



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY 21ST JUNE 2012
AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors J. S. Brogan, Ms. M. T. Buxton, Dr. B. T. Cooper,
S. J. Dudley, Miss P. A. Harrison, Mrs. H. J. Jones and
L. C. R. Mallett

AGENDA

1. Election of Chairman
2. Election of Vice-Chairman
3. To receive apologies for absence and notification of substitutes
4. Declarations of Interest
5. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 29th March 2012 (Pages 1 - 8)
6. Benefits Investigations April 2011 - March 2012 (Pages 9 - 20)
7. Internal Audit Manager's - Draft Audit Opinion 2011 / 2012 (Pages 21 - 28)
8. Annual Governance Statement (Pages 29 - 40)
9. Internal Audit Annual Report 2011 / 2012 (Pages 41 - 52)
10. Audit Board Work Programme 2012 / 2013 (Pages 53 - 54)

To consider the Board's work programme for the current municipal year.

11. 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 involves the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part, being as set out below, and that it is in the public interest to do so:-

<u>Item No.</u>	<u>Paragraphs</u>
12	7
13	2 and 7
14	7
15	7 “

12. Protecting the Public Purse - Verbal Update
13. Fraud Investigation - Verbal Update
14. Internal Audit Monitoring Report Marlbrook Tip - Verbal Update
15. Internal Audit Monitoring Report (Pages 55 - 80)
16. 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

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

12th June 2012



INFORMATION FOR THE PUBLIC

Access to Information

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can attend all Council, Cabinet and Committee/Board meetings, except for any part of the meeting when the business would disclose confidential or “exempt” information.
- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
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- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
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- Meeting Agendas
- Meeting Minutes
- The Council’s Constitution

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Declaration of Interests - Explained

Definition of Interests

A Member has a **PERSONAL INTEREST** if the issue being discussed at a meeting affects the well-being or finances of the Member, the Member's family or a close associate more than most other people who live in the ward affected by the issue.

Personal interests are also things relating to an interest the Member must register, such as any outside bodies to which the Member has been appointed by the Council or membership of certain public bodies.

A personal interest is also a **PREJUDICIAL INTEREST** if it affects:

- The finances, or
- A regulatory function (such as licensing or planning)

Of the Member, the Member's family or a close associate **AND** which a reasonable member of the public with knowledge of the facts would believe likely to harm or impair the Member's ability to judge the public interest.

Declaring Interests

If a Member has an interest they must normally declare it at the start of the meeting or as soon as they realise they have the interest.

EXCEPTION:

If a Member has a **PERSONAL INTEREST** which arises because of membership of another public body the Member only needs to declare it if and when they speak on the matter.

If a Member has both a **PERSONAL AND PREJUDICIAL INTEREST** they must not debate or vote on the matter and must leave the room.

EXCEPTION:

If a Member has a prejudicial interest in a matter being discussed at a meeting at which members of the public are allowed to make representations, give evidence or answer questions about the matter, the Member has the same rights as the public and can also attend the meeting to make representations, give evidence or answer questions **BUT THE MEMBER MUST LEAVE THE ROOM ONCE THEY HAVE FINISHED AND CANNOT DEBATE OR VOTE.**

However, the Member must not use these rights to seek to improperly influence a decision in which they have a prejudicial interest.

For further information please contact Committee Services, Legal, Equalities and Democratic Services, Bromsgrove District Council, The Council House, Burcot Lane, Bromsgrove, B60 1AA

Tel: 01527 873232 Fax: 01527 881414

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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 29TH MARCH 2012 AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), Ms. M. T. Buxton,
Dr. B. T. Cooper and Miss P. A. Harrison

Also in attendance: Ms. Z. Thomas, Audit Manager Bromsgrove, Audit
Commission

Observers: Councillor C. J. Bloore

Officers: Ms. J. Pickering, Ms. T. Warwick and Mrs. P. Ross

28/11 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors J. S. Brogan, S. J. Dudley and Mrs. H. J. Jones

29/11 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

30/11 **MINUTES**

The minutes of the meeting of the Audit Board held on 2nd February 2012 were submitted.

