



## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT BOARD**

**MONDAY 28TH SEPTEMBER 2009, AT 5.00 P.M.**

**CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE**

**MEMBERS:** Councillors S. R. Peters (Chairman), B. Lewis F.CMI (Vice-Chairman), D. Hancox, Ms. H. J. Jones, D. McGrath, C. R. Scurrall and E. C. Tibby

### **AGENDA**

1. To receive apologies for absence
2. Declarations of Interest
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 29th June 2009 (Pages 1 - 2)
4. Audit Commission Governance Statement (to follow)
5. Internal Audit Recommendation Tracker (Pages 3 - 12)
6. Risk Management Departmental Tracker - Quarter 1 (Pages 13 - 18)
7. Preparing for International Financial Reporting Standards (IFRS) (Pages 19 - 28)
8. Internal Audit 3 Year Plan 2009/2010 - 2011/2012 (Pages 29 - 40)
9. Internal Audit Performance and Workload - Quarter 1 (Pages 41 - 50)
10. Corporate Risk Register 2009 - 2010 (Pages 51 - 62)
11. Project Management External Audit (Pages 63 - 80)
12. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting

13. To consider, and if considered appropriate, to pass the following resolution to exclude the public from the meeting during the consideration of items of business containing exempt information:-

**“RESOLVED:** that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraph of that part, in each case, being as set out below, and that it is in the public interest to do so:-

<u>Item No.</u>	<u>Paragraph(s)</u>
13	4
14	4 “

14. Internal Audit Payroll Review 2008/2009 (Pages 81 - 94)
15. Internal Audit ICT Services Review 2008/2009 (Pages 95 - 104)

K. DICKS  
Chief Executive

The Council House  
Burcot Lane  
BROMSGROVE  
Worcestershire  
B60 1AA

18th September 2009

## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT BOARD**

**MONDAY, 29TH JUNE 2009**

**AT 6.00 P.M.**

PRESENT: Councillors S. R. Peters (Chairman), D. Hancox, C. R. Scurrall and E. C. Tibby

Observers: Ms. J. Hill (Audit Manager, Audit Commission)

Officers: Ms. J. Pickering, Mrs. S. Moss and Mr. A. C. Stephens

8/09 **APOLOGIES**

Apologies for absence were received from Councillors Ms. H. J. Jones and B. Lewis F.CMI.

9/09 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

10/09 **MINUTES**

The minutes of the meeting of the Audit Board held on 8th June 2009 were submitted.

**RESOLVED** that the minutes be approved as a correct record.

11/09 **2008/09 STATEMENT OF ACCOUNTS AND GOVERNANCE STATEMENT**

Consideration was given to the report relating to the financial information for the year ended 31st March 2009, which included the Financial Outturn Summary 2008/2009, the Statement of Accounts 2008/2009 and the Governance Statement.

The Head of Financial Services responded to several questions from Members in respect of the Annual Review and Statement of Accounts 2008/2009 and, following discussion, it was

**RESOLVED:**

- (a) that the Financial Outturn position up to 31st March 2009 be noted;
- (b) that the Annual Governance Statement, as agreed by the Leader of the Council and the Acting Joint Chief Executive, be noted;

- (c) that the unaudited Statement of Accounts for the year ended 31st March 2009 be approved in accordance with the Accounts and Audit Regulations 2003 (amended 2006) and signed by the Chairman; and
- (d) that the thanks of the Board be conveyed to the Head of Financial Services and her officers for the work undertaken in the preparation of the Statement of Accounts.

The meeting closed at 7.00 p.m.

Chairman

## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th September 2009**

#### **INTERNAL AUDIT RECOMMENDATION TRACKER**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. Summary**

- 1.1 To present details of a new process to monitor progress to date against audit report “priority one” and key “priority two” findings and agreed actions.

#### **2. Recommendation**

- 2.1 The Audit Board is recommended to:

- Approve the guidance and example recommendation tracker as detailed at Appendix A

#### **3. Background**

- 3.1 Following completion of an audit review, findings are raised with an explanation as to the risk that the Council may be subject to together with recommendations as to the action required in order to improve the control environment. Each recommendation is allocated a priority based on the following:

Priority 1: Recommendations that are **fundamental** to improving the controls within the system.

Priority 2: Recommendations that are **important** to improving the controls within the system.

Priority 3: Recommendations that are **desirable** to improving the controls within the system.

Prioritising recommendations enables Heads of Service and Managers to implement actions based on importance in order to improve control within systems and processes.

For each finding, the Auditor, Head of Service and Managers agree what action should be taken to eliminate or reduce the risk with an officer assigned to the task required and a date by which action should be completed.

- 3.2 A new system of monitoring progress is to be introduced from 1<sup>st</sup> October 2010 (Quarter 3) Heads of Service are to be contacted on a quarterly basis and an update will be requested for each action included in their audit reports. Heads of Service and Managers are to retain evidence to support “priority one” and “priority two” actions that are completed as this will be reviewed by Internal Audit on an annual basis.

#### **4. Recommendation Tracker Guidance and Example**

- 4.1 Attached at Appendix A is the proposed guidance that will be followed by Heads of Service, Managers and the Internal Audit team.
- 4.2 In addition, Appendix A includes an example of the tracker and the format of the report to be presented in future to this meeting.
- 4.3 It is anticipated that Heads of Service will present any concerns or issues where fundamental recommendations are not being achieved and the potential impact to the delivery of their services if the recommendations are not implemented.

#### **5. Financial Implications**

- 5.1 None outside of existing budgets.

#### **6. Legal Implications**

- 6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2006 to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

#### **7. Corporate Objectives**

- 7.1 Council Objective 02: Improvement.

#### **8. Risk Management**

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

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

- 8.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services  
Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

## **9. Customer Implications**

9.1 No customer implications.

## **10. Equalities and Diversity Implications**

10.1 No equalities and diversity issues.

## **11. Other Implications**

Procurement Issues: None
Personnel Implications: None
Governance / Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

## **12. Others Consulted on the Report**

Portfolio Holder – Yes
Chief Executive – No
Executive Director (Services) - No
Assistant Chief Executive – No
Head of Service - Yes
Head of Financial Services - Yes

Head of Legal, Equalities & Democratic Services – No
Head of HR & Organisational Development – No
Corporate Procurement Team – No

### 13. **Appendices**

Appendix A: Guidance and Example of recommendation tracker.

### 14. **Background Papers**

14.1 None.

#### **Contact officer**

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**Agreed Actions Tracker Guidance****1. Introduction**

Below are the roles and responsibilities for completing the Agreed Action Tracker spreadsheet and the supporting evidence requirements for completed actions.

**2. Roles and Responsibilities**

In order to ensure that all actions agreed by management in relation to findings raised by Internal Audit are completed, responsibilities are detailed below.

Role	Responsibilities	
Internal Audit	General	<ul style="list-style-type: none"> <li>- Maintain a record of all findings and agreed actions arising from Internal Audit reviews (Named: Agreed Actions Tracker).</li> <li>- Compile a new Agreed Actions Tracker for each financial year (Control version).</li> <li>- After each Internal Audit final report has been issued, individual Auditors to add to the control version details of all findings and agreed actions.</li> </ul>
	Follow-up	<ul style="list-style-type: none"> <li>- Provide extracts for the Executive Team and CMT on a quarterly and ad hoc basis. Extracts to include all Priority 1, 2 and 3 findings that have not been completed.</li> <li>- Extracts to be a 'saved as' copy of the control version.</li> <li>- All columns, except Revised Target Completion Date, Current Position and Current Position Rating should be protected.</li> <li>- On an annual basis, review evidence to support agreed actions with a completed position rating. For Priority 1 and 2 only.</li> <li>- For priority 3 findings, Internal Audit only require management confirmation that the agreed action has been completed.</li> </ul>
	Target Completion Date	<ul style="list-style-type: none"> <li>- If the Target Completion Date is changed more than once, a comment in bold red should be annotated in the Agreed Action cell.</li> <li>- Where the Target Completion Date has been revised more than once this will be escalated to the relevant level of management and/or Audit Board.</li> </ul>
Executive Directors and Heads of Service	General	<ul style="list-style-type: none"> <li>- At the beginning of each quarter a spreadsheet will be issued by Internal Audit for each Service Area(s) detailing all Priority 1, 2 and 3 findings and agreed actions that have not been completed.</li> </ul>
	Follow-up	<ul style="list-style-type: none"> <li>- Obtain an update for each agreed action and complete the columns, Revised Target Completion Date (if applicable), Current Position and Current Position Rating.</li> <li>- A rationale is required for Revised Target Completion Dates. This should be annotated within the Current Position column.</li> <li>- Current Position comments should be brief and support the current position rating.</li> <li>- Where a Current Position Rating of Completed is allocated: <ul style="list-style-type: none"> <li>- Priority 1 &amp; 2: supporting evidence must be retained as this will be reviewed by Internal Audit.</li> <li>- Priority 3: Management confirmation.</li> </ul> </li> </ul> <p>See example, Appendix 1</p>

**Agreed Actions Tracker Guidance****3. Reports to the Audit Board**

Updates on the status of agreed actions will be provided to the Audit Board as follows:

Priority 1	All agreed actions that have not been completed.
Priority 2	Agreed action that are within the following categories: <ul style="list-style-type: none"><li>- Where savings can be realised.</li><li>- Where the risk of not taking action may result in non-compliance with regulatory requirements.</li><li>- Where the risk of not taking action may result in reputational damage.</li><li>- Where the Target Completion Date has been revised more than once.</li></ul>
Priority 3	None.

Agreed Actions Tracker Guidance

## Appendix 1. Example; completion of the Agreed Actions Tracker for Executive Directors and Heads of Service.

Service Area	Audit Name	Report Date	Finding	Risk	Agreed Action	Officer Responsible	Target Completion Date	Revised Target Completion Date	Current Position	Current Position Rating
<b>Priority 1</b>										
Area A	Audit T	Dec-08	<u>Awareness of rules and protocols</u>  Internal Audit is aware that users are not required to physically 'sign up' to the ... Policy. As this policy is fundamental and may result in dismissal if an individual fails to abide by the terms and conditions it is imperative that all users are familiar with the policy contents.	Legal censure	As part of the Government Code users will be required to sign to confirm that they have read and understand the rules and protocols relating to the ... Policy.  In addition we are looking at alternative options.	B Grove Head of Area A	Mar-09	N/A	All users have now signed to confirm that they have read and understood the rule and protocols relating to the Policy.  Copies of signed sheets are held by Manager of Area A.	Completed
<b>Priority 2</b>										
Area B	Audit X	Jun-09	<u>Review of arrears information</u>  In discussion with management it has been ascertained that due to time and resource constraints information produced in relation to arrears has not been subject to management review.	Loss of income.	Analysis reports and other transaction codes will be run and used for monitoring purposes.	C House Manager Area B	Sep-09	Nov-09	Revised date due to key member of staff leaving the Councils employment.	Not Started

Agreed Actions Tracker Guidance

Service Area	Audit Name	Report Date	Finding	Risk	Agreed Action	Officer Responsible	Target Completion Date	Revised Target Completion Date	Current Position	Current Position Rating
<b>Priority 2</b>										
Area C	Audit Y	Oct-08	<u>Training</u>  We found that key staff in Area B have not had any ... training.	Council procedures and legislation may not be complied with.	All staff will receive initial training with refresher training on an annual basis. <b>Note:</b> <b>31.12.08: Target date revised to Mar-09.</b>  <b>31.03.09: Target date revised to Jun-09.</b>	B Lane Manager of Area B	Jan-09	Jun-09	Training of 50% of staff completed Dec-08. Original revised target due to unavailability of external trainer. Alternative trainer contracted to complete training.	Ongoing
<b>Priority 3</b>										
Area D	Audit Z	Jun-09	<u>Roles and responsibilities</u>  Internal Audit has noted that the policy refers to the ... Officer. A search of the Council Directory has verified that the job title no longer exists.	The potential for documents to be incorrectly addressed.	The policy will be updated with the correct job title.	A Fields Manager Area D	Jul-09	N/A	Policy has been updated accordingly.	Completed

