corporate Risk Register.

Work is continually completed by Internal Audit with Service Units to ensure that the operational risk register entries are aligned to the corporate risks. This will also identify areas where operational risk registers need to be updated to ensure that operationally, the corporate risks are managed.

The Corporate Risk Register is (Appendix 1) for information.

**RESOURCE IMPLICATIONS**

None

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

None

## **SUSTAINABILITY IMPLICATIONS**

None

## **BACKGROUND INFORMATION**

None

## **REPORT AUTHOR**

Angela Struthers, Head of Internal Audit Services ex 234

## **LIST OF BACKGROUND PAPERS**

None

## **APPENDICES**

Appendix 1 – Corporate Risk Register


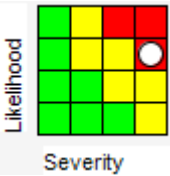
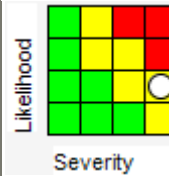


# Corporate Risk Register 13/14


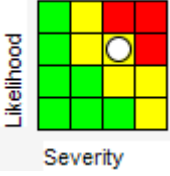
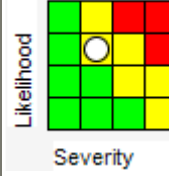
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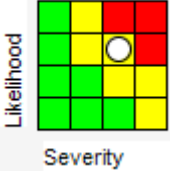
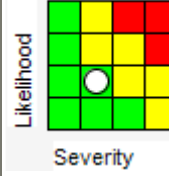
<b>Risk Code</b>	CPR1213	<b>Risk Title</b>	Corporate Risk Register 2013/14	<b>Current Risk Status</b>	
<b>Description of Risk</b>	-- enter risk details here --			<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>				<b>Current Risk Score</b>	
<b>Gross Severity</b>				<b>Current Severity</b>	
<b>Gross Likelihood</b>				<b>Current Likelihood</b>	
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	
<b>Consequences</b>					
<b>Vulnerabilities/causes</b>					
<b>Risk Notes</b>					

<b>Risk Code</b>	CPR1314_01	<b>Risk Title</b>	Medium Term Financial Planning & Sustainability Strategy	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Loss of Funding and Financial Stability			<b>Assigned To</b>	Stefan Garner; John Wheatley
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	<p>Sustainability Strategy developed to address longer term funding shortfall identified - detailed workstream deliverables including corporate change programme(3)</p> <p>Budget planning and monitoring (1)</p> <p>Draft Medium term financial strategy prepared January 2014 for Joint Scrutiny Committee review (2)</p> <p>Treasury Management Strategy, annual outturn &amp; strategy approved by Council. regular monitoring (4)</p> <p>WRIEP support for efficiency / procurement (5)</p> <p>Grant income sourced where possible (6)</p> <p>Developing benchmarking process within the authority to evaluate and understand costs/performance/outputs including CIPFA benchmarking, reviewing high spend, annual internal audit review of audit commission benchmarking data (7)</p> <p>Performance setting (8)</p> <p>Procurement section, contracts register, quick quote process / Procurement guidance updated / intranet (9)</p> <p>Business case reviews (10)</p> <p>SCFOG/Networking / Active engagement in central government reform and change agenda (11)</p> <p>Effective use of assets eg Marmion House, agile working project (12)</p> <p>Attendance at professional &amp; Government updates / workshops (13)</p> <p>Proactive management &amp; monitoring of corporate income levels i.e. council tax, business rates &amp; housing rent (14)</p> <p>Section 151 review of controls within key financial systems (15)</p> <p>Housing Regeneration Project Group established with key sub-groups for specific tasks (16)</p> <p>Council tax support scheme - legal advice, EIAs, sound consultation with public, claimants and other LAs to develop a local scheme based on an agreed Countywide framework (17)</p> <p>support provided for new/existing members from key officers and third parties (SOLACE)</p>	<b>Current Risk Score</b>	8	
<b>Gross Severity</b>	4		<b>Current Severity</b>	4	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	23-Jan-2014	

		Peer Assessment identified clear recognition & communication of financial position to stakeholders Updating of HRA Business Plan Review of Healthier Housing Strategy Review of SPV feasibility		
<b>Consequences</b>	<p>Cuts in front line service provision Quality of service decline partnership relationships become strained uncoordinated cuts/ reduction in service provision financial savings not achieved miss out on funding opportunities inability to meet on-going costs Significant impact on the economic health of the local community Budget overspends minimum reserves not maintained Budgets not balanced Potentially acting illegally Reputation issues Reduced income streams including car parks, golf course, planning, treasury, council tax &amp; business rates</p>			
<b>Page 41</b> <b>Vulnerabilities/causes</b>	<p>changes to political control (local/national) budget shortfall / funding gap increasing through austerity cuts - 3 year MTFS in place from 2013/14 (longer term shortfalls identified from 2016/17) CSR 2013 &amp; LGFS identified further cuts from 2015/16 c.15% (1,2,3,9,10,12) Increased cost liabilities e.g. water course maintenance, land charges, legacy MMI claims, golf course (1,2,3,9,10,12) failure to manage budgets (1) failure to manage investments (4) missing key business funding opportunities (5, 6) Failure to maximise incentive funding (i.e. new homes bonus, council tax, benefits admin, RTB's one for one replacement) (6) Disabled Facilities Grants - increased demand / costs not in line with grant levels impacting on other funding sources (6) recession increase impact on services required (i.e. capacity, finance, recovery levels) (7,8,14) failure of an existing contractor (9) Technical reform of Council Tax and other welfare reform changes (Universal Credit, Housing Allowances etc) wef 1/4/13 and the potential impact on collection levels/write offs (14, 15) Business rates retention wef 1/4/13 - local collection levels will directly on the councils budget (14,15) Reduced income corporately due to welfare reform changes (including council tax support scheme) - impact on council tax, rent income etc (14, 15) HRA regeneration projects &amp; impact on business plan / wider regeneration project including town centre, car parks etc (16) Council tax support scheme - legal challenge (17)</p>			
<b>Risk Notes</b>	<p>Possibility of Fire Service taking Industrial action - review risk on a more regular basis - review set to weekly</p>			

<b>Risk Code</b>	CPR1314_02	<b>Risk Title</b>	Reputation	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Damage to Reputation			<b>Assigned To</b>	Anica Goodwin; Tony Goodwin; Jane Hackett
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Monitoring Officer Increased use of multi media to consult/communicate Members surgeries Celebrating success State of Tamworth debate PR & Communications Tell Us Scheme Tamworth Listens Standards through Audit & Governance Committee independent Person Members declarations of Interest Ombudsmen report Monitoring of news stories Service delivery standards Contract monitoring Codes of conduct Policies and procedures Service Standards Training for all staff and members in media/press/use of social media mystery shopper AGM Annual Corporate Plan		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	21-Jan-2014
<b>Consequences</b>	erosion in trust and confidence service failure loss of income increased cost of working fall in satisfaction levels loss of public support claims in tribunal/personal liability loss of peer group credibility increased scrutiny by government and auditors				

<b>Vulnerabilities/causes</b>	Failure to match social and political expectations failure to act on feedback crisis and major incident management failures failure to deliver minimum standards of service Third party supply chain failure non-compliance with legislation unethical practices by officers/members security breaches by officers/members personal actions by officers/members misuse of social media by officers/members
<b>Risk Notes</b>	

<b>Risk Code</b>	CPR1314_03	<b>Risk Title</b>	Governance & Regulatory Failure	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to achieve adequate Governance Standards and statutory responsibilities			<b>Assigned To</b>	Jane Hackett; John Wheatley
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Regular review & update of Financial guidance (1) Audit & Governance Committee in place, including Standards (2) Scrutiny Committees in place, including call in & questions at Council (3) Annual Governance Statement process / prepared (4) Whistleblowing Policy and Counter Fraud and Corruption Strategy developed & communicated (5) Money Laundering Policy developed and communicated Section 151 functionality and Monitoring Officer in place / Scheme of Delegation (6) Internal Audit function (7) External Audit assessment / reviews (8) Partnership Guidance Policy (9) Managers Assurance Statements prepared annually (10) Constitution - regular review (11) Code of Conduct for members (12) Relevant policies and procedures / Net Consent for policy management and acceptance (13) Legislation training for officers and members / continual CPD and other training / regular legal updates (14) development of member training plan / development of e learning solution (15) Insurance policies for regulatory failure - officials indemnity, fidelity guarantee & libel and slander(16) TULG - consultation, openness, accountability, probity (17) Obligations under Environmental Protection Act and Public Health Act (18) PDR process (19) Electoral Process (20) Forward Plan in place with key decisions highlighted, Committee meetings scheduled (21) The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (22) Regular RIPA training for staff and key officers Data Protection awareness for staff	<b>Current Risk Score</b>	4	
<b>Gross Severity</b>	3		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	24-Jan-2014	


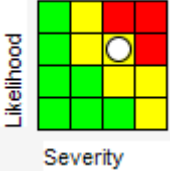
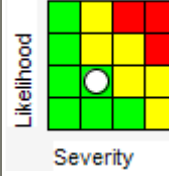
<p><b>Consequences</b></p>	<p>non-compliance with legal requirements          fraud          poor performance          damage to reputation          prosecution, fines          death or injury to public and/or staff          audit criticism within Annual Audit Letter / accounts qualified          poor inspection comments          legal challenge          Ultra vires          Financial impact / exposure from poor decisions arising from uninformed decision making process          Increased demand for resource support from Members</p>
<p><b>Vulnerabilities/causes</b></p>	<p>Lack of training / knowledge - officers and member (14, 15)          lack of documented procedures (1)          lack of commitment from officers and members (6, 12)          failure to understand the importance of key decisions (14, 15)          Inadequate governance process in place (1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21,22)          Lack of accountability (5, 6 ,7, 8, 12, 19, 20)          Non compliance with legislation (6 ,14 ,18)          fraud (1, 5, 6)          Poor performance (19)          failure to manage or be aware of legal responsibilities/changes to legislation (6, 14, 15)          lack of resources/ funding legal challenge(3)          financial position affecting decision making          loss of key staff / members (20)          inappropriate decision making (6, 14, 15)          Changes to political control (20)</p>
<p><b>Risk Notes</b></p>	<p>Localism Act, Welfare Benefit reform,</p>