RESOLVED that the minutes be approved as a correct record.

31/11 **AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/2011**

A copy of the Audit Commission, Annual Audit Letter for 2010/2011 was considered. The Chairman welcomed Ms. Z. Thomas, Audit Manager for Bromsgrove from the Audit Commission to the meeting.

Ms. Z. Thomas highlighted that the Council faced significant financial challenges exacerbated by reductions in central grants so the Audit Commission had focused on the level of savings the Council would be facing in the future. The following areas were covered by the report, with the current and future challenges discussed in detail with Members.

- Key Messages
- Current and future challenges
- Financial Statements and annual governance statement
- Value for Money

Members were informed that they had a key role to closely monitor the shared services programme, the business transformation project and the town centre redevelopment and that this had been reflected in the 3 recommendations made by the Audit Commission, namely that:

Council Members should ensure:

- All savings for 2012/2013 were indentified before the start of the financial year.
- Current Council performance was maintained during the business transformation process.
- Risks and progress of the town centre redevelopment were monitored closely to minimise risk to the Council.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the recommendations and monitoring of the recommendations. The Executive Director, Finance and Corporate Resources agreed to include all savings and the town centre redevelopment within the Corporate Risk Register in order for the Audit Board to receive updates and to monitor. It was agreed that the annual required savings figures would be included in future reports as the cumulative required savings figures shown had caused some confusion. Ms. Z. Thomas informed Members that the Audit Commission would report back to the Audit Board on the monitoring of savings.

Further discussion followed on the financial statements and annual governance statement. The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the VAT receipt and the £400,000 premium paid to the Council by Aldi which had been treated as a capital receipt.

RESOLVED that the recommendations included in the Annual Audit Letter 2010/2011 be noted.

32/11 **AUDIT COMMISSION ANNUAL GRANTS REPORT 2010/2011**

Ms. Z. Thomas presented the Audit Commission Certification of Claims and Returns Annual Report undertaken during 2010/2011. Members were informed that a review had been undertaken on all grant related claims that the Council submitted. There were 3 claims that were subject to External Audit: Housing Benefits Claim, National Non domestic rates (NNDR) claim and Disabled Facilities Grant. This year the Council had further improved its arrangements to ensure that claims and returns that required certification were prepared in accordance with the grant paying bodies' relevant terms and conditions. The work carried out by officers had reduced the amount of external audit time spent which had resulted in a reduced fee and was a positive for the Council.

The Executive Director, Finance and Corporate Resources responded to Members questions' with regard to NNDR arrears and informed Members that internal audit had discussed NNDR arrears with the Revenue Services Manager and information was provided at agenda item number 14, Appendix

4. The Revenue Services Manager was currently working through aged debt and would continue to provide updated information on NNDR arrears to future meetings of the Audit Board through the Internal Audit, Action Tracker.

RESOLVED:

- (a) that, subject to the updated information on NNDR arrears as referred to in the preamble above, the Certification of Claims and Returns – Annual Report be noted; and
- (b) that officers respond to the Recommendations as set out in the report.

33/11 **AUDIT COMMISSION OPINION PLAN**

Ms. Z. Thomas presented the Audit Commission Opinion Audit Plan 2011/2012. Members were informed that with regard to the Accounting statements and Whole of Government Accounts no significant risks had been identified. The 3 specific risks that had been identified by the Audit Commission were:

- Proposed changes to the accounts format from Word to Excel
- Shared service allocation of costs between the Councils
- Disclosure of Heritage Assets

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to Table 2: Proposed work as detailed in the report. Members were informed that Worcestershire Regulatory Services Joint Committee would be audited, by Clement Keys, as a Smaller Relevant Body and this would result in a simple Annual Return being prepared and therefore an anticipated reduction in fee.