Agreed Actions Tracker Guidance

## Appendix 2. Example; Audit Board update.

Service Area	Audit Name	Report Date	Finding	Risk	Agreed Action	Target Completion Date	Revised Target Completion Date	Current Position	Current Position Rating
<b>Priority 1</b>									
Area E	Audit S	Jun-09	<u>Management Information</u>  In discussion with management Internal Audit has been informed that in relation to the Audit Commission's Use of Resources Key Line of Enquiry (KLOE) 8.6 there is currently a lack of detailed ... data. Furthermore, no regular MI relating to ... produced.	Insufficient MI on which to make informed decisions.	<ul style="list-style-type: none"> <li>- Following the collation of information, management to determine the nature of the detailed data and MI that is required to enable effective monitoring</li> <li>- Responsibility for producing such information is clearly defined.</li> <li>- A list of all expected information is maintained. This should include frequency of reports and who reports should be distributed to.</li> </ul>	Nov-09	N/A	Information is currently being collated.	Ongoing
Area F	Audit D	Apr-09	<u>Certificate review</u>  Review of annual certificates and discussion with management has confirmed that no evidence is held to support that checks have been carried out and identified anomalies have been investigated.	Inadequate audit trail.	Agreed. Records of review are maintained that detail: <ul style="list-style-type: none"> <li>- Certificate reference;</li> <li>- date of review;</li> <li>- name and role title of reviewer;</li> <li>- outcome of review; and</li> <li>- if applicable, action taken.</li> </ul>	Dec-09	N/A	Not started as review of annual certificates due to take place in December.	Not started

Agreed Actions Tracker Guidance

Service Area	Audit Name	Report Date	Finding	Risk	Agreed Action	Target Completion Date	Revised Target Completion Date	Current Position	Current Position Rating
<b>Priority 2</b>									
Area C	Audit Y	Oct-08	<u>Training</u>  We found that key staff in Area B have not had any ... training.	Council procedures and legislation may not be complied with.	All staff will receive initial training with refresher training on an annual basis. <b>Note:</b> <b>31.12.08: Target date revised to Mar-09.</b>  <b>31.03.09: Target date revised to Jun-09.</b>	Jan-09	Jun-09	Training of 50% of staff completed Dec-08. Original revised target due to unavailability of external trainer. Alternative trainer contracted to complete training.	<b>Ongoing</b>

## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th September 2009**

#### **RISK MANAGEMENT TRACKER**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. Summary**

- 1.1 To present an overview of the current progress in relation to Actions/Improvements as detailed in service area risk registers for the period 1st April to 30th June 2009.

#### **2. Recommendation**

- 2.1 The Audit Board is recommended to note progress to date against all business area risk register actions for Quarter 1 2009/10 (April 2009 – June 2009).

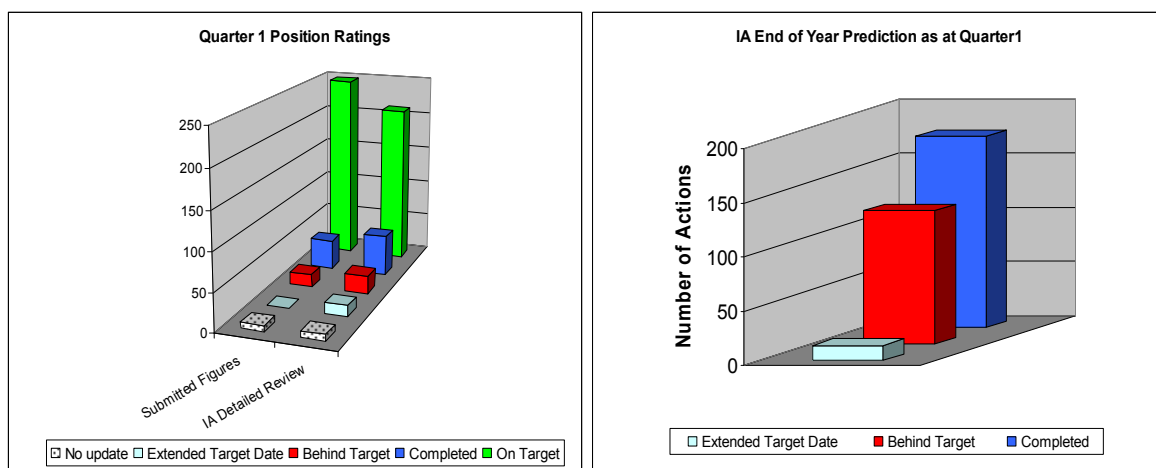
#### **3. Background**

- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7<sup>th</sup> March 2007.
- 3.2 As part of the new approach, each business area is required to collate a risk register that details:
- Key Objectives;
  - Risk Score;
  - Current controls;
  - Actions and improvements;
  - Responsible officers and target dates for each action and improvement; and
  - Progress against each action and improvement.
- 3.3 Business areas update their risk registers on a regular basis to ensure that actions and improvements are being monitored and implemented. The actions and improvements are designed to reduce risks, improve controls and aid individual sections to achieve their objectives.

- 3.4 The Risk Management Steering Group meets on a monthly basis to review departmental registers, highlight any concerns with the Head of Service and to review progress on actions and improvements.
- 3.5 The departmental registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis.
- 3.6 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

#### 4. **Service Areas Summary**

- 4.1 Each service area has submitted to Internal Audit the quarter 1 position for each Action/Improvement detailed on their risk register.
- 4.2 A detailed review of each Action/Improvement, target date, quarter 1 position rating and commentary has been carried out and based on the number of Actions/Improvements completed during the period 1<sup>st</sup> April to 30<sup>th</sup> June 2009 we have predicted an overall position rating for the end of the financial year.



- 4.3 From the above chart of Internal Audit's end of year prediction a total of 123 (out of 312) of Actions/Improvements will be behind target at the end of the financial year.

The predictive methodology assumes that the number of actions due for completion are spread fairly consistently across each quarter.

	Q1	Q2	Q3	Q4	Extended target	No definitive target	Total
Number of actions due for completion	57	62	48	112	15	18	312



As the table above illustrates, a high number of actions (112 of 312) are due for completion in quarter 4. Accordingly, this increases the likelihood that a significant number of actions may not be completed by year end.

- 4.4 The risk associated with the non delivery of the current actions is not deemed as high as the delayed actions are in relation to ongoing projects to ensure improvements are being achieved rather than fundamental problems with processes across the Council.
- 4.5 In order to highlight service area successes, Internal Audit have selected three Actions/Improvements that have been completed during quarter 1.

<b>Relevant Key Obj.</b>	<b>Action/Improvement</b>
<b>Street Scene &amp; Community</b>	
Achievement of Quest Accreditation	Completion of action plan with 3 key factors identified for implementation in Year 1.  3yr rolling plan developed alongside action plan, with worst performing areas of action plan being implemented first to raise standards
<b>Finance</b>	
Efficient and effective payment of benefits to those people who are eligible	Successful implementation and ongoing use of VRA. Processes have been amended and fine tunes and all staff are comfortable with the new way of working.
<b>Human Resources &amp; Organisational Development</b>	
Effective Management of Health & Safety	A report was approved by Cabinet (3 <sup>rd</sup> June 2009) on implications of H&S responsibilities of Elected Members. The Corporate report template has been adjusted to accommodate H&S implications.

## **Overall Summary**

4.11 Internal Audit's review has identified an additional 15 Actions/Improvements that we perceive as completed based on the commentary provided.

4.12 As at quarter 1 Internal Audit's predictive end of year position rating has identified:

- 4 risk registers with an Excellent rating;
- 3 risk registers with a Good rating; and
- 2 risk registers with a Weak rating.

## **5. Financial Implications**

5.1 None outside of existing budgets. The continued development of the risk management culture within the Council will aim to achieve improved assessment under the Use of Resources scoring.

## **6. Legal Implications**

6.1 None except specific legislation associated with any of the risk registers key objectives.

## **7. Corporate Objectives**

7.1 Council Objective 02: Improvement.

## **8. Risk Management**

8.1 Developing and maintaining Service risk registers will assist the Council to achieve its objectives, priorities, vision and values. The development and continual review of the registers will also support the Councils achievement of the Use of Resources framework.

8.2 Improvements and actions are monitored as part of each individual Service risk register.

## **9. Customer Implications**

9.1 In addressing the risks associated with the delivery of the Councils services the customers will receive a consistent and controlled quality of service provision.

## **10. Equalities and Diversity Implications**

10.1 The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

## **11. Other Implications**

Procurement Issues: None
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Personnel Implications: None
Governance / Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

## 12. **Others Consulted on the Report**

Portfolio Holder - Yes
Chief Executive - Yes
Executive Director (Services) - Yes
Assistant Chief Executive - Yes
Head of Service - Yes
Head of Financial Services - Yes
Head of Legal, Equalities & Democratic Services - Yes
Head of HR & Organisational Development - Yes
Corporate Procurement Team - No

## 13. **Appendices**

None.

## 14. **Background Papers**

14.1 Departmental risk registers – available from Heads of Service.

### **Contact officer**

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## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th SEPTEMBER 2009**

#### **PREPARING FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. SUMMARY**

- 1.1 To inform members of the impending introduction of International Financial Reporting Standards to Local Authorities. This report also highlights the likely timeframes for introduction and the possible impact this may have on resources.

#### **2. RECOMMENDATION**

- 2.1 That the Council's preparations for the introduction of International Financial Reporting Standards are noted; and
- 2.2 That the proposed approach to progress the introduction of International Financial Reporting Standards, outlined in Appendix A, be approved.

#### **3. BACKGROUND**

- 3.1 The annual financial statements for this council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice (UKGAAP).
- 3.2 In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, local government bodies are to move to preparing their financial statements using International Financial Reporting Standards (IFRS). These standards will be adapted as necessary for the public sector.
- 3.3 Full adoption of the IFRS-based local authority accounts is for financial year 2010/11, with the Council's statement of Accounts prepared in full compliance with IFRS's including the restatement of the 2009/10 comparative figures.
- 3.4 Compliance with UK GAAP in public sector accounts is achieved through the application of the "Code of Practice in Local Authority Accounting in Great Britain – A Statement of Recommended Practice (the SORP), published annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). The guidance within this document is the cornerstone that underpins the production of the Council's financial statements.

- 3.5 An initial comparative analyses between the latest SORP and IFRS's suggest that there are a substantial number of differences. This analysis has identified that there will be increased disclosure requirements that will impact the financial statements and some issues that will impact beyond the finance department.
- 3.6 Both the Council's Head of Financial Services and the Audit Board have a key role in ensuring the successful introduction of IFRS's. In particular, the Head of Financial Services has responsibility for overseeing the introduction of IFRS compliant financial statements, whilst the Audit Board must be satisfied that this is happening in good time.