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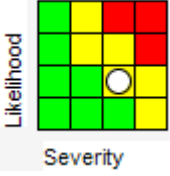
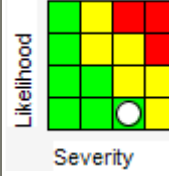
<b>Risk Code</b>	CPR1314_04	<b>Risk Title</b>	Partnership Working and Supply Chain Challenges	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure in partnership working, shared services or supply chain			<b>Assigned To</b>	Andrew Barratt; Rob Mitchell
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Procurement section, contracts register, quick quote process / Procurement guidance updated / intranet Partnership Governance Policy and training on the policy in place - refreshed in 2012 Partnership arrangements in place, eg contracts, shared service agreements Effective contract/partnership monitoring - revised TSP working well Business Continuity plans in place Comprehensive review of corporate business continuity with representation across all directorates. Policy, terms of reference and testing schedule drafted with expected sign off by Business Continuity Group 24/6/13 Risks identified and managed Constitutions in place for some partnerships TBC Business Continuity Group Adequate terms of reference Adherence to contracts register		<b>Current Risk Score</b>	4
<b>Gross Severity</b>	3			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Page 6</b> <b>Next Risk Review Date</b>				<b>Last Risk Review Date</b>	17-Jan-2014
<b>Consequences</b>	Services not delivered Damage to reputation Loss of knowledge, intellectual property and other assets Loss of quality service Criticism from external auditors/assessors Customer dissatisfaction Lack of resources Workforce opposition High exit costs Costs not reduced Efficiencies not gained Waste not eliminated Regulations not met Increase in accidents				
<b>Vulnerabilities/causes</b>	Failure to meet service delivery expectations Partner has financial failure				




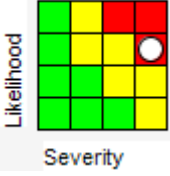
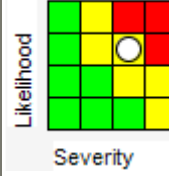
	<p>Supplier incident eg data loss, governance issue                  Service delivery collapses during wide spread major incident                  Third party supply chain failure                  Partner under performs                  Failure to assess and manage the risks arising from the use of thrid parties                  Failure to set and manage contractual conditions and performance targets                  Failure to get management support                  Staff turnover increases                  Poor, incomplete knowledge transfer                  Scope of change too narrow/too broad                  benefits not realised                  Political change of policy</p>
<b>Risk Notes</b>	Partnerships in place - waste, health & safety, Economic Development, Buidling Control, Strategic Partnership, Housing Repairs, IT service desk

<b>Risk Code</b>	CPR1314_05	<b>Risk Title</b>	Emergency & Crisis Response Threats	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to manage an external or internal emergency/disaster situation			<b>Assigned To</b>	Andrew Barratt; Nicki Burton
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	<p>Emergency Plan in place</p> <p>Emergency planning training completed at various levels</p> <p>Business Continuity Plans in place</p> <p>Comprehensive review of corporate business continuity with representation across all directorates. Policy, terms of reference and testing schedule drafted with expected sign off by Business Continuity Group 24/6/13</p> <p>Active engagement in Exercise Triton</p> <p>Insurance cover in place to cover exposure to financial loss.</p> <p>Advice and guidance on Risk Management and Business Continuity on the intranet</p> <p>Emergencies advice available on website</p> <p>Building- fire prevention controls in place and tested on a regular basis</p> <p>Adequate physical security controls in place and reviewed on a regular basis.</p> <p>IT business continuity plan in place and tested on a regular basis</p> <p>Service impact analysis completed to rank priority of services</p> <p>Corporate business continuity plan in place</p> <p>All communication plans tested on a regular basis</p> <p>Emergency plan tested on a regular basis</p> <p>Business Continuity Group</p> <p>Membership of Staffordshire CCU &amp; Resilience Forum</p> <p>Effective communication /ICT tools/ infrastructure eg mobile phones, laptops</p> <p>Representation at newly formed CCU Strategic Leaders Meeting</p> <p>Successful no notice test</p> <p>Learning from actual events i.e. corporate system failure Dec 12</p> <p>Comprehensive internal audit across BC and EP resulting in a number of agreed management actions</p> <p>Emergency Planning Admin all brought into ICT</p>	<b>Current Risk Score</b>	4	
<b>Gross Severity</b>	3		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	13-Jan-2014	
<b>Consequences</b>	<p>Services not delivered</p> <p>Damage to reputation</p> <p>Civil Contingency Act requirements not met</p> <p>Death</p>				


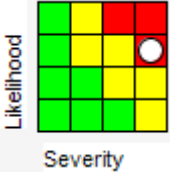
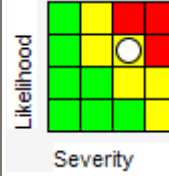
	<p>Destruction of property                  Damage to the environment                  Adverse affect on vulnerable groups                  Public expectations of service delivery not met                  Increased costs for alternative service delivery</p>
<b>Vulnerabilities/causes</b>	<p>Lack of integrated emergency arrangements making it difficult to react quickly to a disaster and provide the required support and essential service in line with the requirements of the Civil Contingencies Act.                  Failure to test plans                  Failure to undertake training                  Plans not activated                  plans do not accurately identify the staffing/resources required                  implications of industrial action from other service providers ie Fire Service</p>
<b>Risk Notes</b>	<p>current risks and scoring matrix still accurate and fit for purpose</p>

<b>Risk Code</b>	CPR1314_06	<b>Risk Title</b>	Economic Changes	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to plan and adapt services to economic changes within the community			<b>Assigned To</b>	Stefan Garner; Rob Mitchell
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	6	Link to CPR1213_01 - financial control (1) Strategic Priority - Aspire & Prosper (performance monitored, addressed) (2) Keep up to date with central government communications (3) Adapt to downturn in economy - Tamworth Community Advice Network (TamworthCAN) (3) Economic Bulletin distributed to management - shows regional and local economic statistics (4) Management networks and leadership meetings (5) Support to local businesses - including through local Procurement (quick quote) (6) Think Local (7) Business and Economic Partnership (8) Place Group / Tamworth Strategic Partnership (9) Solutions for Business (10) External funding streams explored (Portas, GBSLEP) (11) Medium term financial plan (12) Zero based budgeting approach to Income targets (13) Regular review of business plans (14) Economic Strategy (15) GBSLEP including Business Rate reform / pooling (16) Local Plan (17) Local Investment Plan (18) Local Transport Board (GBSLEP) (19) Housing Regeneration projects / review including wider Town Centre regeneration (20) Plan for Welfare reform - discuss with partner agencies via the TSP (21) Joint working - Economic Development and Finance to develop financial business case (22) - a) Additional monitoring of empty properties (Revenues/Economic Development) to identify actions to promote growth & associated Business rate income; b) regeneration projects such as Town Centre regeneration, Cultural Quarter, Created in Tamworth etc.	<b>Current Risk Score</b>	3	
<b>Gross Severity</b>	3		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	2		<b>Current Likelihood</b>	1	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	23-Jan-2014	

<b>Consequences</b>	<p>Lack of Town Centre development / prosperity                  No external funding to aid economy and growth                  Economic prosperity declines                  Detrimental effect on housing market                  People leave the borough                  Increased demand for social housing                  Impact on Council income                  Increased costs to Council services due to increased demand                  Reduced income corporately due to welfare reform changes (including council tax support scheme) - impact on business rates, council tax, rent income, car parking, planning etc</p>
<b>Vulnerabilities/causes</b>	<p>Failure to recognise economic changes (1, 2)                  Sudden economic downturn affecting businesses, jobs, housing etc (2, 3, 6, 8, 9, 15)                  Loss of major employer in the region (3)                  Failure to recognise opportunities (11, 15, 16)                  Rapid increase in inflation (1, 12)                  Changes in government funding/grants (3, 12)                  Collapse / decline of the property market (2, 8, 15, 16, 17, 18, 19, 20)                  Change of government (18, 19)                  Under achievement of development/investment (15, 16, 17, 18, 19, 20, 22)</p>
<b>Risk Notes</b>	


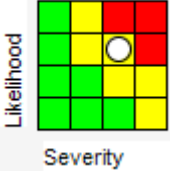
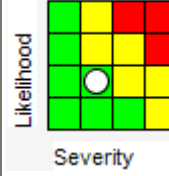
<b>Risk Code</b>	CPR1314_07	<b>Risk Title</b>	Information Management & Information Technology	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to secure and manage data and IT infrastructure			<b>Assigned To</b>	Nicki Burton; John Wheatley
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Network security Physical security Security Policy, Information Security Manual Data Protection compliance and training Single point of contact eliminated regarding Data Protection Storage limits being implemented (subject to CMT endorsement) - links to retention schedule & EDRMS, active management & archiving of data not regularly accessed GCSX PSN compliance Environmental controls Established protocols Security of data EDRMS implementation Data limits Business Continuity Plans Disaster Recovery Plan Virtual servers Web based systems Home working ISO27001 Back ups Annual penetration tests ISO20000 Improved Business Continuity with reciprocal arrangements at Walsall Enhancements made to Data Retention, Storage Management and Proven Integrity of VMWare Infrastructure	<b>Current Risk Score</b>	9	
<b>Gross Severity</b>	4		<b>Current Severity</b>	3	
<b>Gross Likelihood</b>	3		<b>Current Likelihood</b>	3	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	24-Jan-2014	
<b>Consequences</b>	Fine Reputational damage Potential imprisonment Physical harm to staff				