Further discussion took place on value for money and the identification of significant risks as detailed in the report. Ms. Z. Thomas responded to the Chairman with regard to how the savings to be delivered through shared services and the Council's overall project plan for transformation would be monitored. Members were informed that a robust system was in place to ensure that all relevant recharges between Bromsgrove and Redditch were logged and charged.

RESOLVED that the Audit Opinion Plan 2011/2012 be approved.

34/11 **AUDIT COMMISSION PROGRESS REPORT**

Ms. Z. Thomas presented the report and in doing so informed Members that the report reflected the work undertaken in relation to the audit of the 2011/2012 accounts and general information on the national issues that may impact on the Council. Members were informed that the key areas where fraud was detected:

- Housing benefits and council tax benefits
- False claims for student and single person council tax discounts
- Procurement fraud

The Audit Commission had developed a single person discount comparator tool that allowed local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to fraud monitoring and whether the Key Considerations as detailed in the report had been addressed by officers. Members were informed that the fraud prevention checklist was being developed and that the relevant Key Considerations would be picked up by officers and included in the Internal Audit Recommendation Tracker and monitored quarterly. Bromsgrove District Council held no housing stock so no response was required to the Department for Communities and Local Government (DCLG) consultation exercise.

RESOLVED that the Audit Commission Progress 2011/2012 be noted.

35/11 **AUDIT COMMISSION - TRANSFER OF THE AUDIT PRACTICE - VERBAL UPDATE**

In the absence of Ms. E. Cave, District Auditor, Ms. Z. Thomas, Audit Manager, Bromsgrove had provided Members with a verbal update on this item during Minute No 34/11.

(Members were reminded that the following two items of business had been deferred due to the Audit Board meeting on 2nd February 2012 being inquorate. In the absence of the Fraud Services Manager the Executive Director, Finance and Corporate resources presented the reports).

36/11 **NATIONAL FRAUD INITIATIVE UPDATE**

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that information contained in the report related to the bi-annual Datamatching exercise with the Audit Commission. The National Fraud Initiative was a mandatory piece of work that the Council needed to undertake.

RESOLVED that the contents of the National Fraud Initiative Update be noted.

37/11 **OVERPAYMENTS UPDATE**

Consideration was giving to a report as requested by Members during its meeting held on 15th December 2011.

The Executive Director, Finance and Corporate Resources presented the report and in doing so drew Members attention to page 80 of the report and the following amendments:

- Total overpayments raised during the year, to read Total overpayments to the end of March 2011.
- % of overpayments recovered as a % of total overpayments outstanding – Redditch – to read 48% and not 28% as shown.

Members were informed that an overpayments officer was now in place whose sole role was to look at overpayments. Members agreed that in order to obtain an understanding of the processes and procedures with regard to the Overpayment Recovery policy and Write off procedures, officers be tasked to provide the following information to the next meeting of the Audit Board:

- Case Studies
- Fraudulent Claims
- Overpayment Write off figures
- Overpayment Write off – comparison with other authorities
-

RESOLVED that, subject to future additional information as referred to in the preamble above, the Overpayments Update be approved.

38/11 **PROVISIONAL AUDIT ANNUAL PLAN 2012-2013**

In the absence of Mr. A. Bromage, Internal Audit Manager, Worcestershire Internal Audit Shared Service, the Chairman welcomed Ms. T. Warwick, Lead Auditor, Bromsgrove and Redditch, Worcestershire Internal Audit Shared Service to the meeting.

Ms. Warwick explained the formulation of the Annual Plan to Members and that the report provided Members with an opportunity to look at and contribute to the Annual Plan. Ms. Warwick responded to Members' questions with regard to information on planned days for 2012/2013 as detailed at Appendix 1 to the report:

- the considerable reduction in 'Other Systems Audits inc follow up';
- shared services;
- transitional arrangements (critical friend); and
- advisory / consultancy / contingency

The Executive Director, Finance and Corporate Resources and Ms. Warwick responded to concerns expressed by the Chairman with regard to the number of planned days shown for Shared Services.

Following discussion it was agreed that officers be tasked to include figures for both planned days and actual days in future reports to the Audit Board and details on how contingency days had been used.