#### **4. KEY AREAS OF CHANGE**

- 4.1 Application of IFRS will have a significant impact on the accounts, for example:
- Format and content of accounts
  - Accounting Policies
  - Valuation and depreciation of fixed assets
  - Classification and valuation of leases
  - Employee benefits – accounting for outstanding annual leave and flexi-leave at the year-end.
- 4.2 The first full set of IFRS compliant accounts will be published by the Council for the financial year 2010/11. This in turn will require the restatement of the 2009/10 accounts in IFRS format.
- 4.3 Some work in connection with this timetable is already underway but has been limited due to the focus of work in other areas such as the production of the 2008/09 final accounts. Work over the coming weeks will be accelerated to ensure the timetable is on track to maintain as smooth as possible a transition to the implementation of IFRS.
- 4.4 Officers are in liaison, via working groups set up by the Hereford and Worcestershire Finance Managers Group with colleagues at other local councils to share information and advice on IFRS. A watching brief will be maintained of the CIPFA Website to ensure information is obtained on the accounting code of practice and other future developments. Ongoing discussions will be held with the external auditors to inform them of the project plan, approaches being taken and to raise any issues with them as they arise.

#### **5. KEY ACTIONS TO BE TAKEN**

- 5.1 Although the council's 2010/11 accounts will be the first to be prepared on an IFRS basis, there will be a number of key tasks to be undertaken prior to that time. These include:
- Restating the 2009/10 accounts on an IFRS basis;
  - The opening balances at 1 April 2009 will need to be on an IFRS basis;
  - Whole of Government Accounts (WGA) will be on an IFRS basis from 2009/10;

- The impact on budgets, the council tax, our systems and staff training are all areas which need to be considered; and
- Ensuring the Council's financial system is configured to support the transition to IFRS based accounting.

5.2 It is important that we engage with our external auditors throughout the transition period in order to establish any audit trail or working paper expectations, materiality considerations, preliminary views on accounting treatment, audit timetable and arrangements for ongoing communication. It is also recognised that in the private sector, introduction of IFRS was most successful where functions other than finance were also involved such as procurement, IT and Human Resources.

5.3 Officers have attended a number of seminars and are of members of Countywide working groups to assess the impact of the introduction of IFRS. It is envisaged that further seminars will be attended over the coming months as further clarification of its application is given.

## **6. FINANCIAL IMPLICATIONS**

6.1 None outside existing budgets.

## **7. LEGAL IMPLICATIONS**

7.1 The Council has a statutory obligation to produce its Statement of Accounts, income and expenditure and record of receipts and payments each year under the Accounts and Audit Regulations 2003 (as amended 2006).

## **8. COUNCIL OBJECTIVES**

8.1 Council Objective 02: Improvement.

## **9. RISK MANAGEMENT**

The main risk associated with the details included in this report is the non-compliance with statutory requirements. This issue is addressed as part of the Financial Services Risk Register and the action plan and delivery of such will mitigate the risks associated with the non compliance of requirements.

## **10. CUSTOMER IMPLICATIONS**

10.1 No customer implications.

## **11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 No equalities and diversity issues.

## **12. VALUE FOR MONEY IMPLICATIONS**

12.1 None.

### 13. **OTHER IMPLICATIONS**

Procurement Issues:  None
Personnel Implications:  None
Governance/Performance Management:  Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:  None
Policy:  None
Environmental:  None

### 14. **OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Chief Executive	No
Corporate Director (Services)	Yes
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No



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**15. WARDS AFFECTED**

15.1 All Wards are affected.

**16. APPENDICES**

16.1 Appendix A – Outline Project Plan.

**17. BACKGROUND PAPERS**

17.1 None.

**CONTACT OFFICER**

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	<b>Step</b>	<b>Dependency</b>	<b>Dates</b>	<b>Areas for Discussion with External Audit</b>
1	Carry out high level impact assessment using information on CIPFA website (and over resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Other Areas		As soon as possible; completion of this stage by May 2009 recommended	Ongoing - discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues/difficulties etc.
2	Identify changes to accounting policies	In parallel with Step 1	As soon as possible; completion of this stage by May 2009 recommended	
3	Identify key staff (finance, legal, property, HR, other). Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in Step 1	As soon as possible; completion of this stage by May 2009 recommended	

<b>Step</b>		<b>Dependency</b>	<b>Dates</b>	<b>Areas for Discussion with External Audit</b>
4	Key staff trained on IFRS transition		At an early opportunity, then ongoing throughout the project	
5	Identify systems and procedural changes (including Chart of Accounts changes) required		March 2009 - end July 2009	
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March 2009 - September 2009	
7	Develop skeleton Statement of Account under IFRS (including Notes and Policies)	Accounting policies in Step 2	March 2009 - September 2009 (assumes CIPFA/LASAAC agree formats in March 2009)	Ongoing - discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues/difficulties etc.
8	Obtain information required to restate 1 April 2009 balance sheet	Identified during Step 6	March 2009 - September 2009	
9	Identify likely impact on budgets (if any)		March 2009 - September 2009	
10	Implement systems and procedural changes	Identified in Step 5	July 2009 - January 2010	
11	Training for all relevant staff and members		Ongoing from July 2009	

Step	Dependency	Dates	Areas for Discussion with External Audit
12	Obtained in Steps 7 & 8	July 2009 - December 2009*	Auditors will wish to consider the implications for reviewing balance sheet and/or processes and arrangements
13	Impact from Step 9	October 2009 - January 2010	No, direct input, but previous discussions and results of any audit work in Step 12 may inform budget decisions where auditors involved at an early date
14	Follows on from Step 10	July 2009 - March 2010*	Auditors will wish to consider the implications for relevant work on systems
15	See Steps 6,7,8,12	April 2010 - December 2010*	Auditors will wish to consider the implications for their work
16		April 2011 - June 2011	Normal audit procedures - accounts signed by 30 September 2011 (31 October 2011 in Northern Ireland)

\* Indicative timescale; absolute deadline is given in Step 16

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## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th SEPTEMBER 2009**

#### **2009/10 to 2011/12 INTERNAL AUDIT PLAN**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. SUMMARY**

- 1.1 To present for approval the revised Internal Audit 3-Year Plan for the period 2009/10 to 2011/12 with the detailed Internal Audit Plan for 2009/10.

#### **2. RECOMMENDATION**

- 2.1 The Audit Board is recommended to consider and approve the revised Internal Audit 3-Year Plan for 2009/10 to 2011/12 with the detailed Internal Audit Plan for 2009/10, as set out in the report and appendices.

#### **3. BACKGROUND**

- 3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 3.2 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that “Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources”.
- 3.3 The existing plan required revising for a number of reasons:
- there was no three year plan showing how all auditable areas would be covered over a three year period;
  - the list of auditable areas was very long with many areas subdivided into several parts;
  - the reduction in staff numbers;
  - the concern that the planned work would not be completed due, in part, to an overrun from the previous year;
  - the need to address these points now rather than at the year end.
- 3.4 Hence, a three year plan has been produced – attached at Appendix A. It shows that all auditable areas will receive audit attention during the three year period.
-

As part of this process the audit risks were revised, updated and reassessed and the auditable areas were revised and reduced in number by removing the subdivisions, but adding in new areas where applicable.

- 3.5 Further, the more detailed plan for 2009/10 has been revised – attached at Appendix A. It allows time to complete the previous year's work, reduces the number of audits, and includes the bought-in management days. Otherwise the plan has been changed as little as possible as it had already been approved by this Board and because it was the basis of Internal Audit's work programme while the revision was being carried out. In addition, it should be noted that the audits taken out of the plan for 2009/10 will be covered during the next two years.

#### **4. PLANNING PROCESS**

- 4.1 Consultation into the production of the 2009/10 Internal Audit Plan began in December 2008 and involved discussions with the following:

- Executive Directors.
- Assistant Chief Executive.
- Heads of Service.

- 4.2 Internal Audit has adopted an Audit Risk Model Policy which helps guide the planning process and enables a risk based audit plan to be produced. The planning process can be summarised as follows:

- All potential auditable areas are identified using budget details, Committee minutes and reports and meetings with various Council staff.
- Each area is then allocated a risk score based on the following revised areas:
  - Value of income and expenditure.
  - Number of employees involved.
  - Impact on the Council.
  - Volume of transactions.
  - Impact of management and staff.
  - Third party sensitivity.
  - Standard of internal control.
  - Effectiveness of other assurance providers
  - Complexity of system.
  - Involvement of other organisations.
  - Risk Register entry.
  - Potential for fraud.
  - Length of time since last audit review.
- The auditable areas are then ranked in order of risk, with the highest scoring areas being given earlier and/or more audit attention in the audit plan, although it is intended to cover all auditable areas over a three year period.

- 4.3 The 2009/10 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:



- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
- Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
- The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
- An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.

## **5. FINANCIAL IMPLICATIONS**

5.1 None outside existing budgets.

## **6. LEGAL IMPLICATIONS**

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

## **7. COUNCIL OBJECTIVES**

7.1 Council Objective 02: Improvement.

## **8. RISK MANAGEMENT**

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

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

8.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

Risk Register: Financial Services  
Key Objective Ref No: 3  
Key Objective: Efficient and effective Internal Audit service

**9. CUSTOMER IMPLICATIONS**

9.1 No customer implications.

**10. EQUALITIES AND DIVERSITY IMPLICATIONS**

10.1 No equalities and diversity issues.

**11. VALUE FOR MONEY IMPLICATIONS**

11.1 None.

**12. OTHER IMPLICATIONS**

Procurement Issues:  None
Personnel Implications:  None
Governance/Performance Management:  Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:  None
Policy:  None
Environmental:  None

**13. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	No
Chief Executive	No

Executive Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	Yes
Head of HR & Organisational Development	Yes
Corporate Procurement Team	No

#### **14. WARDS AFFECTED**

14.1 All Wards are affected.

#### **15. APPENDICES**

15.1 Appendix A – 2009/10 to 2011/12 Internal Audit 3-Year Plan & 2009/10 Revised Internal Audit Plan.

#### **16. BACKGROUND PAPERS**

16.1 None.

#### **CONTACT OFFICER**

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## APPENDIX A

### Internal Audit 3-Year Plan 2009/10 to 2011/12

Audit Area	Risk Score (max 100)	Service Area	Year 1 2009/10	Year 2 2010/11	Year 3 2011/12	Comments
<b>Operational: Fundamental System Reviews</b>						
Benefits	70	FS	✓	✓	✓	
NNDR	67	FS	✓	✓	✓	
Treasury Management	65	FS	✓	✓	✓	
Council Tax	69	FS	✓	✓	✓	
Budgetary Control & Strategy	68	FS	✓	✓	✓	inc. Financial Regulations & Central Overheads
Creditors	65	FS	✓	✓	✓	
Debtors (inc. debt chasing by Legal)	64	FS/LEDS	✓	✓	✓	
General Ledger & Bank Reconciliations (inc. CSC income)	62	FS/E-Gov & CS	✓	✓	✓	
Payroll	78	HR & OD	✓	✓	✓	inc. Flex-time, Leave, Agency Workers and Casual Staff, Travel & Subsistence, Professional Subscriptions, Child-minding Allowances. Now processed by RBC
Asset Management	66	LEDS	✓	✓	✓	inc. Facilities Management; Council House - general & safety; Asset Rental; Industrial Properties; Public Toilets; Museum & TIC
<b>Operational: Other System Reviews</b>						
Shared Services	82	Corporate		✓		
Performance Indicators & Data Quality	58	Corporate		✓		inc. Corporate Performance
Partnerships (excl. shared service)	72	Corporate			✓	
Corporate Initiatives	64	Corporate			✓	inc. Project Management Methodology
Corporate Governance	77	Corporate	✓✓	✓		inc. Gifts & Hospitality, Complaints, Business/Corporate/Improvement Planning, Corporate Policy, Members