	Consequence for members of the public if their personal data lost/stolen Loss of key management information Inability to deliver services potential loss of income
<b>Vulnerabilities/causes</b>	Insecure IT equipment Human error / loss of personal data Loss of equipment/data Theft Equipment failure Hacking / Viruses Agile working trials / flexible working project Corporate Change Project
<b>Risk Notes</b>	


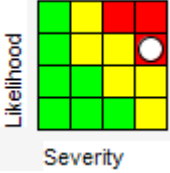
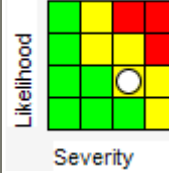
<b>Risk Code</b>	CPR1314_08	<b>Risk Title</b>	Loss of Community Cohesion	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to achieve community cohesion			<b>Assigned To</b>	Rob Barnes; Rob Mitchell
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	No change to front line services Locality working ASB Policy Partnership working Financial Inclusion Policy Community Engagement- project related and inclusive Corporate consultation database Services proactive in engaging communities Data and intelligence used to inform service planning Community cohesion awareness Capacity building projects & initiatives Impact assessments used Horizon scanning Big Society/Localism impact Stronger Communities Partnership Responsible Authorities Group Development of ASB hub Links with Police Community Cohesion Audit Tamworth Strategic Partnership ASB working group to agree processes to go onto CRM effective Council wide response to implications of WBR		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	4			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	17-Jan-2014
<b>Consequences</b>	Long term costs Not meeting/understanding users needs Increase in crime and disorder Poor use of funding Increased tensions in the community No community commitment/ownership to the authorities vision Low level of community cohesion Fear of perception of crime Failure to meet demand				
<b>Vulnerabilities/causes</b>	Economic recession Poverty				



	Welfare reforms Services withdrawn Big Society does not take off Communities become fragmented Increase in ASB Increase in financial deprivation Lack of interest from the public Poor communication Poor engagement mechanisms at corporate and service level Limited understanding of good engagement process Housing and regeneration projects- change mgt'
<b>Risk Notes</b>	


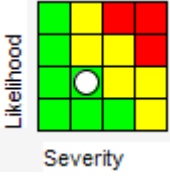
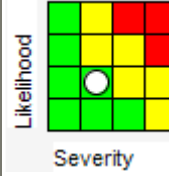
<b>Risk Code</b>	CPR1314_09	<b>Risk Title</b>	Workforce Planning Challenges	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to manage workforce planning challenges			<b>Assigned To</b>	Anica Goodwin; Tony Goodwin
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Service reviews Regular communication Workforce and succession planning Core brief Staff AGM PDR process to ensure skill development requirements are being addressed HR policies and procedures in place Post entry training to qualify staff in key areas Absence management policy, healthshield and occupational health Market supplement policy for either retention or recruitment of necessary skills Managers review of resource capabilities/capacity for business continuity purposes Relationship with Trade Unions (TULG) Management awareness of risk impact of reduced staffing Corporate change programme Pre employment checks		<b>Current Risk Score</b>	4
<b>Gross Severity</b>	3			<b>Current Severity</b>	2
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	24-Jan-2014
<b>Consequences</b>	Strain on remaining staff Risk to service delivery Industrial action Budget misalignment Increase in fraud Wrong messages sent out Potential increase in employment tribunal cases increased number of grievances from staff increase in absenteeism Inability to respond to change agenda inability to align skill levels to new working methods Unable to recruit staff				
<b>Vulnerabilities/causes</b>	Staff become overloaded Low morale has impact on service delivery Industrial unrest				


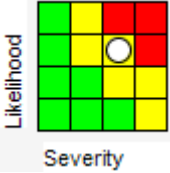
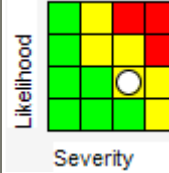
	Redundancies lead to additional future costs Failure to communicate effectively Small authority with specialised staff Sickness levels remain too high leaving vulnerable skills gaps Pay and conditions below market conditions for skills required
<b>Risk Notes</b>	


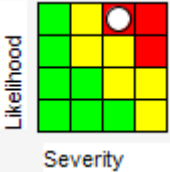
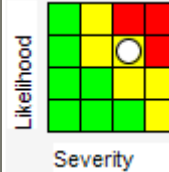
<b>Risk Code</b>	CPR1314_10	<b>Risk Title</b>	Health & Safety	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to manage Health & Safety			<b>Assigned To</b>	Andrew Barratt; Anica Goodwin
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	Policies in place Training completed Health and Safety groups Risk assessments completed Inspections completed Personal safety equipment provided Lone working policy and practices PVP register Fire alarm tests and evacuation tests Regular update meetings with H&S officers and Director Transformation and Corporate Performance audits Landlord Health and Safety Audit and Action Plan Review of high rise fire risk following changes to regulation		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	4			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	13-Jan-2014
<b>Consequences</b>	Corporate manslaughter Fines Negative publicity insurance claims death/injury				
<b>Vulnerabilities/causes</b>	Non-compliance with legislation lack of health and safety awareness short cuts/ poor working practices Personal safety equipment not used risks not identified and or managed inspections/tests not completed				
<b>Risk Notes</b>	H&S team to ensure they keep up to date with legislative changes etc Risk level still at reported score H&S audit carried out highlighting some high priority areas. support action plan to be implemented. Regular updates with SL/JH/AG				

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regular updates by AG with JH and SL  
Updates to CMT


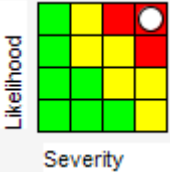
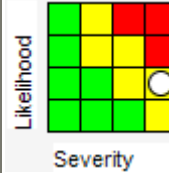
<b>Risk Code</b>	CPR1314_11	<b>Risk Title</b>	Corporate Change	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to manage corporate change			<b>Assigned To</b>	Nicki Burton; Anica Goodwin
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	4	Programme Plan Pool of trained resources Structured programme Dedicated Programme Manager Strong Governance Strong budget management demonstrated benefit realisation clear communications Dedicated Project Manager Active engagement of Corporate Change Board Reporting to CMT & Cabinet One of the active workstreams is to tackle financial deficits Inclusion of Sustainability Plan following Cabinet approval (22/08/2013)	<b>Current Risk Score</b>	4	
<b>Gross Severity</b>	2		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	2		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>	16-Jan-2012		<b>Last Risk Review Date</b>	21-Jan-2014	
<b>Consequences</b>	Return on investment not made Reputation Failure to implement agile working environment Savings are not made Budget not balanced Programme becomes overloaded				
<b>Vulnerabilities/causes</b>	Weak management/ leadership / direction Weak governance No executive management support Insufficient corporate skills and capacity Failure to retain staff				
<b>Risk Notes</b>	Corporate Change Programme Monitoring and involvement of CMT Political acceptance				

<b>Risk Code</b>	CPR1314_12	<b>Risk Title</b>	Safeguarding Children & Vulnerable Adults	<b>Current Risk Status</b>	
<b>Description of Risk</b>	Failure to safeguard children and vulnerable adults			<b>Assigned To</b>	Jane Hackett; Rob Mitchell
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	9	Safeguarding policy adopted - member training implemented Clear procedures for reporting and dealing with disclosure Annual section 11 audit - 2012 and 2013 completed Appropriate risk assessments to identify vulnerability in customers/residents Senior leadership commitment with designated officers Policy implemented with training for appropriate staff Safe recruitment process Supervision of staff, contractors and volunteers included in tender process		<b>Current Risk Score</b>	6
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	3			<b>Current Likelihood</b>	2
<b>Gross Risk Review Date</b>	16-Jan-2012			<b>Last Risk Review Date</b>	21-Jan-2014
<b>Consequences</b>	Death, serious injury Legal challenge for lack of compliance with legislation Loss of reputation Financial costs of review and insurance claims Prosecution Increase in inspection				
<b>Vulnerabilities/causes</b>	Non-compliance with legislation Lack of appropriate policy and procedures Low awareness amongst staff and members Lack of joined up case management Case management systems unable to share data or support risk management partner agencies not delivering services lack of appropriate services lack of reporting incidents considered trivial Other organisation's not delivering the service - gaps in service provision for adults in need				
<b>Risk Notes</b>					

<b>Risk Code</b>	CPR1314_13	<b>Risk Title</b>	Golf Course project -stage 2 selection of a sustainable future option	<b>Current Risk Status</b>	
<b>Description of Risk</b>	<p>Selection and implementation of a long term solution for the golf course - funding to operate the current in house service expire April 2015</p> <p>The golf course future options project will report in January 14 and Cabinet will select a future option. The future options available to Cabinet carry specific risks and will require a review of this assessment or a new assessment.</p> <p>Current risks include;</p> <ul style="list-style-type: none"> <li>Project delivery to time and budget</li> <li>Sustainability of the options</li> <li>Reputation</li> <li>Challenge to the process</li> </ul>			<b>Assigned To</b>	Tony Goodwin; Rob Mitchell; John Wheatley
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	<p>Project group established</p> <p>External support/advice commissioned</p> <p>Project plan established with key milestones</p> <p>Regular reporting to Cabinet</p> <p>Technical and legal advice sought</p> <p>Regular communications to staff, customers, and with stakeholders</p> <p>Engagement with stakeholders, staff, residents and customers through specific consultation as part of the project</p> <p>Consultation and oversight from key TBC officers</p> <p>Engagement and consultation with Members</p> <p>Implementation plan to be taken to Cabinet post a decision on the preferred option</p>		<b>Current Risk Score</b>	9
<b>Gross Severity</b>	3			<b>Current Severity</b>	3
<b>Gross Likelihood</b>	4			<b>Current Likelihood</b>	3
<b>Gross Risk Review Date</b>				<b>Last Risk Review Date</b>	21-Jan-2014
<b>Consequences</b>	<p>Revenue costs</p> <p>Capital costs</p> <p>Reputation</p>				
<b>Vulnerabilities/causes</b>	<p>Financial impact - for MTFS</p> <p>Lack of capital funds to invest</p> <p>Reputation / negative press</p> <p>Selection of a sustainable option required</p> <p>Golf market and economic downturn</p> <p>A range of evidence and views have been gathered- some of which, when taken out of context can support options which are not viable if they are considered holistically alongside the other information</p> <p>For some customers and residents the potential preferred options are fundamentally unpopular despite the evidence which might support them</p>				