Members' attention was drawn to the revised recommendations.

RESOLVED:

- a) that, subject to the additional information as detailed in the preamble above, the Bromsgrove District Council Provisional Internal Audit Operational Plan for 2012/2013 as detailed at Appendix 1 to the report be approved; and
- b) that the Internal Audit Shared Service's set of key performance indicators for 2012/2013 as detailed at Appendix 2 to the report, be approved.

39/11 **STATEMENT OF ACCOUNTING POLICIES**

The Committee considered a report on the proposed Accounting Standards in preparation for the 2011/2012 Accounts.

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that the Statement of Accounts presented the overall financial position of Bromsgrove District Council for the year ended 31st March 2012. Members were asked to note that the main change this year was Heritage Assets as detailed at page 103 to the report.

RESOLVED that the Accounting Policies as detailed at Appendix 1 to the report be approved.

40/11 **LOCAL GOVERNMENT ACT 1972**

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>Minute No.</u>	<u>Paragraphs</u>	
41/11	7	
42/11	2 and 7	
43/11	7	"

41/11 **PROTECTING THE PUBLIC PURSE**

Members were reminded that this report had been deferred due to the Audit Board meeting on 2nd February 2012 being inquorate. In the absence of the Fraud Services Manager the Executive Director, Finance and Corporate Resources presented the report.

The report provided information in relation to the recently issued Audit Commission publication 'Protecting the Public Purse 2011: Fighting Fraud against Local Government'. Members were informed Members that in the absence of the Fraud Services Manager the Internal Audit Shared Services Manager would be tasked to update the report and the self assessment checklist.

Following further discussion on the report and the need for the self assessment checklist to be updated, it was

RESOLVED that officers be tasked to provide an updated report and self assessment checklist to the next meeting of the Audit Board.

42/11 **FRAUD INVESTIGATION - VERBAL UPDATE**

The Executive Director, Finance and Corporate Resources provided Members with a verbal update on the one case referred to in the Corporate Anti-Fraud Performance Report 2010/2011 presented to the Board on 15th December 2011 and 2nd February 2012.

RESOLVED that a further update be provided to the next meeting of the Audit Board.

43/11 **INTERNAL AUDIT MONITORING REPORT**

Members considered a report which detailed the monitoring report of the internal audit work as at 24th February 2012.

Ms. T. Warwick presented the report and in doing so provided Members with an additional update on the audits in progress as at 5th March 2012. Further discussion followed on Appendix 4 to the report – Action Tracker Outstanding Actions. Ms. T. Warwick provided Members with an additional update on the outstanding actions and Members agreed that the following items be taken off the Action Tracker Outstanding Actions:

Resources / Payroll -

- Establishment List
- Procedures and/or guidance notes

Further discussion followed on Appendix 3 to the report, particularly with regard to Marlbrook Tip with ensuing consideration of the conditions applied to the Longbridge development site planning application. Ms. T. Warwick informed Members that the recommendations contained within the internal audit report on the Marlbrook Tip had been included within the Planning Policy Task Group report.

RESOLVED:

- a) that officers seek further advice in relation to any potential loss of revenue and cost to the Council with regard to the Marlbrook Tip and report back to the next meeting of the Audit Board;
- b) that the Internal Audit Service retain the monitoring of the conditions applied with regard to the Longbridge development site and any future developments to ensure effective and robust monitoring arrangements are in place; and
- c) that the Internal Audit Monitoring Report be noted.

The meeting closed at 7.51 p.m.

Chairman

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AUDIT BOARD

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BENEFITS INVESTIGATIONS APRIL 2011 - MARCH 2012

Relevant Portfolio Holder	Councillor Roger Hollingworth, Portfolio Holder for Finance, Partnerships and Economic Development
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	NA
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation service.

2. RECOMMENDATIONS

The Board is asked to RESOLVE that

subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

3.1 There are no specific financial implications.

Legal Implications

3.2 There are no specific legal implications.

Service/Operational Implications

3.3 Within the Finance and Resources Service is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigating any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1st April 2011 to 31st March 2012.