Audit Area	Risk Score (max 100)	Service Area	Year 1 2009/10	Year 2 2010/11	Year 3 2011/12	Comments
						Expenses & Local Code of Corporate Governance
Value For Money	67	Corporate		✓		i.e. individual VFM studies
IT audit	79	E-Gov & CS	✓	✓	✓	Currently 15 aspects identified - review at least 1 p.a.
Procurement & Contracts	72	FS	✓			
Insurance	59	FS			✓	
Petty Cash	44	FS		✓		System consultancy
Corporate Fraud Prevention and Detection	58	FS			✓	i.e. work of Fraud Team, inc. RIPA
Equality and Diversity	51	LEDS		✓		
Elections	64	LEDS			✓	inc. Registration Services & Democratic Representation. Shared service hosted by RBC
HR Services & Policies	58	HR & OD		✓		inc. Occupational Health, Health & Safety, Capacity Building, Members Training & Training Courses & Seminars
Communications & Media	61	CCP&P			✓	Both internal & external, and inc. Marketing etc., Advertising & Council Reception inc. Post Room
Planning	66	P&ES			✓	Inc. Development Control, Building Control Enforcement, Section 106 monies & tree service
Licensing & Taxi Licensing	57	P&ES		✓		
Local Land Charges	50	P&ES			✓	
Economic Development	63	P&ES	✓			inc. Town Centre Development (09/10 project), Longbridge, Market. Shared service imminent
Environmental Health	65	P&ES		✓		inc. Commercial & Pollution
Civil Contingencies, Emergency Planning & Business Continuity	70	P&ES/All		✓		By County for BDC
Strategic Housing & Housing Enabling	63	P&ES/LEDS			✓	
Grants & Concessions	58	P&ES/SS&C	✓			
Waste Collection	63	SS&C		✓		inc. domestic, trade, cesspits, street

Audit Area	Risk Score (max 100)	Service Area	Year 1 2009/10	Year 2 2010/11	Year 3 2011/12	Comments
Car Parks	63	SS&C	✓			cleansing
Environmental Enhancements	60	SS&C			✓	inc. land drainage, grounds maintenance, & highways
Stores & Garage	50	SS&C			✓	incl. Business Support
Dolphin Centre	71	SS&C	✓			Intended to become a Trust next year, therefore, audit in final year under BDC 09/10
Parks & Open Spaces	58	SS&C	✓			inc. Cemeteries
Events	70	SS&C	✓			
<b>Other Operational</b>						
Completion of previous year's work			✓	✓	✓	Should be no more than a small overrun each year
Risk Management	54	Corporate	✓	✓	✓	Project: facilitation by IA
Contingency			✓	✓	✓	For demand led activities such as Consultancy and a small cushion, if needed, elsewhere.
<b>Non-Operational</b>						
Administration			✓	✓	✓	
Management			✓	✓	✓	
Leave/approved absence			✓	✓	✓	

## 2009/10 Revised Internal Audit Plan

### Audit Reviews

<b>Description</b>	<b>Risk Score (max = 100)</b>	<b>Directorate</b>	<b>Service</b>	<b>Proposed Start Date</b>
Corporate Governance: Complaints System	77	Chief Executive	Corporate Communication, Policy & Performance	Quarter 1
IT Audit: ICT Services (incl Helpdesk)	79	Services	E-Government & Customer Services	Quarter 1
Parks & Open Spaces	58	Services	Street Scene & Community	Quarter 1
Events: Spadesbourne Suite	70	Services	Legal, Equalities & Democratic Services	Quarter 1
Dolphin Centre	71	Services	Street Scene & Community	Quarter 2
General Ledger & Bank Reconciliations	62	Services	Financial Services	Quarter 2
Treasury Management	65	Services	Financial Services	Quarter 2
Grants & Concessions: Travel Concessions	58	Services	Street Scene & Community	Quarter 2
Car Parks	63	Services	Street Scene & Community	Quarter 2
Creditors	65	Services	Financial Services	Quarter 3
Corporate Governance: Member Allowances	77	Services	Legal, Equalities & Democratic Services	Quarter 3
Economic Development: Town Centre Development	63	Services	Planning & Environmental Services	Quarter 3
Budgetary Control & Strategy	68	Services	Financial Services	Quarter 3
Payroll	78	Services	HR & OD	Quarter 3
NNDR	67	Services	Financial Services	Quarter 3
Council Tax	69	Services	Financial Services	Quarter 3



<b>Description</b>	<b>Risk Score (max = 100)</b>	<b>Directorate</b>	<b>Service</b>	<b>Proposed Start Date</b>
Procurement & Contracts	72	Services	Financial Services	Quarter 3
Benefits	70	Services	Financial Services	Quarter 4
Asset Management	66	Services	Legal, Equalities & Democratic Services	Quarter 4
Debtors	64	Services	Financial Services	Quarter 4

Projects

<b>Description</b>	<b>Service</b>	<b>Details</b>	<b>Proposed Start Date</b>
Risk Management	Financial Services	Risk management facilitation/support	Quarters 1 – 4

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## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th SEPTEMBER 2009**

#### **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. SUMMARY**

- 1.1 To present a summary of the current performance and workload of the Internal Audit Section.

#### **2. RECOMENDATION**

- 2.1 The Audit Board is recommended to note and approve the:

- Current status and work completed on the 2008/09 & 2009/10 Audit Plans.
- Work completed by the Internal Audit Section between April 2009 and June 2010.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

#### **3. BACKGROUND**

- 3.1 Following the Audit Board meeting on the 25<sup>th</sup> April 2006, a number of standard agenda items and topics were agreed. This report includes information on the following areas:

- 2008/09 and 2009/10 Audit Plans – Current Status.
- Audit Work Completed since the previous Audit Board meeting.
- Summary of Investigations.
- Performance Indicator statistics.
- New or updated audit documents.

#### 4. **2008/09 and 2009/10 AUDIT PLANS – CURRENT STATUS**

4.1 The 2008/09 Audit Plan came into effect on the 1<sup>st</sup> April 2008. Detailed below is the work completed to date on the audit reviews detailed in the plan.

2008/09 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
<b><u>Audit Reviews</u></b>						
E-mail & Internet Usage Policy	E-Gov. & CS	Qtrr 2			✓	Audit completed.
Regulation of Investigatory Powers Act	E-Gov. & CS	Qtrr 2			✓	Audit completed.
Customer Services Centre	E-Gov. & CS	Qtrr 2			✓	Audit completed
Debtors	Financial Srvs	Qtrr 2			✓	Audit completed.
NNDR	Financial Srvs	Qtrr 3			✓	Audit completed
Housing Benefits	Financial Srvs	Qtrr 3			✓	Audit completed.
Asset Management	Legal & Demo.	Qtrr 3			✓	Audit completed.
Council Tax	Financial Srvs	Qtrr 3			✓	Audit completed
Licensing	Plan & Env	Qtrr 3	✓			Not Started
Refuse Collection & Recycling	St. Scene & Commty	Qtrr 3	✓			Not Started
Budgetary Control & Strategy	Financial Srvs	Qtrr 4			✓	Audit completed
General Ledger & Bank Reconciliations	Financial Srvs	Qtrr 4			✓	Audit completed
Treasury Management	Financial Srvs	Qtrr 4			✓	Audit completed
Payroll	Financial Srvs	Qtrr 4			✓	Audit completed
Creditors	Financial Srvs	Qtrr 4			✓	Audit completed
<b><u>Projects</u></b>						
Corporate Governance	Corporate	Qtrr 1 - 4			✓	Ongoing facilitation and support.
Risk Management	Corporate	Qtrr 1 - 4			✓	Ongoing facilitation and support.

4.2 The 2009/10 Audit Plan came into effect on the 1<sup>st</sup> April 2009. Detailed below is the work completed to date on the audit reviews detailed in the plan.

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Audit Reviews						
Corporate Governance: Complaints System	Corporate Comms	Qtrtr 1		✓		Testing underway
IT Audit: ICT Services (incl Helpdesk)	E-Gov. & CS	Qtrtr 1		✓		Testing underway
Parks & Open Spaces	St. Scene & Commty	Qtrtr 1		✓		Testing underway
Events: Spadesbourne Suite	Legal & Demo.	Qtrtr 1		✓		Testing underway
Corporate Governance: Member Allowances	Legal & Demo.	Qtrtr 3	✓			Not started
Dolphin Centre	St. Scene & Commty	Qtrtr 2	✓			Not started
Creditors	Financial Svcs	Qtrtr 2	✓			Not started
General Ledger & Bank Reconciliations	Financial Svcs	Qtrtr 2	✓			Not started
Treasury Management	Financial Svcs	Qtrtr 2	✓			Not started
Grants & Concessions: Travel Concessions	St. Scene & Commty	Qtrtr 2	✓			Audit started
Car Parks	St. Scene & Commty	Qtrtr 2		✓		Testing underway
Economic Development: Town Centre Development	Planning & Env Svcs	Qtrtr 3	✓			Not started
Budgetary Control & Strategy	Financial Svcs	Qtrtr 3	✓			Not Started
Payroll	HR & OD	Qtrtr 3	✓			Not Started
NNDR	Financial	Qtrtr 3	✓			Not started

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
	Srvs					
Council Tax	Financial Srvs	Qtr 3	✓			Not started
Procurement & Contracts	Financial Srvs	Qtr 3	✓			Not started
Benefits	Financial Srvs	Qtr 4	✓			Not started
Asset Management	Legal & Demo.	Qtr 4	✓			Not started
Debtors	Financial Srvs	Qtr 4	✓			Not started
<b>Projects</b>						
Risk Management	Corporate	Qtr 1 – 4		✓		Ongoing facilitation and support.

## 5. **AUDIT WORK COMPLETED**

### **2008/09 Audit Plan**

- 5.1 Due to the delay in starting 2008/09 work at the beginning of last year (as reported to the Audit Board), it was necessary to complete a number of audits from 2008/09 in the first quarter of 2009/10. This work was carried out to ensure that adequate controls were in place for the Use of Resources judgement for 2008/09. However, it should be noted that the overrun into the start of 2009/10 was far less than last year.
- 5.2 In addition to reducing the time for some audits there was still a shortfall of approximately 30 – 40 days in 2008/09. This shortfall was met by Worcester City Council Audit Services.
- 5.3 Five 2008/09 audits were finalised during 2009/10, although a substantial proportion of the testing had been completed in 2008/09.
- 5.4 The Audit Section has now completed all but two of the audits within the 2008/09 audit plan as can be seen from the table at 4.1 above. These two audits will not now be undertaken.

### **2009/10 Audit Plan**

- 5.1 The Table at 4.2 above shows that a number of audits in the 2009/10 audit plan have already been started, with testing well underway. Completion of the audit plan for 2009/10 is expected to be in line with the Section's Performance Indicators.
- 5.2 Due to the delays in the commencement of the 2009/10 Audit Plan, the plan was reviewed to ensure compliance with our internal control framework within the time remaining. As fundamental system audits are completed each year, some have been reviewed as 'light touch'. These audits will have been undertaken as a full review

during the previous few years and any issues have already been identified and managed or resolved, therefore ensuring that the risks inherent with the system have been removed or reduced to an acceptable level. A 3-year rolling audit plan has been developed to ensure that all of these systems are subjected to a full review every third year.