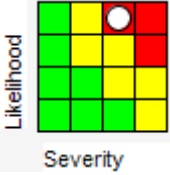
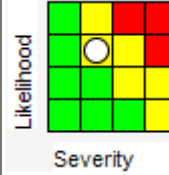


<b>Risk Notes</b>	The previous risk relating to the external service provider has been managed and the Council is now required to manage the service in house for two years until March 2015. An options appraisal is underway to determine what the Council will do with the Course post April 2015. A long list of options is being assessed and will be reduced to a short list in October 2013 subject to a Cabinet report. A final selection from the remaining shortlist is expected in February 2014.
-------------------	--

<b>Risk Code</b>	CPR1314_14	<b>Risk Title</b>	Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	Tony Goodwin
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	16	<b>Risk Treatment Measures Implemented</b> Regular updates Monitoring Dedicated website for Housing benefit changes to inform customers Consultation with customers over CT changes Financial profiling Town centre redevelopment Economic development team	<b>Current Risk Score</b>	8	
<b>Gross Severity</b>	4		<b>Current Severity</b>	4	
<b>Gross Likelihood</b>	4		<b>Current Likelihood</b>	2	
<b>Gross Risk Review Date</b>	09-Nov-2012		<b>Last Risk Review Date</b>	24-Jan-2014	
<b>Consequences</b>	Unable to maintain rent income/increase in rent income Social housing becomes unaffordable Delivery of new housing Realistic housing waiting lists <i>Social unrest - those unable to access social housing</i> Increase in benefit claimants Increase in fraud - Benefits, Business Rates, RTB, Council Tax, tenancy Increase in benefits overpayments Potential economic growth Maximise benefit entitlement & income generation Community run services - not provided, inappropriately run Processes lengthened through challenge CIL - investment in development areas Impact on staff				
<b>Vulnerabilities/causes</b>	Welfare reform - changes to social housing - flexibility in rent setting, short term fixed tenancies, pay to stay, use of RTB receipts for new housing New Homes Bonus Social housing allocations reform Cap to benefit levels, reduction in local housing allowances, increase in non dependant charge, universal credit Changes to business rates Changes to Council Tax Welfare Rights Fairer Charging Community right to challenge Community right to bid				

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	Changes to Planning system Community Infrastructure Levy National Home Swap Scheme
<b>Risk Notes</b>	

<b>Risk Code</b>	CPR1314_15	<b>Risk Title</b>	Impact of changes to political control	<b>Current Risk Status</b>	
<b>Description of Risk</b>				<b>Assigned To</b>	
<b>Gross Risk Matrix</b>		<b>Risk Treatment Measures Implemented</b>		<b>Current Risk Matrix</b>	
<b>Gross Risk Score</b>	12	keep up to date with changes officers politically neutral appropriate key officer briefings (Executive Board) Member induction and training programme for new and existing members use of SOLACE management support to develop awareness/understanding re new councillors etc. policy underpinned by robust contractual arrangements	<b>Current Risk Score</b>	6	
<b>Gross Severity</b>	3		<b>Current Severity</b>	2	
<b>Gross Likelihood</b>	4		<b>Current Likelihood</b>	3	
<b>Gross Risk Review Date</b>			<b>Last Risk Review Date</b>	24-Jan-2014	
<b>Consequences</b>	financing streams may change services being delivered could change decision making becomes lengthy				
<b>Vulnerabilities/causes</b>	changes to political leadership - local/national hung council/government				
<b>Risk Notes</b>					



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## AUDIT & GOVERNANCE COMMITTEE

27 MARCH 2014

### REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

#### REGULATION OF INVESTIGATORY POWERS ACT 2000

##### **Purpose**

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

On 13 December 2012, the Council re-adopted the RIPA policy and agreed that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee.

##### **Recommendation**

**That Audit and Governance Committee endorse the quarterly RIPA monitoring report.**

##### **Background Information**

The RIPA Code of Practice produced by the Home Office in April 2010 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the period from 1 December 2013 and to the date of this report.

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where and investigation is ongoing at the end of a quarterly period it will not be reported

until the authorisation has been cancelled. At the end of the current quarterly period there are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

On 7 and 15 January 2014, 23 officers received RIPA refresher training. This included the Chief Executive, Senior Responsible Officer, Authorising Officers, officers who would prepare and present applications and internal auditors.

### **Financial year 2013/14**

<b>Month</b>	<b>Service</b>	<b>Reason</b>
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No applications

### **Background papers**

None

*"If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"*





# The Audit Plan for Tamworth Borough Council

**Year ended 31 March 2014**

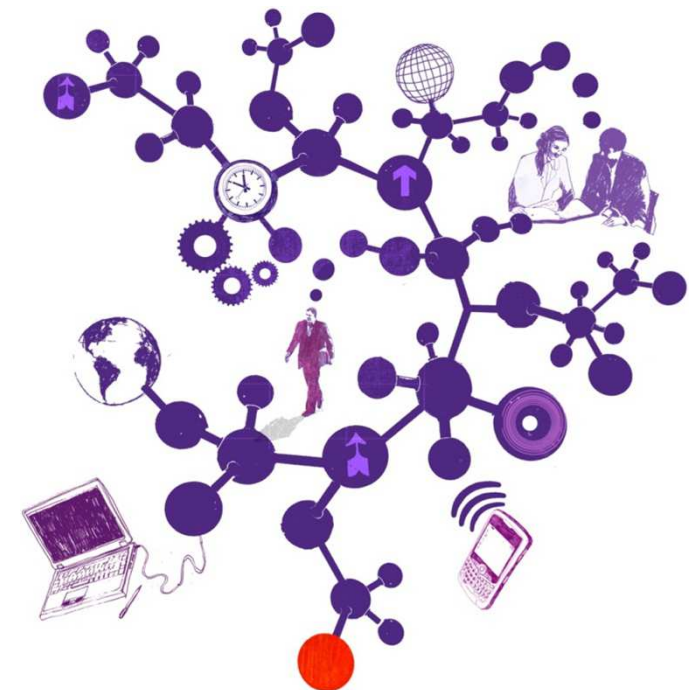
27 March 2014

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Agenda Item 9

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

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Medium Term Financial Strategy

- The 3 year MTFS to 2016/17 results in a balanced budget. Projections to 2018/19 indicate a shortfall of £3.8m (including the minimum £0.5m balances)
- To address the shortfall, the Council has an overarching strategy 'Planning for a Sustainable Future' more detail is provided in the next column.

### 2. 'Planning for a Sustainable Future'

- The Cabinet meeting on 22 August 2013 endorsed this strategy and gave authority to proceed with the work streams necessary to identify measures to help deliver a sustainable MTFS.
- The strategy involves exploring new, innovative ways of working and to be more commercial in its approach to business.

### 3. Financial Statements

- There is continuing drive for local authorities to make their accounts easier to understand and to reduce unnecessary disclosures.

### 4. Icelandic Banks

- As at 31 December 2013, the Council is owed £1.3m from Icelandic banks. It is anticipating recovery of 100% of the deposit in Gltmir; 94% of the deposits in Heritable and Kaupthing; and 85% of the deposits in Singer & Friedlander.

### 5. Business Rate Retention

- The Council shares the NNDR collection fund with Staffordshire CC; the Fire Authority; and the Government
- The Council has opted to pool any levy with the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP)
- The issue of risk transfer from Central Government to Local Authorities regarding their share and also the impact of future appeal levels is still subject to a significant amount of uncertainty and lack of guidance at present.

### 6. Council Tax Benefit

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes. There will also be a 10% reduction in council tax funding support.

## Our response

- We will review the progress of the strategy in identifying measures to ensure the Council maintains its General Fund reserves at its minimum approved level of £0.5m and achieves a balanced budget over the period.

- We will review the implementation of the strategy and the impact it has on helping to deliver a MTFS that will not result in overdrawn General Fund reserves.

- We continue to work with your officers to identify if there are other areas in your accounts where disclosures could be more streamlined with a focus on the explanatory foreword to check against best practice examples.

- We will review the accounting treatment for the remaining balances to ensure it reflects the latest CIPFA updates.

- We will discuss the impact of the changes with the Council through our regular meetings with senior management and those charged with governance, providing advice/support where appropriate.

- We will discuss the impact of the changes with the Council through our regular meetings with senior management and those charged with governance, providing advice/support where appropriate.

# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

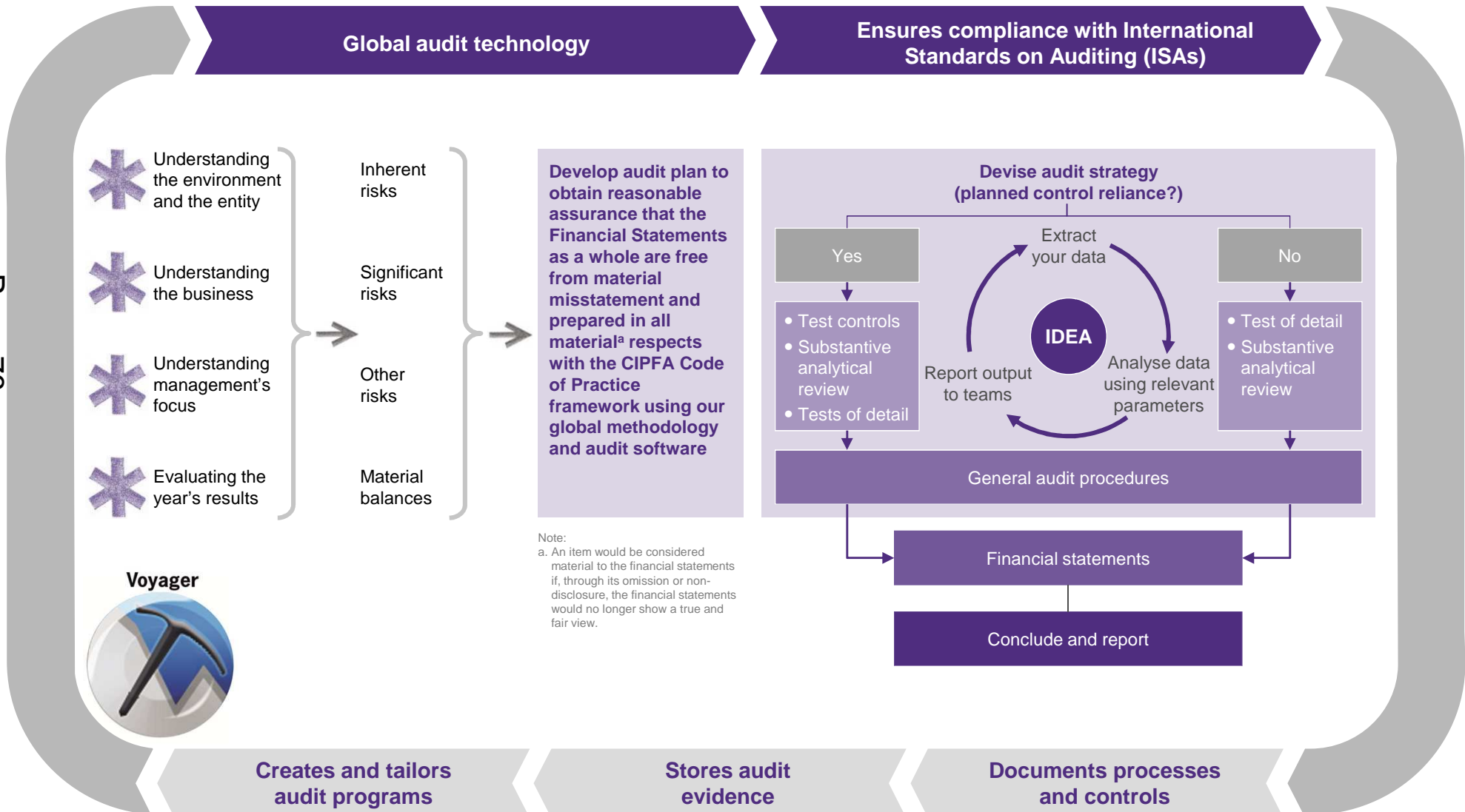
<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Clarification of Code requirements around PPE valuations</li> <li>• Changes to NDR accounting and provisions for business rate appeals</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement</li> <li>• Welfare reform Act 2012</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> </ul>	<p><b>4. Pensions</b></p> <ul style="list-style-type: none"> <li>• Changes to the Local Government pension Scheme (LGPS) disclosures in 2013/14 arising from amendments made to International Accounting Standard (IAS)19 Employee Benefits.</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• Managing service provision with less resource</li> <li>• Progress against savings plans</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> <li>• The Council completes grant claims and returns on which audit certification is required</li> </ul>
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## Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management</li> <li>• We will review the disclosures in the accounts to ensure they reflect the changes to IAS 19.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan</li> <li>• We will undertake a review of Financial Resilience as part of our VFM conclusion</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> <li>• We will certify grant claims and returns in accordance with Audit Commission requirements</li> </ul>
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# Our audit approach

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# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. The risk is that income may be over or under stated in the accounts.	<b>Work planned:</b> <ul style="list-style-type: none"><li>• Review and testing of revenue recognition policies</li><li>• Testing of material revenue streams</li></ul>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<b>Work planned:</b> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Testing of journal entries</li><li>• Review of unusual significant transactions</li></ul>

## Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315). In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period (the risk is that operating expenses are not completely included in the accounts and are thus over or under stated)	<ul style="list-style-type: none"> <li>We have documented the purchase ledger system</li> </ul>	<ul style="list-style-type: none"> <li>We will perform a walkthrough of identified controls to confirm our understanding of the system</li> <li>We will carry out substantive testing on a sample of purchase ledger transactions and ensure the purchase ledger agrees to the general ledger.</li> <li>Cut off testing will performed on pre and post year end transactions.</li> </ul>
Employee remuneration	Employee remuneration accrual understated (the risk is that employee remuneration is not fully and correctly included in the accounts and is thus over or under stated )	<ul style="list-style-type: none"> <li>We have documented the payroll system</li> </ul>	<ul style="list-style-type: none"> <li>We will perform a walkthrough of identified controls to confirm our understanding of the system</li> <li>We will carry out substantive testing on a sample of employee payments; review the operation of monthly reconciliations; and ensure the payroll agrees to the general ledger.</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed (the risk is that welfare benefit has not been properly calculated)	<ul style="list-style-type: none"> <li>We have documented the benefits system</li> </ul>	<ul style="list-style-type: none"> <li>We will perform a walkthrough of identified controls to confirm our understanding of the system</li> <li>We will place reliance on the detailed testing required for us to certify the BEN01 claim; and ensure the HB system agrees to the general ledger.</li> </ul>
Housing Rent Revenue Account	Revenue transactions not recorded (the risk is that not all rental income has been recorded)	<ul style="list-style-type: none"> <li>We have documented the housing rents system</li> </ul>	<ul style="list-style-type: none"> <li>We will perform a walkthrough of identified controls to confirm our understanding of the system</li> <li>We will perform a predictive analytical review of rental income to check whether the income is in line with our expectations.</li> </ul>



# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

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We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. The work we will undertake to reach the VfM conclusion is:

- A review of the arrangements relating to financial governance, strategic financial planning and financial control including the development of the strategy to ensure a balanced budget continues to be delivered
- A review of financial resilience.

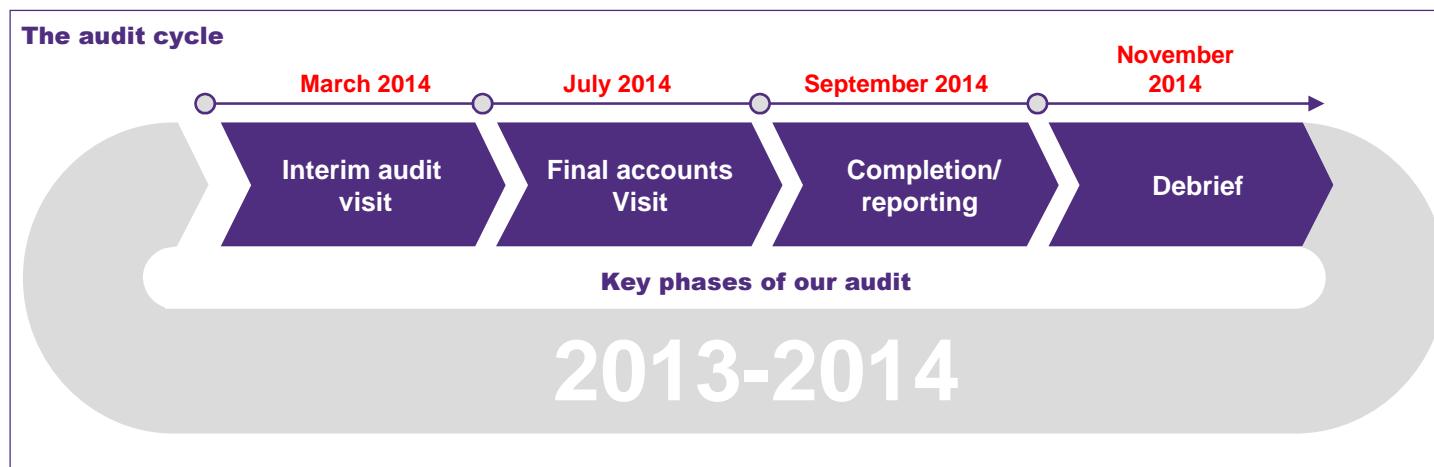
The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council as and when required.

## Results of interim audit work

The findings of our review of internal audit, and the impact of our findings on the accounts audit approach, are summarised in the table below:  
Our interim audit work to be performed week beginning 10 March 2014 is also reported in the table.