Background

- 3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. There are just over 5,500 live benefit claims at anyone time and on average there were 51 new claims and 445 change in circumstances decided each week. Direct expenditure on Housing Benefit and Council Tax Benefit between April 2011 and March 2012 was £20,065,750. Just under half the caseload are people of working age which results in a large number of claims from customers who are moving in and out of work and also claiming other out of work benefits. Although measures have been put in place to make this transition easier for customers, it remains an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Benefit are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working.
- 3.5 The Fraud Team comprises a manager, two Investigation Officers and a Support Officer. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.

Activity

- 3.6 During the period this report covers there were 248 fraud referrals received by the team.
- 3.7 Approximately 27% of the fraud referrals received during the period came from members of the public. An increase in referrals from this source is usually experienced following reports of successful prosecutions in the local press. It is common for customers who are being interviewed under caution for benefit fraud offences to be more concerned that their name will be in the paper than actually attending Court and the consequences of that. Press releases are therefore considered to be our most valuable tool in the prevention of fraud and encouraging the public to report their suspicions.

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- 3.8 Approximately 49% of the referrals came from data-matching, the majority of these through the Housing Benefit Matching Service which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records. The other referrals under this category were raised as a result of the National Fraud Initiative. Although data matching is an excellent tool in detecting fraud, some of the data that ours has been matched against will have changed and the matches cannot be taken to be correct without further investigation.
- 3.9 The remaining referrals, approximately 24%, received were from official sources. The majority of these were within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.10 Many fraud referrals relate to benefits paid by both BDC and the DWP. In these cases, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources by preventing duplicate investigation work.
- 3.11 There were 129 positive closures on referrals received during the period and 29 negative closures where fraud/error was not proven following investigation. Investigations into other referrals received during the period are continuing and the results should therefore feed into future reporting.
- 3.12 4 customers were prosecuted in this period. Of these 2 were for undeclared work and also non-residency in one case and undeclared capital in the other, 1 for an undeclared private pension and 1 for living with an undeclared partner.
- 3.13 Cautions were accepted by customers in 46 cases. 19 of these were as a result of HBMS matches, 17 were for undeclared income, including work, 3 for undeclared partners, 1 undeclared capital, 1 non-residency, 1 undeclared non-dependant and 4 other fraud types.
- 3.14 Administrative penalties were accepted by customers in 7 cases. 4 of these as a result of HBMS matches and the other 3 were for undeclared income.

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- 3.15 A further 42 cases were closed as claimant error with a change to entitlement and/or overpayment of benefit established. 3 cases were closed as fraud proven with no further action and another 12 closed with no sanction.

Impact on other areas

- 3.16 Active investigation of potential fraud can impact upon other areas of benefit administration. One of the biggest impacts is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. Between April 2011 and March 2012 the team identified £196,169.72 in overpaid Housing Benefit and excess Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

Future plans

- 3.17 As part of the Government's Welfare reform plans it is proposed to combine local authority benefit fraud investigation staff with those of the DWP and Revenues and Customs into a Single Fraud Investigation Service (SFIS). It is suggested that this SFIS will be better placed to prevent and investigate fraud when the new Universal Credit replaces several benefits, including Housing Benefit. Recently it has been confirmed that local authority investigation staff remain with their authority between 2013 and 2015 but work to DWP priorities, then between 2015 and 2017 move to the DWP as part of the SFIS. High level consultation is currently taking place to establish the practicalities of these changes.
- 3.18 There are also plans to create a new mobile regional task force to investigate claims in high fraud areas. The Task Force will eventually be driven by an Integrated Risk and Intelligence Service (IRIS) a central hub which gathers and processes data and intelligence on fraud, error and debt. IRIS will also coordinate the gathering of data from Credit Reference Agencies.