### 5.3 Other duties undertaken by the Section include:

- Ongoing communication with the Council's external auditors.
- The Internal Audit Section has a representative on the Risk Management Steering Group and has provided ongoing support and facilitation in implementing the Council's Risk Management Strategy.
- Further "Introduction to Risk Management" training sessions have been held for staff.
- Support and advice to Service Providers to ensure adequate controls are present within systems.

### 5.4 To encourage joint working and capacity across all of the Districts in the county consideration is being given to joint working under the Worcestershire Enhanced Two Tier programme (WETT).

## 6. **SUMMARY OF INVESTIGATIONS**

### 6.1 Responsibility for investigations has now been transferred to the Council's Corporate Fraud Team. Hence, fraud work has been taken out of the Audit Plan for 2009/10.

## 7. **2009/10 INTERNAL AUDIT PERFORMANCE INDICATORS**

### 7.1 The performance indicators for internal audit have been reduced to four:

- i) Actual time compared with planned time,
- ii) Percentage of productive time,
- iii) Number of jobs planned for the year actually finished,
- iv) Number of customer surveys returned that scored the service as 'good'.

### 7.2 The first two performance indicators will be monitored and reported quarterly (see table below); the latter two indicators will be measured and reported annually.

### 7.3 The table below sets out the planned time compared with the actual time used in the first quarter of 2009/10, split between the different areas of audit work. Different areas of work are concentrated in different parts of the year (see 'Comments' column). The figures indicate that the Internal Audit is broadly on target to achieve the plan for 2009/10.

2009/10 Quarter 1 (April – June 09)	Planned (days)	Actual (days)	% used	Comments
<b>Operational days:</b>				
Completion of 08/09 audit work	21	19.61	93%	Completed in July 2009

Fundamental systems reviews	152	3.58	2%	Annual audits of key financial systems concentrated in the latter half of the year (i.e. quarters 3 & 4) to enable assurance to be given for the year
Other systems reviews	143	18.78	13%	Current work
Projects (Risk Management)	70	22.95	33%	Ongoing – inc. end of year reporting for 08/09
Contingency (Consultancy)	40	6.7	17%	As required
<b>Sub-total</b>	<b>426</b>	<b>71.62</b>	<b>17%</b>	
<b>Non-operational days:</b>				
Administration	24	3.82	16%	
Management	80	27.15	34%	
Leave/approved absences	90	38.18	42%	
<b>Sub-total</b>	<b>194</b>	<b>69.15</b>	<b>36%</b>	
<b>Total</b>	<b>620</b>	<b>140.77</b>	<b>23%</b>	Period covered is 12 weeks, i.e. 23% of a year
<b>Performance indicator: percentage of productive time</b>				
<b>Percentage of operational days (i.e. productive time):</b> <b>(N.B. Benchmark is 65%)</b>	<b>69%</b>	<b>51%</b>		Management time has been concentrated at the start of the year in order to revise and update the audit plan. This percentage is expected to improve as the year progresses.

## **8. NEW OR UPDATED AUDIT DOCUMENTS**

8.1 There are no new or updated Internal Audit documents to report.

## **9. RECOMMENDATIONS TRACKER**

9.1 The use of the recommendations tracker was suspended in 2008/09 because of the need to complete the 2007/08 audit work in 2008/09 and the consequent pressure of work. As reported elsewhere in this agenda, it is intended to recommence the use of the recommendations tracker in 2009/10.

## **10. FINANCIAL IMPLICATIONS**

10.1 None outside existing budgets.

## **11. LEGAL IMPLICATIONS**

11.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2006 to “maintain an adequate and effective system of internal audit of its accounting



records and of its system of internal control in accordance with the proper internal audit practices”.

## **12. COUNCIL OBJECTIVES**

12.1 Council Objective 02: Improvement.

## **13. RISK MANAGEMENT**

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

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

13.2.1 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

## **14. CUSTOMER IMPLICATIONS**

14.1 No customer implications.

## **15. EQUALITIES AND DIVERSITY IMPLICATIONS**

15.1 No equalities and diversity issues.

## **16. VALUE FOR MONEY IMPLICATIONS**

16.1 None.

## **17. OTHER IMPLICATIONS**

Procurement Issues:
None
Personnel Implications:
None
Governance/Performance Management:
Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:
None
Policy:
None
Environmental:
None

#### 18. **OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	No
Chief Executive	No
Executive Director (Services)	Yes
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of HR & Organisational Development	No
Corporate Procurement Team	No

#### 19. **WARDS AFFECTED**

19.1 All Wards are affected.

## **20. APPENDICES**

20.1 None.

## **21. BACKGROUND PAPERS**

21.1 None.

## **CONTACT OFFICER**

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E Mail: [j.pickering@bromsgrove.gov.uk](mailto:j.pickering@bromsgrove.gov.uk)  
Tel: (01527) 881207

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## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**28th SEPTEMBER 2009**

#### **CORPORATE RISK REGISTER – 2009/10**

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

#### **1. Summary**

- 1.1 To present the Corporate Risk Register 2009/10 to Members for consideration.

#### **2. Recommendation**

- 2.1 The Audit Board is recommended to approve the Corporate risk register objectives as detailed at Appendix A.

#### **3. Background**

- 3.1 The Council has adopted a robust framework for risk management which has been developed over the last few years and resulted in an improvement to the Use of Resources scoring for this theme of 3 ( out of 4) in 2007/08. This is to ensure that the Council has effective controls in place to mitigate and manage risk across the organisation and to demonstrate this within the Use of Resources framework.
- 3.2 The framework implemented by the Council involves departmental and corporate risk registers being developed to detail;
- Key Objectives;
  - Risk Score;
  - Current controls;
  - Actions and improvements;
  - Responsible officers and target dates for each action and improvement; and
  - Progress against each action and improvement.
- 3.3 The Corporate Risk register is considered and updated at Corporate management team to ensure that risks are being managed and to address any new risks that have been identified.
- 3.4 The objectives and key controls included in the Corporate Register for 2009/10 is attached at Appendix A.

- 3.5 The departmental registers are reviewed on a quarterly basis. This Board considers the actions and updates on the Corporate Register on a half yearly basis. The updates will be reported to this Board at the next meeting.
- 3.6 In addition to the review of the register there is a planned programme of risk management training for officers that supports the development of the risk culture through the organisation.

#### 4. **Key Objectives**

- 4.1 There are 16 objectives within the 2009/10 Corporate Register which reflect the risk environment and the Council's main objectives. The register links with the priorities and objectives in the delivery of the Councils services. The main changes from the 2008/09 register are as follows:

Addition:

- Effective Asset Management.

Amendments (to objective wording):

- Capability to respond to the Civil Contingencies Act and effective Business Continuity.
- Effective employee recruitment, retention and workforce planning.
- Effective two tier working and shared services.
- Successful management of Job Evaluation appeals process.
- Ensure the Council achieves an improved rating under the CAA regime.
- Influence a regenerated town centre through improved retail and public service.

Removals:

- Effective Financial Management and Internal Control in compliance with Use of Resources assessment.
- Effective partnership working.
- Equalities and diversity agenda embedded across the Authority.
- Effective Projects Management.
- Effective Business and Performance Management.

The above have been removed as either arrangements are in place or alternative monitoring is carried out, for example, via the Improvement Plan.

#### 5. **Overall Summary**

- 5.1 It is anticipated that the Corporate risk register for 2010/11 will be developed as part of the Business Planning process and will be presented to the Board at the first meeting of 2010/11.

#### 6. **Financial Implications**

- 6.1 None outside of existing budgets.

## **7     Legal Implications**

- 7.1 None except specific legislation associated with any of the risk registers key objectives.

## **8     Corporate Objectives**

- 8.1 Council Objective 02: Improvement.

## **9     Risk Management**

- 9.1 Developing and maintaining the corporate risk register will assist the Council to achieve its objectives, priorities, vision and values. The development and continual review of the register will also support the Councils achievement of the Use of Resources framework.

## **10    Customer Implications**

- 10.1 In addressing the risks associated with the delivery of the Councils services the customers will receive a consistent and controlled quality of service provision.

## **11    Equalities and Diversity Implications**

- 13.1 The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

## **12    Other Implications**

Procurement Issues: None
Personnel Implications: None
Governance / Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

## **13    Others Consulted on the Report**

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (Services)	No

Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	yes
Head of HR & Organisational Development	Yes
Corporate Procurement Team	NA

#### **14 Appendices**

Appendix A – Corporate Risk Register 2009/10

#### **15 Background Papers**

None

#### **Contact officer**

Jayne Pickering – Head of Financial Services  
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Tel: (01527) 881207



**Bromsgrove District Council Risk Register**

<b>Service:</b>	CORPORATE
<b>Service Area:</b>	N/A

Key Objective: Ref. No. 1		Key Objective: Ref. No. 2		Key Objective: Ref. No. 3		Key Objective: Ref. No. 4		Key Objective: Ref. No. 5	
Effective Corporate leadership Responsibility: CEO		Effective Member / Officer relations Responsibility: Head of Legal, Equalities & Democratic Services and CEO		Effective Member / Member relations Responsibility: Head of Legal, Equalities & Democratic Services and CEO		Capability to respond to Civil Contingencies Act and effective Business Continuity Responsibility: Executive Director Partnerships & Projects		Effective employee recruitment, retention and workforce planning Responsibility: Head of HR & OD	
Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)
High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas	
Financial	✓	Financial		Financial		Financial	✓	Financial	
Political	✓	Political	✓	Political	✓	Political	✓	Political	
Social	✓	Social	✓	Social	✓	Social	✓	Social	✓
Technical		Technical		Technical		Technical	✓	Technical	✓
Legal	✓	Legal	✓	Legal	✓	Legal	✓	Legal	
Environmental		Environmental		Environmental		Environmental	✓	Environmental	✓

Current		Acceptable		Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
Medium	Medium	Low	Medium	High	Medium	Medium	Medium	High	High	High	Low	High	Medium	Medium	Medium
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
AMBER (4)		GREEN (2)		RED (6)		AMBER (4)		RED (9)		AMBER (3)		RED (6)		AMBER (4)	