	<b>Work performed/to be performed and findings</b>	<b>Conclusion/To be reported</b>
<b>Internal audit (review is complete)</b>	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing (to be performed week beginning 10 March 2014)</b>	<p>We will complete walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Our work will identify whether there are any issues which we wish to bring to your attention. The work will conclude whether internal controls have been implemented in accordance with our documented understanding.</p> <p>We will formally report the conclusion of this work at the meeting to be held in June 2014.</p>
<b>Review of information technology controls (to be performed week beginning 10 March 2014)</b>	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our work will identify whether IT (information technology) controls have been implemented in accordance with our documented understanding.</p>
<b>Journal entry controls testing (to be performed week beginning 10 March 2014)</b>	<p>We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p>	<p>Our work will identify whether there are any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will formally report the conclusion of this work at the meeting to be held in June 2014.</p>

# Key dates



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Date	Activity
January 2014	Planning
March 2014	Interim site visit
March 2014	Presentation of audit plan to Audit and Governance Committee
July 2014	Year end fieldwork
12 September 2014	Audit findings clearance meeting with Executive Director (Corporate Services) including management's receipt of our draft Audit Findings Report
25 September 2014	Report audit findings to those charged with governance Audit and Governance Committee
By 30 September 2014	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	65,550
Grant certification	16,400
<b>Total fees (excluding VAT)</b>	<b>81,950</b>

## Fees for other services

Service	Fees £
None	Nil

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### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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# Grant certification work plan for Tamworth Borough Council

Year ended 31 March 2014

27 March 2014

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**James Cook**  
Director

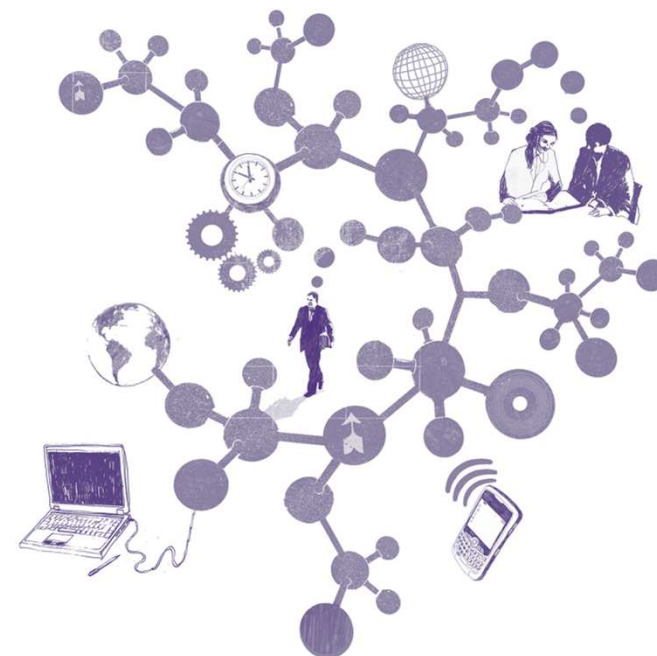
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# Contents

## **Section**

1. Our approach to grant certification work

Appendix A Summary of expected claims and returns for the year ended 31 March 2014

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# Our approach to grant certification work

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The

Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

## Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Executive Director (Corporate Services) is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Executive Director (Corporate Services) or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

## Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return
- pooling of housing capital receipts.

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £16,400. This fee may be subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

## Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Joan Barnett at the following address:

**Grant Thornton UK LLP**  
**Colmore Plaza**  
**20 Colmore Circus**  
**Birmingham**  
**B4 6AT**

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

## Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

## Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	The claim was amended by £458; and the claim was qualified due to errors found when testing benefits payable in respect of Rent Allowance.
Pooling of housing capital receipts (CFB06)	28/06/14	27/09/14	Yes	An amendment was made between fields in the claim form. This did not impact the value of the return.

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\* No certification of council tax benefit is required in 2013/14

\*\* Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



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# Audit and Governance Committee Update for Tamworth Borough Council

Year ending 31 March 2014

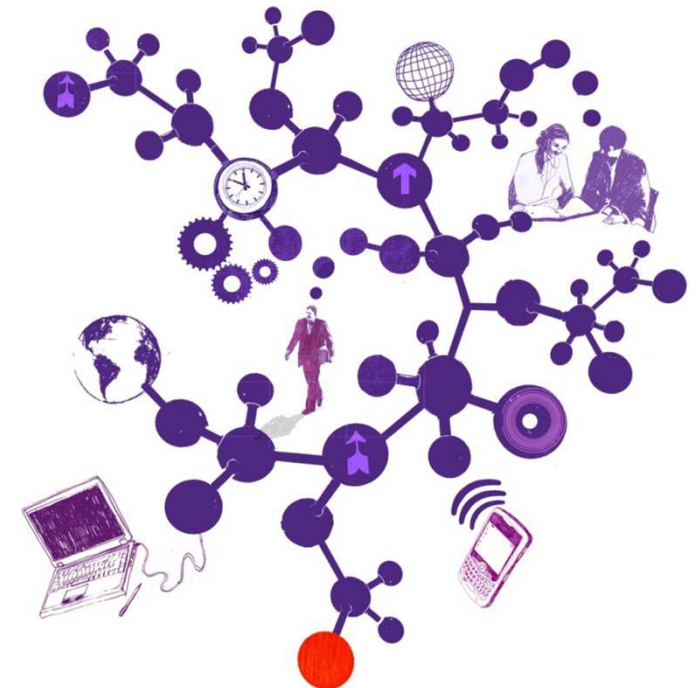
27 March 2014

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Agenda Item 11

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



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# Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a borough council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

## Progress at 27 March 2014

Work	Planned date	Complete?	Comments
<p><b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	27 March 2014	Yes	The plan is being presented at this evening's meeting.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the <i>council's</i> control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	Our detailed interim audit visit commenced 10 March 2014.	Yes	We will provide a verbal update at this evening's meeting.
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on the Council's 's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	Audit to commence 7 July 2014. Opinion on the Council's accounts and Value for Money conclusion due to be issued by 30 September 2014	Not yet started	

# Progress at March 2014

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b>            The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• Key indicators of financial performance</li> <li>• Strategic financial planning</li> <li>• Financial governance</li> <li>• Financial control</li> <li>• Prioritising resources</li> <li>• Improving efficiency and productivity</li> <li>• Management of natural resources</li> </ul>	On-going until the Value for money conclusion is given in September 2014	n/a	
<p><b>Other areas of work</b>            We are required to certify claims and returns per the directions issued by the Audit Commission in conjunction with the central government organisations providing the funding.            We are presenting our work plan at this evening's meeting.</p>	In line with the deadlines agreed with the sponsoring bodies	n/a	Our work plan is being presented at this evening's meeting.
<p><b>Other activity undertaken</b>            We held a Governance Workshop for all members on 15 January 2014. A further briefing on the role of the Audit and Governance Committee was presented to that committee 30 January 2014.</p>		Yes	

---

# Emerging issues and developments

We have included short briefings for the committee on key developments currently affecting district councils. Our report includes a series of questions that Members might want to consider in their discussions with officers to give them assurance that the Council is putting appropriate arrangements in place to address the emerging issues.

Grant Thornton is able to provide further advice and assistance in these areas if required.

# Councils must continue to adapt to meet the needs of local people

## Local government guidance

### Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

#### Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

#### Issues to consider/challenge questions:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

# Councils choosing their auditors one step closer

## Local government guidance

### Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

#### Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authorities will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authorities will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

---

# Austerity continued – further cuts in spending powers

## Local Government Guidance

### Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Challenge questions:

- Has your Executive Director (Corporate Services) reviewed the proposed settlement and assessed the impact on your Council?



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# Helping the High Street

## Local government guidance

### Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider/challenge questions:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Executive Director (Corporate Services) assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

# Councils keep New Homes Bonus

## Local government guidance

### Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has your Executive Director (Corporate Services) assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

# 79% of Councils anticipate Tipping Point soon

## Grant Thornton

### 2016 tipping point? Challenging the current

This report [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/LG-Financial-Resilience-2016-tipping-point.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf) is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

#### Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Executive Director (Corporate Services) completed the checklist and reported it to the Audit and Governance Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Executive Director (Corporate Services) reviewed these case studies and considered whether there is scope to adopt these?

# Alternative Delivery Models – are you making the most of them?

## Grant Thornton

### Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

#### Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

# Welfare reforms – what you think of it so far?

## Grant Thornton

### Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf) focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the Head of Benefits kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

# Revaluing your assets – clarification of accounting guidance

## Accounting and audit issues

### Property, plant and equipment valuations (further update)

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

### Challenge question

Has your Executive Director (Corporate Services) consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

# Estimating the impact of business rate appeals

## Accounting and audit issues

### Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
  - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
  - to recognise a provision where a reliable estimate can be made
  - to disclose a contingent liability where a reliable estimate cannot be made
  - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

# Accounting for pensions

## Accounting and audit issues

### Accounting for and financing the local government pension scheme costs

#### Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

#### Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.



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# Accounting for pensions

## Accounting and audit issues

### Challenge questions:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

# Changes to the public services pension scheme

## Accounting and audit issues

### Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

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# Changes to the public services pension scheme

## Accounting and audit issues

### Changes to Local Government Pension Scheme continued

#### Challenge questions

Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?

- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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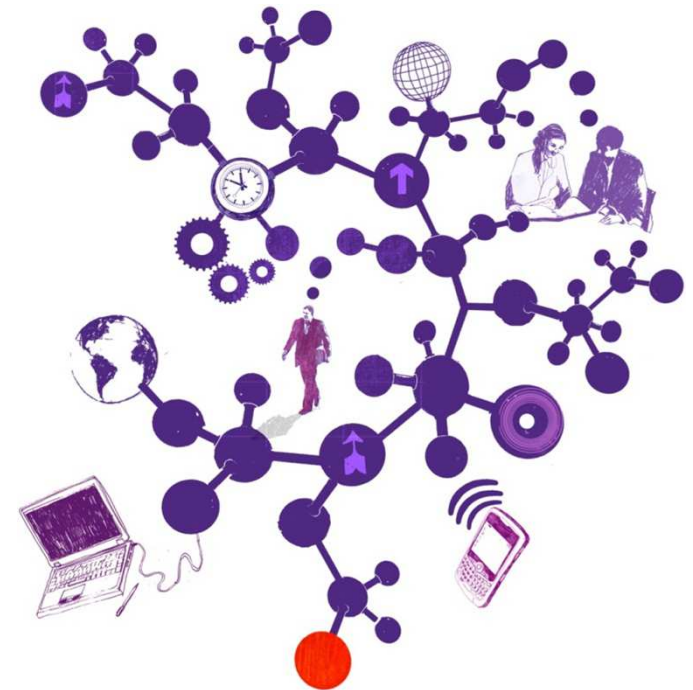
# Informing the audit risk assessment for Tamworth Borough Council

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

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# Purpose

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

## Background

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

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

## Communication

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

- Fraud
- Laws and regulations
- Going concern.
- Related Parties
- Accounting estimates

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



# Fraud

## Issue

### Matters in relation to fraud

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

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Committee and management.