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- 3.19 Additionally the Welfare Reform Bill has introduced legislation to:
- a) Abolish cautions as a penalty for fraud and increase asset seizure.
 - b) Introduce a three year loss of benefit for people convicted of serious fraud.
 - c) Increase administrative penalties from 30% to 50% of the amount of overpaid benefit. There will be a minimum penalty of £350 which will also apply to fraudulent attempts to obtain benefit.
 - d) Introduce a Civil Penalty of £50 for customer negligence.
 - e) Work closely with Crimestoppers.
 - f) Name and shame fraudsters in local areas.
- 3.20 A further impact of the Welfare Reform bill is that Council Tax Benefit will not be part of the Universal Credit, instead local schemes are to be introduced from April 2013. Consultation is currently underway about what investigative powers will be required to detect and investigate fraud within these local schemes.

Customer / Equalities and Diversity Implications

None specific.

4. RISK MANAGEMENT

Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and that additional costs could be incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

5. APPENDICES

Appendix 1 - Sanctions comparison compared to other districts in the County.

Appendix 2 - Example cases.

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6. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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**APPENDIX 1 - County investigation and sanction comparison
April 2011 - March 2012**

Description	Q1	Q2	Q3	Q4	Total
No. of Investigations closed					
Bromsgrove	45	90	31	14	180
Malvern Hills	20	26	20	20	86
Redditch	85	84	83	74	326
Worcester	40	59	48	50	197
Wychavon	26	31	45	30	132
Wyre Forest	62	58	52	49	221
No. of Cautions accepted					
Bromsgrove	15	17	8	6	46
Malvern Hills	3	6	5	4	18
Redditch	6	9	11	17	43
Worcester	6	12	7	10	35
Wychavon	4	8	9	6	27
Wyre Forest	3	1	2	1	7
No. of Admin Penalties accepted					
Bromsgrove	2	2	2	1	7
Malvern Hills	0	0	1	4	5
Redditch	1	1	1	0	3
Worcester	1	5	1	0	7
Wychavon	2	3	2	0	7
Wyre Forest	2	1	3	2	8
No. of Prosecutions successful					
Bromsgrove	1	1	0	2	4
Malvern Hills	6	2	0	0	8
Redditch	4	2	6	5	17
Worcester	0	0	4	10	14
Wychavon	4	1	1	6	12
Wyre Forest	8	4	6	6	24

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APPENDIX 2

Example cases.

360031112

An investigation into a 52 year old woman claiming to be a lone parent resulted in community orders for both herself and her partner.

The referral on this case was made by the Benefit Team as an Officer held suspicions over arrangements for the collection of rent payments that were said to be in place. The DWP were invited to join the investigation as Income Support was also in payment.

Evidence was found to establish that the customer's undeclared partner was the owner of the property that she was claiming Housing Benefit from whilst living there as a family.

Overpayments of £39,385.50 Housing Benefit, £5,266.39 Council Tax Benefit and £18,459.20 Income Support were identified.

The overpayments were repaid in full by the partner (using a recent inheritance) prior to sentencing and this was taken into consideration by the Court. The customer was ordered to carry out 165 hours unpaid work and her partner was ordered to complete a benefit fraud workbook and received counselling during their 18 month community orders. They were each also ordered to pay £400 towards the prosecution costs.

The prosecution was taken by DWP Solicitors as is generally the case in joint investigations.

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360069735

A 53 year old man was ordered to carry out 160 hours unpaid work during a 12 month community order and pay £250 costs for failing to declare an inheritance and his partner's work.

This investigation started as a result of the National Fraud Initiative (NFI) which identified the undeclared work. After initial enquiries found the suspicion to be true, the DWP were invited to join the investigation and again lead the prosecution. The inheritance came to light during the course of the investigation and the combined offences identified overpayments of £2,679.30 Housing Benefit/ Council Tax Benefit and £6,525.29 Jobseeker's Allowance.

360032501

A 66 year old woman accepted an administrative penalty as an alternative to prosecution for failing to declare capital.

This referral was received through the Housing Benefit Matching Service after a match against HMRC data suggested that there may be undeclared capital. Further investigation showed the match to be correct and a Council Tax Benefit overpayment of £2,989.44 was identified.