Current Key Controls		Current Key Controls		Current Key Controls		Current Key Controls		Current Key Controls	
<div>Page 55</div> <p>Weekly meetings between Chief Executive and Leader. Summary notes are produced and actions arising documented and reviewed.</p> <p>Regular meetings between Portfolio Holder and HOS. Actions arising documented and reviewed. Monthly reports prepared by HOS to inform Portfolio Holder and CEO of current issues, financial and performance information.</p> <p>Council Vision &amp; Priorities in place which govern the approval of projects. All projects have to clearly link to the council priorities and objectives in order for approval to be considered.</p> <p>Leader, Deputy Leader and Leader of Opposition undertake appraisal for CEO and set clear targets for delivery (aligned to the Council Plan).</p> <p>Chief Executive regularly attends Group Leaders and Leaders Group meetings (both informal and formal)</p>		<p>Regular meetings between Portfolio Holder and HOS. Actions arising documented and reviewed. Monthly reports prepared by HOS to inform Portfolio Holder and CEO of current issues, financial and performance information and Portfolio Holders present service reports at Committee meetings. In addition HOS provide training to Members in relation to their service area.</p> <p>Monitor adherence with the Council Constitution and action taken where required. Monitored by the Monitoring Officer through the Standards Committee.</p> <p>Chief Executive regularly attends Group Leaders and Leaders Group meetings (both informal and formal).</p> <p>Weekly meetings between Chief Executive and Leader. Summary notes are produced and actions arising are documented and reviewed.</p>		<p>Regular meetings between Leader and Group Leaders. Actions arising documented and reviewed. Leader feeds back to Chief Executive.</p> <p>Independent Political Groups occupy key roles to ensure opposition leaders take a proactive role. Note: at the time the risk register compiled Labour Members are not participating.</p> <p>Monitor adherence with the Council Constitution and action taken where required. Monitored by the Monitoring Officer through the Standards Committee.</p> <p>Member/member protocol which has been endorsed by Group Leaders. Monitor adherence with the Member/Member protocol and action taken where required. Monitored by the Monitoring Officer.</p> <p>Ethical standards position in place to undertake member investigations following transfer of responsibility from Standards Board.</p>		<p>Trained and Experienced Emergency Planning Officer in post (at County and funded by BDC) as first point of contact in the event of an emergency working to agreed policies and procedures.</p> <p>Emergency Plan which is subject to a regular review and action taken where required. Emergency Plan has been subject to testing.</p> <p>Level of service provided by Worcestershire County Council who are the principal coordinators for Worcestershire is detailed in a Service Level Agreement.</p> <p>Disaster Recovery site available at County Council. Site has servers; network connections; copies of systems and data. In the event of a disaster the site provides opportunity to link machines for core systems e.g. Academy, Agresso etc. The site has been subject to testing.</p> <p>HOS undertake Emergency Planning Lead role on a weekly basis to ensure continuity of leadership in issues arising.</p>		<p>Training and development opportunities supported by a training budget. Includes internal courses and attainment of professional qualifications, where appropriate. The Training Directory is updated on a quarterly basis to ensure that training opportunities are pro-active and responsive.</p> <p>Annual PDR process which has been reviewed and delivers focus by ensuring that all employees, including the CEO, have development plans and are set appropriate targets that are aligned to Council objectives.</p> <p>The short term People Strategy is operational. Compliance with the strategy is monitored via the CEO/Head of HR &amp; OD 1:2:1's and via the Head of HR &amp; OD/direct reports 1:2:1's. Summary notes of 1:2:1's are produced and actions arising documented and reviewed.</p> <p>Vacancy Management approval process in place.</p>	

Regular communications with staff around key issues

Key Objective: Ref. No. 6	
Effective Health and Safety management Responsibility: Head of HR & OD	
Links to Council Objective:	Improvement (02)
High Impact Areas	
Financial	✓
Political	✓
Social	✓
Technical	
Legal	✓
Environmental	✓

Current		Acceptable	
Impact	Likelihood	Impact	Likelihood
Medium	Medium	Low	Medium
Risk Colour (Score)		Risk Colour (Score)	
AMBER (4)		GREEN (2)	

Key Objective: Ref. No. 7	
Effective two tier working and shared services Responsibility: CEO	
Links to Council Objective:	Improvement (02)
High Impact Areas	
Financial	✓
Political	✓
Social	✓
Technical	
Legal	✓
Environmental	✓

Current		Acceptable	
Impact	Likelihood	Impact	Likelihood
High	Medium	Medium	Medium
Risk Colour (Score)		Risk Colour (Score)	
RED (6)		AMBER (4)	

Key Objective: Ref. No. 8	
Effective Community Engagement and Communications Responsibility: Assistant CEO	
Links to Council Objective:	Improvement (02)
High Impact Areas	
Financial	✓
Political	✓
Social	✓
Technical	
Legal	✓
Environmental	✓

Current		Acceptable	
Impact	Likelihood	Impact	Likelihood
High	Medium	Medium	Medium
Risk Colour (Score)		Risk Colour (Score)	
RED (6)		AMBER (4)	

Key Objective: Ref. No. 9	
Successful management of Job Evaluation appeals process Responsibility: Head of HR & OD	
Links to Council Objective:	Improvement (02)
High Impact Areas	
Financial	✓
Political	✓
Social	✓
Technical	
Legal	✓
Environmental	✓

Current		Acceptable	
Impact	Likelihood	Impact	Likelihood
Medium	Low	Low	Low
Risk Colour (Score)		Risk Colour (Score)	
GREEN (2)		GREEN (1)	

Key Objective: Ref. No. 10	
All Council data is accurate and of high quality Responsibility: Assistant CEO and Head of E-Gov & Customer Services	
Links to Council Objective:	Improvement (02)
High Impact Areas	
Financial	✓
Political	✓
Social	
Technical	✓
Legal	✓
Environmental	

Current		Acceptable	
Impact	Likelihood	Impact	Likelihood
High	Medium	Medium	Low
Risk Colour (Score)		Risk Colour (Score)	
RED (6)		GREEN (2)	

Current Key Controls
<p>Updated Health &amp; Safety policy sets out aims and objectives for improving H&amp;S at work. Includes organisational responsibilities and arrangements currently in force for achieving those objectives. Policy subject to regular review.</p> <p>Health and Safety training is mandatory for all new Members and Officers and is included within the Induction programme. Refresher training is provided for Fire Wardens and First Aiders and is included in the Training Directory for staff who choose refresher training.</p> <p>Government initiative to review long term sickness in public sector and reduce number of working days lost by 30% by 2010. Council has active engagement with the H&amp;S Executive to deliver the reduction. Some of the key underlying work-related causes of sickness absence being addressed are work related stress, musculoskeletal disorder and slips &amp; trips.</p> <p>H&amp;S audits of the Council House, Depot, Sports Centres and Play Areas. A 90% compliance level has been achieved for each service and section. Individual reports are provided for Heads of Service that provide examples of methods of monitoring action plans.</p>

Current Key Controls
<p>Clearly identified and communication of 'local' management arrangements and regular and effective strategic dialogue at SMT level. Meetings are minuted and actions arising documented and reviewed.</p> <p>Bi-monthly, Leaders from all the councils in Worcestershire meet with Chief Executive Officers. Actions arising documented and reviewed. Monthly Chief Execs Panel attended by BDC. Chief Exec chairs Programme Board.</p> <p>The determination of clear arrangements for 'locally focused' management and adequate support / backfill arrangements.</p> <p>To be kept under review – management capacity at BDC addressed following last CPA. Funds available to address any concerns under Improvement Plan. External support provided through WMRIEP funding and £40,000 allocated by each Council to progress business case.</p> <p>Cross Party shared services board in place to oversee performance, development of business cases and progress of shared services work.</p> <p>Investment of time by acting Chief Executive in building relationships and respecting local expertise, knowledge and intelligence.</p>

Current Key Controls
<p>Community Engagement Strategy and Action Plan updated annually.</p> <p>Communications Strategy and Action Plan updated annually.</p> <p>Quarterly community engagement working group.</p> <p>Communications Planner submitted to CMT every two weeks.</p>

Current Key Controls
<p>Corporate JE Steering Group - membership comprising Head of HR&amp;OD, Head of Finance, Deputy Head of Street Scene, 3 Trade Unions. The group will now be used for JE Auditing and overseeing the Appeals process only.</p> <p>Open and frequent communication with staff via staff forums, also communicated through monthly updates in connect magazine and Core Brief. The focus now will be upon JE Appeals.</p> <p>CMT share ownership of project with Single Status being a CMT agenda item.</p>

Current Key Controls
<p>On an annual basis each Head of Service submits Performance Indicator certificates to the Senior Policy &amp; Performance Officer. PI's are subject to exception checking by Corporate Communications, Policy and Performance Team, that is, are checked to Performance Indicator certificates.</p> <p>External Audit review data in accordance with Key Lines of Enquiry. For identified issues, action plans are implemented and reviewed.</p> <p>The Council has an information retention schedule and has conducted an information audit.</p> <p>The Council has a data sharing protocol in place.</p> <p>Reports protocols are in operation that require reports to be circulated to relevant Heads of Service for review/comment prior presentation to CMT and Cabinet.</p>

	Headline items in Staff Forums and Briefing sessions held by Chief Executive Officer and Leader. Included on Core Brief when relevant.			The Information Manager is in post.
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Key Objective: Ref. No. 11		Key Objective: Ref. No. 12		Key Objective: Ref. No. 13		Key Objective: Ref. No. 14		Key Objective: Ref. No. 15	
Effective Customer Focused Authority Responsibility: Assistant CEO and Head of E-Gov & Customer Services		Ensure the Council achieves an improved rating under the CAA regime Responsibility: CEO and Assistant CEO		Effective VFM arrangements to deliver efficiencies across the Council Responsibility: Head of Financial Services		Influence a regenerated town centre through improved retail and public service Responsibility: Executive Director of Partnerships and Projects		Effectively address external influences that impact on the community ( climate change, economic impact ) Responsibility: Assistant CEO	
Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Regeneration (01)	Links to Council Objective:	Sense of Community & Well Being (03)
High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas	
Financial	✓	Financial	✓	Financial	✓	Financial	✓	Financial	✓
Political	✓	Political	✓	Political	✓	Political	✓	Political	✓
Social	✓	Social	✓	Social	✓	Social	✓	Social	✓
Technical		Technical	✓	Technical	✓	Technical		Technical	
Legal		Legal	✓	Legal	✓	Legal		Legal	
Environmental		Environmental	✓	Environmental	✓	Environmental	✓	Environmental	✓

Current		Acceptable		Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
Medium	Medium	Medium	Low	High	Low	Medium	Low	High	Medium	Medium	Medium	High	Medium	Medium	Medium
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
AMBER (4)		GREEN (2)		AMBER (3)		GREEN (2)		RED (6)		AMBER (4)		RED (6)		AMBER (4)	

Current Key Controls		Current Key Controls		Current Key Controls		Current Key Controls		Current Key Controls	
<div>Page 9</div> <p>Monitoring and review of RLAs between Customer Service Centre and back office and action taken where required.</p>		<p>Improvement plan in place addressing areas of concern. Plan is monitored on a monthly basis (by CMT, PMB, Executive Cabinet) and adjustments made as required. Meetings are minuted and actions arising are reviewed.</p>		<p>VFM Strategy in place. Action plan approved in 2007 monitored on a quarterly basis by members. Review of action plan and strategy to be undertaken in 2009/10.</p>		<p>Regeneration Steering Group in place that meet 6 weekly - including external &amp; internal officers and members. Project Plan for delivery.</p>		<p>Climate change identified as key priority for the Council for realignment of funding and resource.</p>	
Monitoring of adherence with the corporate Customer Service Standards, and action taken where required.		Locality evaluation presented to annual LSP Board away day and to PMB, to identify areas for improvement in District (this will include the Place Survey results for 2009/2010). In areas of concern additional resourced made available.		VFM and procurement training delivered to officers and members.		Operations team in place for low level strategy and operations - part of overall plan.		Joint working group in place with external stakeholders to address economic concerns (benefit, homelessness, worklessness) - meet on a quarterly basis.	
Annual review of Customer First Strategy.		Sustainable Community Strategy, Council Plan and business plans updated to reflect areas for improvement in the District, with outcome measures.		Effective procurement procedures and processes in place including: procurement strategy, code, framework for corporate contracts and training for officers and members. Strategy to be reviewed for any updates in 2009/10.		Theme / Stakeholder group - LSP group to include traders and principle stakeholders.		Welfare officer in place in benefits to discuss concerns with individual claimants.	
Regular attendance at strategic Worcestershire Hub meetings.		Sustainable Community Strategy, Council Plan and business plans updated to reflect areas for improvement in the District, with outcome measures.		Efficiency gains monitored within the integrated performance and finance report presented to members quarterly. Gains reported to DCLG through County wide consolidation on a quarterly basis.		Public consultation through the area action plan. Surveys conducted through issues and options survey.		Travel plan, air quality strategies developed to support the climate change agenda.	
Monthly management information on Customer Service Centre performance is distributed to CMT and Portfolio Holder.		PMB Members trained and kept up to date on CAA.		VFM considerations included in Committee reports to ensure all projects & services address issues of delivering VFM to residents.		Regular discussions with County Council re planning etc - specialist legal and commercial advice.		Staff trained in debt management advice and support.	