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

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

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

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

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

# Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud or error?</p> <p>What are the results of this process?</p>	<p>Management receive the following reports which have informed the Council that the risk of misstatement due to fraud or error is low:</p> <ul style="list-style-type: none"> <li>• Internal Audit’s risk assessment arising from the reviews to inform the Annual Governance Statement.</li> <li>• Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS gives an opinion on the system of internal control given quarterly.</li> <li>• An Annual Governance Statement. Assurance gathering process involves assessing against the objectives, manager’s providing assurance statements and identifying key control issues affecting their operational processes;</li> <li>• External Audit Reports, including the assessment of controls as stated in the Annual Audit &amp; Inspection Letter inform the conclusion on adequacy of the internal control process.</li> <li>• Financial Accounts reports / reviews identifying key areas of activity and where appropriate risk implications and variance analysis. This includes the review of draft accounts / analytical review ( S151 &amp; Deputy S151) and appropriate working papers where necessary.</li> <li>• The final account planning &amp; compliance process gives assurance on the key accounting and review processes undertaken in the planned delivery of the final accounts. Copy of implementation plan agreed &amp; monitored by members. The Final Account Delivery Plan (key actions, deliveries, implications &amp; deadlines) identifies key deliverables and issues arising from the preparation process which are reported to CMT &amp; Members.</li> <li>• Copy of Final Account documents (including previous year comparators). Material issues / explanations are reported to Audit &amp; Governance Committee.</li> <li>• Advice / information on changes in Accounting Policy that impact on the financial statements (including issues affecting comparator variances).</li> </ul>

# Fraud risk assessment

Question	Management response
Continued...	<ul style="list-style-type: none"> <li>• Compliance reviews are undertaken to the accounting code of practice (IFRS).</li> <li>• External Audit report to the Audit &amp; Governance Committee on their reliance placed on the work of Internal Audit. This therefore increases reliance on the standard and quality of audit reports and their review of control systems.</li> </ul>
<p>How are the Audit and Governance Committee satisfied that the overall control environment is robust. In particular what processes does the Council have in place to identify and respond to risks of fraud in the organisation?</p>	<p>The Audit and Governance Committee receives various reports that satisfy them that the control environment is robust.</p> <ul style="list-style-type: none"> <li>• Internal Audit's risk assessment arising from the reviews to inform the Annual Governance Statement.</li> <li>• Quarterly reports are received from the Head of Internal Audit Services (HIAS) on systems reviewed (including the key / core financial systems) within the quarter. High risk areas are identified. Follow-up of implementation of control risks are undertaken in a timely manner. HIAS opinion on the system of internal control given quarterly.</li> <li>• An Annual Governance Statement. The assurance gathering process involves assessing against the objectives, manager's providing assurance statements identifying key control issues affecting their operational processes.</li> <li>• External Audit Reports, including the assessment of controls as stated in the Annual Audit &amp; Inspection Letter inform the conclusion on adequacy of the internal control process.</li> </ul> <p>Counter Fraud &amp; Corruption &amp; Whistleblowing policies are in place (reviewed 2013)</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Internal Audit maintain a fraud risk register which is updated quarterly. We are aware of areas where fraud has increased (e.g. changes to creditor bank details). Staff working in this area are aware of the increased risk and an E-learning solution is to be rolled out summer 2014). There are few areas within the Authority where cash is handled directly – the Authority has encouraged use of other more efficient payment methods ( debit , credit card, DD &amp; SO's etc). The main areas where physical cash is handled (other than secure car park machines) is the Castle and Tourist Information Centre, no control concerns have been highlighted by management or work undertaken by Internal Audit</p>

## Fraud risk assessment (continued)

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Appropriate internal controls, including segregation of duties, are in place throughout the Authority and are operating effectively.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Management is not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process. The following sources would be used to inform the organisation of any such instances</p> <ul style="list-style-type: none"> <li>• S151 Officer is informed of suspected or alleged areas of fraud from the following sources :               <ul style="list-style-type: none"> <li>• Whistle Blowing / informants,</li> <li>• Benefits Fraud Investigations</li> <li>• Management – identification of irregularities</li> <li>• Internal Audit – reports / reviews</li> </ul> </li> <li>• Any areas of actual fraud will be / are reported to the Audit &amp; Governance Committee as part of the normal quarterly monitoring/reporting process as well senior management and police (where appropriate);</li> <li>• Requirement of Managers / officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.</li> </ul>

## Fraud risk assessment (continued)

Question	Management response
<p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What arrangements are in place to report fraud issues and risks to the Audit and Governance Committee?</p>	<p>Audit &amp; Governance Members (including relevant Council Officers) receive the following information / communication in order to raise / inform fraud risks and breaches of internal control</p> <ul style="list-style-type: none"> <li>• Quarterly Fraud update provided to the Committee including NFI.</li> <li>• Audit &amp; Governance Committees Terms Of Reference state that they will monitor the effectiveness of anti fraud &amp; corruption arrangements. This is achieved / discharged through the Audit &amp; Governance Committee approving the Counter Fraud and Corruption Strategy Policy Statement and Guidance Notes and the Whistleblowing Policy.</li> <li>• Head of Internal Audit Services opinion on the control environment given on a quarterly basis.</li> <li>• Pro-active annual Internal Audit plan based on "Risk Based Audit" to review key activity areas of operation</li> </ul>
<p>How does the Council communicate and encourage appropriate business practice and ethical behaviour of its employees and contractors?</p>	<ul style="list-style-type: none"> <li>• Employees are made aware of the communication process (via NetConsent) of all key Council policies, including the Counter Fraud and Corruption Policy, Statement &amp; Strategy and Whistleblowing Policy. This is a mandatory process; compliance is reported and monitored and where appropriate additional training is given.</li> <li>• An employee induction training process is completed which includes specific training for standards/code of conduct.</li> <li>• Financial Guidance is reviewed and approved by Members and is available to all staff / members on intra-net (and hard copy if required);</li> <li>• On-going awareness and dissemination of good practice etc. circulated via Core Brief Process, officer fraud updates, best practice and Internal Audit &amp; External Audit Reports (including risk assessment / recommendations &amp; management responses and external publications i.e. Audit Commission Circulars);</li> <li>• Development of e-learning modules for Counter Fraud &amp; Corruption and Whistleblowing</li> </ul>

## Fraud risk assessment (continued)

Question	Management response
<p>How do you encourage employees to report their concerns about fraud? Have any significant issues been reported?</p>	<p>This is encouraged via Whistle-blowing Procedures and/or Counter fraud and/or Corruption policy Statements &amp; Strategy (both are available on the intranet).</p> <ul style="list-style-type: none"> <li>• The Counter Fraud &amp; Corruption Policy Statement &amp; Strategy was notified to staff for 2012/13 using NetConsent policy management system which requires response from staff which will be logged and followed up on the system. Staff are required to accept the policy and are required to report any concerns.</li> <li>• The Whistleblowing Policy will be deployed to staff early in 2014/15 using the NetConsent method.</li> </ul> <p>We will roll out an e-learning solution which covers counter fraud and whistleblowing in 2014/15. The e-learning solution has a series of questions to confirm staff and members understanding and will be linked to the NetConsent Policy Management system to enable us to track acceptance and understanding. This will inform us of additional training requirements needed.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to risks of fraud. The following processes are in place to ensure related party relationships are identified:</p> <ul style="list-style-type: none"> <li>• Annual declarations of interest are required from Senior Managers and all Members of the Council to inform the related party note in the accounts.</li> <li>• All members have to disclose any interest when making decisions.</li> <li>• Monitoring officer has to keep a register of members interests.</li> <li>• Transparency requirements / publications &amp; public interest disclosures.</li> </ul>

## Fraud risk assessment (continued)

Question	Management response
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013? If so how does the Audit and Governance Committee respond to these</p>	<p>Management are not aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2013. The following processes and procedures are in place :-</p> <ul style="list-style-type: none"> <li>• S151 Officer is informed of (and takes appropriate action in relation to) suspected or alleged areas of fraud from the following sources:               <ul style="list-style-type: none"> <li>• Whistleblowing / informants,</li> <li>• Benefits Fraud Investigations</li> <li>• Management identification of irregularities</li> <li>• Internal Audit reports / reviews</li> </ul> </li> <li>• Any areas of actual fraud will be / are reported to the Audit &amp; Governance Committee as part of the normal quarterly monitoring/reporting process as well senior management and police (where appropriate);</li> <li>• Requirement of Managers / Officers / Members to report to S151 any suspicions / allegations of fraud for appropriate investigation.</li> </ul>
<p>Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2013? If so how does the Audit and Governance Committee respond to these</p>	<p>To date (19th March 2014) for the year ended 31st March 2014 there have been no material frauds identified by management or from work undertaken by Internal Audit or Whistle Blowing other than work undertaken by the Benefits Fraud Investigation Unit (Housing Benefits).</p>

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# Laws and regulations

## Issue

### Matters in relation to laws and regulations

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

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

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

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



# Impact of Laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations? How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<ul style="list-style-type: none"> <li>• Quarterly reports are received from the HIAS on systems reviewed. High risk areas are identified.</li> <li>• The Annual Governance Statement assurance gathering process involves assessing against the objectives and managers providing assurance statements.</li> <li>• The Monitoring Officer's independent reporting on relevant compliance with laws. They also attends the Audit and Governance Committee meetings and advises appropriately.</li> <li>• The External Auditor review and assurance opinion on the financial affairs (management processes) of the Authority.</li> <li>• For Council &amp; Cabinet reports both the Monitoring Officer and Finance Officer are required (subject to options) to sign-off the report prior to members approving recommendations and to identify that proposed actions comply to legislative requirements.</li> <li>• Periodic update to Officers / Members on new legislative requirements.</li> <li>• Regular update by the External Auditor on potential compliance issues / understanding.</li> <li>• Undertaking NFI Anti Fraud initiatives indicates potential fraudulent violations.</li> <li>• Pro-active Internal Audit Plan focused on provision of assurance reports on status of management control processes.</li> <li>• Regular review and update of Financial Guidance and Counter Fraud Policies.</li> </ul>
<p>How is the Audit and Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Monitoring Officer's independent reporting on relevant compliance with laws. The Monitoring Officer also attends the Audit and Governance Committee meetings and advises the Committee on legal and compliance issues.</p>

# Impact of Laws and regulations

Question	Management response
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013 with an on-going impact on the 2013/14 financial statements?	There have been no instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013 with an on-going impact on the 2013/14 Financial Statements.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Once identified, all claims are considered for their impact on the accounts, with appropriate action taken (e.g. reserve, provision, contingent liability etc.)
Are there any actual or potential litigation or claims that would affect the 2013/14 financial statements?	<p>The following potential claims / litigation action that may affect the financial statements for the year ended 31<sup>st</sup> March 2014 are (to be confirmed) :</p> <ul style="list-style-type: none"> <li>• Morrison's (Housing Repairs Contract) circa £50k; disputed contract credits. Reserve set up in 2010 / 11 to cover additional costs to HRA;</li> <li>• Land charges circa £110k provision. Provision for legal action claims arising from change in legislation;</li> <li>• Ongoing Insurance action / outstanding settlements</li> <li>• Icelandic Investment Recovery. Glitnir (escrow release) &amp; Heritable &amp; KSF as covered in impairment costings.</li> <li>• MMI; the position following a recent court ruling has changed. Levy of £38k paid to MMI. Our current estimated liability for further claw back under the scheme of arrangement is estimated as approx. 13% of the £252k exposure (provision for £33k).</li> </ul> <p>The Solicitor to the Council has been requested to identify whether she is aware of any other issues; she has confirmed that none have been identified to date.</p>
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have been no reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance.

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# Going Concern

## Issue

### Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial position and is good practice. A key consideration of going concern is that the Council has cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

Going concern considerations have been set out below and management has provided its response.

# Going Concern Considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
Is management aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern?	Management are not aware of the existence of events or conditions that may cast doubt on the Council's ability to continue as a going concern – a three year GF – MTFS (2014/15 – 2016/17) and a 5 year HRA – MTFS (2014 / 15 – 2018 / 19) has just been approved by Council.
Are arrangements in place to report the going concern assessment to the Audit and Governance Committee? How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	The Executive Director Corporate Services (as s151 Officer) is satisfied that the budget proposals are based on robust estimates, and that the level of reserves is adequate. This was reported in the Medium Term Financial Strategy.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	The Financial Plan (MTFS) is agreed at the same time as the Corporate Plan. The financial plan makes clear reference to the Corporate Plan as the basis for the financial considerations in setting the medium term budget. The financial assumptions are therefore consistent with the Council Plan. Reports in year are consistent with the budget set.

## Going Concern Considerations (continued)

Question	Management response
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?	The financial plan considered explicitly the government changes in terms of grants. The plan sets out the likely implications of the Governments Resources Review (including welfare benefit reform and localisation of council tax support and business rates) and other changes to local government finance. Policy changes are detailed within the report. Sensitivity analysis for grant and other income and expenditure included.
Have there been any significant issues raised with the Audit and Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).	No significant issues have been raised with the Audit and Governance Committee during the year which could cast doubts on the assumptions made
Does a review of available financial information identify any adverse financial indicators including negative cash flow? If so, what action is being taken to improve financial performance?	Ongoing reviews of available financial information do not identify any adverse financial indicators including negative cash flow - if future reviews were to identify any material issues then appropriate manage action would be taken.
Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?	Yes; PDR process and person specifications include assessment of relevant skills. Capacity issues are raised and discussed on a regular basis including in risk assessments e.g. dealing with benefits claims

# Related Parties

## Issue

### Matters in relation to Related Parties

Council's are required to comply with International Accounting Standard 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

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

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

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

Related party considerations have been set out below and management has provided its response.

## Related Parties (Continued)

Question	Management response
<p>What controls does the Council have in place to identify, account for, and disclose related party transactions and relationships?</p>	<p>A number of arrangements are in place for identifying the nature of a related party and reported value including:</p> <ul style="list-style-type: none"> <li>• Maintenance of a Register of interests for Members and a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions.</li> <li>• Annual return from senior managers/officers requiring confirmation that they have read and understood the declaration requirements and that they state the details of any known related party interests.</li> <li>• Challenge from public</li> </ul>
<p>Who have the Council identified as related parties?</p>	<p>The Council discloses its related parties under the following headings:</p> <ul style="list-style-type: none"> <li>• Government. Central government has controlling influence over the Council as the Council needs to act in accordance with its statutory responsibilities.</li> <li>• Precepts &amp; Levies. These parties are subject to common control by central government and thus might be empowered to transact on non-commercial terms. The Council is bound to pay the amount demanded from these parties through precept or levy.</li> <li>• Joint Ventures. The Council has the potential to influence the other parties through a joint relationship.</li> <li>• Assisted Organisations. The provision of financial assistance by the Council to such parties or voluntary organisations may give the Council influence on how the funds are to be administered and applied.</li> </ul>

# Accounting Estimates

## Issue

### Matters in relation to accounting estimates

Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate. Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all material estimates that the Council is using as part of its accounts preparation; these are detailed in Appendix A to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Accounting estimates considerations have been set out below and management has provided its response.

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Question	Management response
Are the management aware of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgment?	Yes; see appendix A for detailed breakdown
Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
How is the Audit and Governance Committee provided with assurance that the arrangements for accounting estimates are adequate?	The significant accounting estimates are reported, as part of this report and included within the notes to the accounts, to Audit & Governance Committee. This includes an explanation of the underlying assumptions and likely impact of any variances. External Audit also provide assurance as part of the annual audit / review process.



# Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment valuations.	Valuations are made by the internal valuer (local RICS Member) in line with RICS guidance on the basis of 5 year valuations with interim reviews for significant assets and asset classes.	Chief Accountant notifies the valuer of the program of rolling valuations or any conditions that warrant an interim re-valuation.	Use the Internal local RICS Member. Use of External valuer (Housing stock). ICT Acquisitions. Heritage Assets valuations. Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance (reliance on expert).  ICT: purchases at cost  Heritage Assets: Use of valuation (inflated) or cost	No although external valuer changed in 2013 resulting from tender exercise (& resulting revised procedures / desk top review of remaining properties).
Estimated remaining useful lives of PPE.	The following asset categories have general asset lives: <ul style="list-style-type: none"> <li>• Housing stock 50 years</li> <li>• Other Buildings 5 to 100 years</li> <li>• Vehicles, plant &amp; equipment 1 to 20 years</li> <li>• Community 100 years</li> <li>• ICT Equipment 3 years</li> <li>• Infrastructure 30 years.</li> </ul>	Chief Accountant discusses with the valuer	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	The method makes some generalisations. For example, buildings tend to have a useful life of 50 years. Although in specific examples based upon a valuation review, a new building can have a life as short as 25 years or as long as 70 years depending on the construction materials used. This life would be recorded in accordance with the local qualified RICS Member.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation & Amortisation.	Depreciation is provided for on all fixed assets with a finite useful life on a straight-line basis.	Consistent application of depreciation method across all assets.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	The length of the life is determined at the point of acquisition or revaluation according to: <ul style="list-style-type: none"> <li>Assets acquired in year are depreciated on the basis of a charge from acquisition date.</li> <li>Assets that are not fully constructed are not depreciated until they are brought into use.</li> </ul>	No.
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall	Assets are assessed in year (e.g. garage sites) and at each year-end as to whether there is any indication that an asset may be impaired.	Use the Internal local RICS Member for non-housing valuations. Use of External valuer (Housing stock). Cipfa Asset Manager System.	Valuations are made in-line with RICS guidance - reliance on expert.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Non adjusting events - events after the BS date	S151 Officer makes the assessment. If the event is indicative of conditions that arose after the balance sheet date then this is a non-adjusting event. For these events only a note to the accounts is included, identifying the nature of the event and where possible estimates of the financial effect	Heads of Services notify the S151 Officer	This would be considered on individual circumstances. Discussions with Sector / External auditor	This would be considered on individual circumstances.	N/A
Overhead allocation.	The Finance Team apportion central support costs to services based on fixed bases as detailed in the 'Allocation Summary' spread sheet.	All support service cost centres are allocated according to the agreed 'Allocation Summary' spread sheet.	No	Apportionment bases are reviewed each year to ensure equitable	No
Measurement of Financial Instruments.	Council values financial instruments at fair value based on the advice of their external treasury consultants and other finance professionals.	Take advice from finance professionals.	Yes; Capita/PWLB	Take advice from finance professionals.	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions for liabilities.	<p>Provisions are made where an event has taken place that</p> <ul style="list-style-type: none"> <li>gives the Council a legal or constructive obligation</li> <li>that probably requires settlement by a transfer of economic benefits or service potential, and</li> <li>a reliable estimate can be made of the amount of the obligation.</li> </ul> <p>Provisions are charged as an expense to the appropriate service line in the CI&amp;ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.</p>	Charged in the year that the Council becomes aware of the obligation.	No	<p>Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received by the Council.</p>	No

## Appendix A Accounting Estimates (continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions : - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Bad Debt Provision.	A provision is estimated using a proportion basis of an aged debt listing.	Revenues provide the aged debt listing and Finance calculate the provision.	No	Consistent proportion used across aged debt as per the Code. Business Rates: each case (limited number) assessed to determine estimated recoverable amount	No
Accruals	Finance collate accruals of Expenditure and Income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Activity is accounted for in the financial year that it takes place, not when money is paid or received.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Pension liability	The Council is an admitted body to the Staffordshire Local Government Pension Scheme. The administering authority (the County Council) engage the Actuary who provides the estimate of the pension liability.	Payroll data is provided to the Actuary. Management reconcile this estimate of contributions to the actuals paid out in the year.	Consulting actuary	As disclosed in the actuary's report. Complex judgements including the discount rate used, rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	No



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