Trained, experienced and professional staff, working to agreed policies and procedures and subject to continuous review.

Key Objective: Ref. No. 16		Key Objective: Ref. No. 17		Key Objective: Ref. No. 18		Key Objective: Ref. No. 19		Key Objective: Ref. No. 20	
Effective asset management Responsibility: Executive Director Services									
Links to Council Objective:	Improvement (02)	Links to Council Objective:		Links to Council Objective:		Links to Council Objective:		Links to Council Objective:	
High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas		High Impact Areas	
Financial	✓	Financial	✓	Financial	✓	Financial	✓	Financial	✓
Political		Political	✓	Political	✓	Political	✓	Political	✓
Social	✓	Social	✓	Social	✓	Social	✓	Social	✓
Technical	✓	Technical	✓	Technical	✓	Technical	✓	Technical	✓
Legal	✓	Legal	✓	Legal	✓	Legal	✓	Legal	✓
Environmental	✓	Environmental	✓	Environmental	✓	Environmental	✓	Environmental	✓

Current		Acceptable		Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
High	Medium	Medium	Medium												
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
RED (6)		AMBER (4)													

Current Key Controls	Current Key Controls	Current Key Controls	Current Key Controls	Current Key Controls
Page 69 3 year Asset Management Plan approved by Cabinet until 2012				
Monthly Asset Management Group meeting format established to review and decide asset management actions				
Partnership with Property team at WCC now entering 2nd year. Professional Property Services provided as part of a SLA				

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## **BROMSGROVE DISTRICT COUNCIL**

### **PERFORMANCE MANAGEMENT BOARD**

**28 SEPTEMBER 2009**

#### **PROJECT MANAGEMENT EXTERNAL AUDIT**

Responsible Member	Roger Hollingworth - Leader of the Council
Responsible Head of Service	Hugh Bennett - Assistant Chief Executive

#### **1. SUMMARY**

- 1.1 This report sets out the external audit report on the Council's project management arrangements completed by the Audit Commission.

#### **2. RECOMMENDATIONS**

- 2.1 It is recommended that:
- i. The Board considers the report.
  - ii. Notes the positive report and progress made.
  - iii. Considers the Council's response to the recommendations made by the Audit Commission.

#### **3 BACKGROUND**

- 3.1 The Council has been operating a project management methodology for approximately three years. The methodology was considered by the Performance Management Board and by the Improvement and Development Agency (I&DeA) and considered sound. A number of improvements were made to the methodology as a result of an internal audit, requested by the Assistant Chief Executive. The methodology consists of a suite of templates to be used by a project manager e.g. project brief, business case, project plan, risk register, issues log, highlight report, lessons learnt and close and evaluation report.
- 3.2 The main problem the Council faced was not the appropriateness of the methodology, but its application. The use of the methodology was not "policed", so some managers were using it and some were not. Good project management is considered critical to the delivery of projects i.e. they are delivered on time, to budget and to the specified level of quality.
- 3.3 As a result of the Council's then "Poor" rating, we won grant funding to employ a highly experienced ex-private sector project manager to work with the Council for 18 months on improving our approach to project management. Key areas of improvement have included; training for 40 managers, which demonstrated that the knowledge base on project management was low; and the establishment of programme board,

chaired by the Joint Chief Executive, to oversee a portfolio of projects considered critical to the Council's improvement.

- 3.4 The programme board was only established in July 2008, so it is particularly pleasing that the Audit Commission report considers the Council's arrangements "sound" and "becoming increasingly embedded".
- 3.5 The Audit Commission's report is attached at Appendix 1 and the recommendations detailed below and the Council's response:-

R1	Ensure project management training for staff.	40 managers now trained.
R2	Ensure thorough option appraisals.	Each budget bid requires an initial outline bid and the S151 officer can then request a full business case for those projects where this is considered material.
R3	Carry out more analysis of risks and use of issue logs.	The programme board requests project documentation to be updated monthly and if concerned about a project will specifically request this information is tabled at the Board.
R4	Ensure adequate resources are available for projects and links to corporate priorities.	Resourcing remains an issue given the scale of the Council's change programme. The proposed transformation team for shared services should help.
R5	Compile a lessons learnt log.	Every project is required to produce a lessons learnt report at the end of the project. These are tabled at the programme board and CMT.
R6	Ensure greater consideration of VFM.	See response to R2 above. Completion of a full business case should enable a proper consideration of VFM.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Improved project management should aid improved financial management.

#### **5. LEGAL IMPLICATIONS**

- 5.1 No legal implications to the report.

## **6. CORPORATE OBJECTIVES**

- 6.1 Project management is critical to delivering all the Council's objectives, but specifically comes under the Improvement objective.

## **7. RISK MANAGEMENT**

- 7.1 Risk management is a key part of managing any project.

## **8. CUSTOMER IMPLICATIONS**

- 8.1 Projects should be delivered on time, to budget and to the desired level to quality. A key component of quality is whether the project has met the identified customer need.

## **9. OTHER IMPLICATIONS**

Procurement Issues N/A
Personnel Implications N/A
Governance/Performance Management N/A
Community Safety including Section 17 of Crime and Disorder Act 1998 N/A
Policy N/A
Environmental N/A
Equalities and Diversity N/A

## **10. OTHERS CONSULTED ON THE REPORT**

Portfolio Holders	<b>Via E-Mail.</b>
Chief Executive	<b>Programme Board.</b>
Corporate Director (Services)	<b>Programme Board.</b>
Assistant Chief Executive	<b>Programme Board.</b>
Head of Service	<b>No.</b>
Head of Financial Services	<b>No.</b>
Head of Legal & Democratic Services	<b>No.</b>
Head of Organisational Development & HR	<b>No.</b>
Corporate Procurement Team	<b>No</b>

## **11. APPENDICES**

Appendix 1 – Bromsgrove Project Management (Audit Commission)

## **12. BACKGROUND PAPERS**

Project Management Methodology (Bromsgrove District Council).

### **CONTACT OFFICERS**

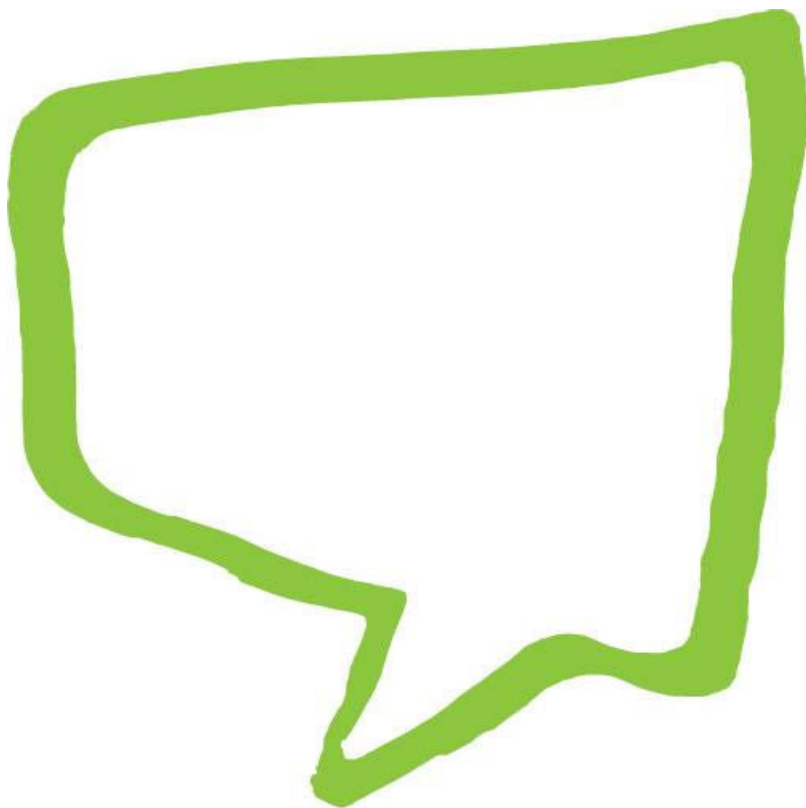
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Tel:	(01527) 881430

# Bromsgrove Project Management

Bromsgrove District Council

Audit 2008/09

May 2009



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# Contents

<b>Introduction</b>	<b>3</b>
<b>Background</b>	<b>4</b>
<b>Audit approach</b>	<b>5</b>
<b>Main conclusions</b>	<b>6</b>
<b>Recommendations</b>	<b>11</b>
<b>Appendix 1 – Documents reviewed and interviews</b>	<b>13</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

# Introduction

- 1 Bromsgrove District Council is managing some key projects to help deliver its objectives, several involving other partners. Weaknesses in project management in Bromsgrove District Council have been identified in the past in audit and inspection work. As at March 2008 there was a lack of a formal project management methodology for non-information technology (IT) projects, with inadequate option appraisals, benefits realisation, and formal governance. These present a risk to the Council delivering its plans in the most effective and efficient way and maximising the benefits to users.
- 2 The Council has since improved how it manages projects. It has recruited an improvement manager to address this area, implemented a new project management framework based on the principles of PRINCE 2, and set up a programme board to oversee projects. Training for staff is planned in March 2009.
- 3 This audit has assessed recent progress on project management within the Council. It has reviewed project management arrangements at a corporate level, and assessed application of the approach in particular projects managed by the Council, including town centre regeneration, transfer of leisure centres, and the Spatial project. It should be noted that the workforce planning payroll transfer and community transport projects have also been included in this review. Although not mentioned in the original assessment brief, these are important projects which deliver the Council's objectives. The Longbridge project has been omitted as it is not directly managed by the Council.

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# Background

- 4 Barriers to successful project management include:
  - large, complex projects with unrealistic goals;
  - poor project management, often by inexperienced staff;
  - mismanagement of contractors and suppliers;
  - poor risk management and no benefits management; and
  - cultural, political and multi-agency issues.
- 5 Poor delivery of projects can lead to:
  - waste of already scarce resources;
  - damage to staff and public perception; and
  - the opportunity for fraud.
- 6 Bromsgrove District Council (BDC) is managing some key projects, including implementing new ICT systems and business changes, and working with partners. Some key risks have been identified in project management in BDC as part of earlier audit and inspection work, with regard to four projects that are underway:
  - town centre redevelopment;
  - Longbridge redevelopment (with Birmingham);
  - Spatial project; and
  - leisure centre rebuild.
- 7 Risks identified included a potential lack of a formal project management methodology for non-IT projects, with a possible lack of option appraisals, benefits realisation, and formal governance in place. Several projects had not been through a tendering procedure which had saved tendering costs and time but there is a risk that the Council may have not obtained the best deal and value for money (VFM) over the longer term.
- 8 This audit has assessed current practices within the Council on managing projects, both at a corporate level and on particular projects. Areas for improvement have been identified and recommendations made accordingly.



# Audit approach

9 The audit involved reviewing project management processes at a corporate level and then assessing their application in practice in specific projects. It assessed performance at different stages in the project lifecycle:

- conception (project set up and initiation);
- planning and design including procurement;
- implementation and project management; and
- review and benefits realisation.

10 The audit included:

- examination of documents and plans;
- a review of corporate methodologies;
- structured interviews with key project staff to evaluate their plans and actions;
- an evaluation of whether the key risks of projects had been identified and were being appropriately managed; and
- the extent to which VFM was being considered in the management of projects.

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# Main conclusions

- 11** The Council now has a sound framework in place to support the planning, implementation and completion of projects which is becoming increasingly embedded. It has made good progress on implementing the framework which was first introduced in July 2008, and was finalised and approved by the programme board in March 2009. The framework includes key components of Project Management (PM) such as producing a project initiation document, business case, project plan, highlight reporting, risk register, issue log, and closure report.
- 12** A programme board was also set up in July 2008, comprising of the Chief Executive and heads of service, to strengthen the governance of projects across the council, make key decisions, manage risks at a corporate level and oversee benefits realisation. The programme board reviews all project initiation documents and decides which move to full business case. Training is planned for March 2009 to increase skills and knowledge in managing projects, for heads of service, corporate management team and project managers. Members are to receive awareness training to enable them to provide a challenge role.
- 13** However, at the time of the audit the Council recognised there were still some key areas to be fully developed and embedded. These included a more robust approach to risk management, using issues logs, options appraisals, identifying resource requirements and considering value for money in projects. Although several projects are linked to objectives in corporate business plans and financial plans, these links are not yet explicit in key project management documentation.
- 14** Considering the four main stages of project management (PM) the key findings from the audit are as follows.
- Conception - A framework is in place for setting up and initiating projects but options appraisals are limited and the identification of resources on projects is not yet embedded.
  - Planning and design - A sound structure is in place but project plans could be more detailed in some cases and the consideration of quality is still being embedded.
  - Implementation and project management - A comprehensive and structured approach to monitoring projects is being embedded but reports differ in levels of detail and analysis of risks could be more extensive.
  - Review and benefits realisation - A framework is in place for project review and benefits realisation but is still in its infancy.
- 15** The Council is aware of these areas for development and is making improvements

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### Conception

- 16** The Council has a clear and comprehensive framework to support the conception and set up of projects but this is not yet fully embedded. The approved framework specifies that project initiation documents (PIDs) are prepared containing the purpose, background, definition, current position, proposal and resources required. These are reviewed by the project board who decide if a full business case is required. Risks and mitigating actions are captured using a risk scoring matrix in the business case.
- 17** The approach to PIDs and business cases is not yet embedded and there are differences in approach and level of detail in existing PIDs and business cases. Some business cases are detailed as follows.
- On the Spatial IT project which outlines the objectives, timescale, costs and benefits in broad terms, although lacks details on staff resources and stakeholder involvement.
  - The PID for the leisure centres project has some of the components of a PID such as background and risks, and outlines the advantages and risks of three options, but there is a danger of bias towards one option.
  - The PID for workforce planning is very broad and outlines the purpose, background, risks, current position and drivers. However, it does not provide clear details about timescales, resources, roles and responsibilities, or communication with stakeholders.
- 18** There is clear stakeholder involvement in projects. Key stakeholders are defined and project managers and sponsors assigned at the start of the project. Customers are included in new projects, such as on the town centre development, community transport and customer panels are being used for some projects. A Member is the project sponsor for the community transport project. A Member board was in place for the Spatial project to provide reassurance that costs were controlled, and a user group was set up who are now administrators in the new systems. Performance monitoring requires monthly reports to inform stakeholders.
- 19** Options appraisal is a developing area at present. Some assessments of options, such as in the Spatial project, involve a limited range of options and therefore could appear to be biased towards a favoured option. There is evidence in other projects of limited analysis of options to potentially avoid the tendering process. It is accepted that for some projects, there is a limited market place particularly in specialists areas, but a more explicit appraisal of the few options available is prudent. This aspect has been insufficiently challenged in the past, but is recognised as an area for development and is starting to be challenged by the programme board.

- 20** The identification of adequate resources on projects is not yet embedded. The PM framework requires resources to be identified at an early stage and the business case should link to corporate objectives. However, the allocation of resources to projects does not yet explicitly link to priorities or financial planning procedures. The Council recognises that resources could be better estimated and projects are often resourced by existing staff eg the community transport project. Project managers use external resources to boost capacity when needed, such as using consultants on workforce planning. The approach to identifying contingencies when resourcing projects is a weakness, such as on the transfer of leisure centres. Contingency is built into some larger projects but is not affordable in most cases. This can put pressure on capacity in the Council.
- 21** Consideration of value for money (VFM) in projects is an area for development. The principles are in place, for example in the payroll project where the aim was to make savings, but the post project evaluation indicated that the project actually delivered an enhancement to the service rather than savings in the first year - the Council predicts future savings however. VFM in the procurement and the delivery of the project, was not a key consideration in the Spatial project as there were few suppliers available to provide a range of delivery options. However, selection was based on clear criteria and the price was reduced following negotiation with the provider.

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### Planning and design

- 22** There is a sound structure in place for planning and designing projects. A new framework based on PRINCE2 is in place with standard templates and procedures for staff to follow. Additional training is being provided for staff in March 2009. This should help the Council manage projects more effectively.
- 23** Project plans are prepared with clear activities and milestones. There is a simple system for staff to use with standard templates. Gantt charts show projects broken down into activities with resources needed, completion dates and responsible officers. Colour coding is used to show completed and not completed projects. A project summary chart gives a clear indication of progress of projects, tracking overall progress and enabling a clear awareness of progress and problems. Key milestones and critical dates are highlighted in some cases, but in most charts they could be more detailed and it is not always clear which activities are critical to success and how projects depend on each other.
- 24** Roles and responsibilities are identified in the PM process. There are set roles including senior responsible officer, sponsor and project manager. The project team is then assembled from existing staff or in some cases, specialist contractors are used, such as in the spatial project and workforce planning.

## Main conclusions

- 25** Governance is built into the PM process. There is a programme board, risk management processes, performance management and defined roles and responsibilities. Members are more involved through reporting and performance management processes. The programme board, which was set up in July 2008 with a clear terms of reference, is having a positive effect on embedding the new PM structure and raising the status of PM in the Council. It comprises the Chief Executive and heads of service, is chaired by the improvement manager and makes key decisions. Programme board meetings are well structured and focused on progress and delivery of benefits from projects. High level commitment is helping to remove barriers to progress, such as agreeing £30,000 for a consultant to review workforce planning to supplement capacity in the Council. Heads of service are responsible for progress and have to explain slippage. This is providing a better overview and control of projects.
- 26** Quality issues are a key part of the PM framework. There is a structured approach to the inclusion of quality in projects as specified in the framework which covers both quality of process and quality of product and responsibilities. However, this aspect is still being developed and embedded in projects.

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## Implementation and project management

- 27** The Council has a comprehensive and structured approach to monitoring projects which is becoming embedded. Staff are supported through the provision of PM guidance, help from the improvement manager in preparing PIDs, business cases and plans, and training is planned in March 2009.
- 28** There is effective monitoring of projects. Project managers prepare monthly progress reports (highlight reports) and updated project plans which are monitored by the programme board. Project managers are requested to attend programme board meetings when needed based on highlight report findings or variances to plan. Updated risks and issues are also reviewed each month. However, there are differing levels of detail in highlight reports suggesting this approach is not yet fully embedded.
- 29** The new approach to project management is helping the Council manage risks and issues more effectively. Risk and issues logs are developed for each project in the initial business case and are managed via the highlight reporting system and a corporate risk register. Risk logs are enabling the Council to tackle issues more proactively. For example, issues with a supplier on the Spatial project were escalated to the project board by the project manager who helped solve problems to minimise delays by approving a change of supplier. The risk log on the transfer of payroll to Redditch project highlights and ranks risks with mitigating actions. However, analysis of risks could be more extensive, such as detail on mitigating actions, for example one action is 'ensure adequate resources' even though this refers to a high risk of failure.
- 30** Communications planning is part of the PM framework and is developing. Progress on a corporate communications plan is presented to corporate management team (CMT) on a weekly basis. Key messages from projects are also reported to CMT and to staff in newsletters.

- 31** Closing down projects is part of the PM process. A formalised project closure and lessons learnt methodology was introduced in July 2008, but there has been limited experience of applying this to date. Lessons learnt have been reviewed on the payroll transfer project, and a review of progress on the Spatial project to date. Project management arrangements are being strengthened as a result of review, for example, governance and strategic monitoring and control of projects is being enhanced through the establishment of project board. VFM and procurement are also more rigorously considered by the board although this is yet to be fully embedded.

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### Review and benefits realisation

- 32** Project closure is part of the PM framework. It requires a review of outcomes based on the original objectives, costs and recommendations. The review of lessons learnt is still in its infancy so there is limited evidence of application to projects. However, a structure is in place to ensure this happens from now on. A log of lessons learnt may be beneficial for the Council to record and share key lessons learnt from projects.
- 33** Benefits realisation is part of the PM structure and is developing. A clear definition of success is required within the PID and in a more detailed version within the business case. This includes how the project will support the business strategy, why the solution was sought, outline costs, deliverables and associated risks. Evidence of benefits realisation is limited to date due to the recent introduction of this process. It is being undertaken for the Spatial project but there is more work to do after embedding of the systems.
- 34** A change control process is in place to manage any change to scope of projects. This is notified through the senior responsible officer and the programme board. However, there was limited evidence of this process being applied to date.

# Recommendations

**35** It is recommended that the Council continues to embed and reinforce its PM framework across all existing and new projects with the support of the programme board. In particular the Council should act on the following recommendations. It is noted that the Council is aware of these areas of improvement and is already addressing the key weaknesses.

Recommendations	Priority	Timescale	Responsibility	Agreed	Comments	Date
R1 Ensure project management training is provided for staff and members from March 2009 to help them understand the new framework and roles and responsibilities.	High	March 2009	Improvement Manager	Yes		
R2 Ensure thorough option appraisals are carried out on projects to ensure the most appropriate solution is sought.	Medium	December 2009	Senior responsible owners and Improvement Manager	Yes		
R3 Carry out more analysis of risks with the development of robust mitigating actions and contingency plans and more comprehensive use of issues logs.	Medium	September 2009	Improvement Manager	Yes	Processes in place as part of the PM framework - include risk register and issue logs. This process requires further embedding.	

Recommendations	Priority	Timescale	Responsibility	Agreed	Comments	Date
R4 Ensure there are adequate resources available for projects and that resource allocation links to corporate objectives and financial planning procedures.	Medium	September 2009	Improvement Manager	Yes	Current PM processes include this aspect - further strengthening and embedding are required to be fully effective.	
R5 Compile a lessons learnt log to record and share key lessons learnt from projects which is readily available to project owners.	Medium	September 2009	Improvement Manager	Yes		
R6 Ensure greater consideration of value for money in projects and explicitly link projects to corporate priorities and the business and financial planning frameworks.	Medium	September 2009	Chief Executive and Assistant Chief Executive	Yes	This recommendation also supports the Council's Improvement Plan and VFM review.	



# Appendix 1 – Documents reviewed and interviews

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## Document reviewed

- Self-assessment provided by Bromsgrove District Council.
- Project initiation documents (workforce planning, community transport and town centre regeneration).
- Business cases (market hall, leisure centres).
- Sample of minutes to project board (September, October and November 2008).
- Sample of Project team minutes (payroll transfer project).
- Organisation charts.
- Risk and issues logs (payroll transfer project).
- Project office arrangements (project management framework document).
- Assurance arrangements (seven highlight reports from various projects).
- Project plans - administration review, payroll transfer, community transport and workforce planning.
- Lessons learnt document - payroll transfer project.
- Benefits analysis - Spatial project.
- Programme monitoring report.

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## Interviews

- Improvement manager.
- Project managers and sponsors.
- Users.

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