360036209

A 36 year old man accepted a caution as an alternative to prosecution for failing to declare that he was in receipt of student income.

This investigation also began as a result of the NFI and identified an overpayment totalling £2,623.78.

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360092200

The DWP invited the Fraud Team to join this investigation as evidence had been obtained which appeared to show undeclared work. The customer, a 26 year old woman, was interviewed under caution and claimed that she had worked for the company for a short period of time but they had continued to pay her wages in error after she left.

No further action was taken in this case as no offence could be proven and the company are likely to seek reimbursement.

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 21st June 2012

THE ACTING WORCESTERSHIRE INTERNAL AUDIT MANAGER'S DRAFT 2011/12 AUDIT OPINION FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT.

Relevant Portfolio Holder	Councillor Roger Hollingworth
Relevant Head of Service	Teresa Kristunas, Head of Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To present:

- A draft of the 2011/12 Acting Worcestershire Internal Audit Shared Services Manager's Opinion.

2. RECOMMENDATION

2.1 That the Audit Board considers and notes the:

- the Internal Audit Opinion for inclusion in the Annual Governance Statement.

3. BACKGROUND

3.1 To provide Members with a copy of the proposed Acting Worcestershire Internal Audit Services Manager's opinion, which is to be included as part of the Annual Governance Statement and included with the Statement of Accounts for 2011/12.

3.2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Under the Local Government Act 1999 the Council also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council also has a responsibility for ensuring a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

3.3 The Audit Board has a responsibility to consider the effectiveness of the Council's internal control environment.

AUDIT BOARD

Date 21st June 2012

- 3.4 A key element of the Council's Annual Review and Statement of Accounts is the formal Annual Governance Statement, which is certified by the Chief Executive and the Leader of the Council.

Statements of Internal Control

- 3.5 It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.
- 3.6 In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist all Heads of Service and Fourth Tier Managers were asked to complete an internal control checklist covering Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management, Performance Indicators, Independent Recommendations and Inventories.
- 3.7 Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise.

4. KEY ISSUES

- 4.1 An element of the overall statement is the Acting Worcestershire Internal Audit Shared Services Manager's opinion a draft of which is contained at Appendix 1.

5. FINANCIAL IMPLICATIONS

- 5.1 None as a direct result of this report.

6. LEGAL IMPLICATIONS

- 6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

7. POLICY IMPLICATIONS

- 7.1 None as a direct result of this report.

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

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

- Non-compliance with statutory requirements.

10. CUSTOMER IMPLICATIONS

10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None as a direct result of this report.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective overall governance process.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 21st June 2012

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Nothing to report for this Board.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	No
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards.

22. APPENDICES

Appendix 1 ~ Acting Worcestershire Internal Audit Shared Services Managers' Opinion

AUDIT BOARD

Date 21st June 2012

23. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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**Acting Worcestershire Internal Audit Shared Services Manager's Opinion
on the Effectiveness of the System of Internal Control at Bromsgrove
District Council (the Council) for the Year Ended 31st March 2012**

1. Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2011/12 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit Board on 11th April 2011. The revised plan was considered by the s151 Officer and was compiled to reflect the requirements of the remainder of the year.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates in accordance with the Institute of Internal Auditors Standards and the CIPFA Code of Practice 2006 and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2011/2012 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' other corporate systems for example governance and
 - a number of operational systems, for example waste collection and s106's, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 A revised plan was necessary as planned targets were not met due to the impact on the service of long term sickness. The revised plan was considered by the s151 Officer and was compiled to reflect the requirements of the remainder of the year and ensuring that the 'high' and 'medium' priority audits were delivered.

- 1.5 Based on the audits performed in accordance with the approved revised plan, the Acting Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2011/12 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.
- 1.6 In relation to the thirteen reviews that have been undertaken, ten audits have been completed and three are to be finalised. A further audit where Internal Audit has been able to take assurance from has been in respect of ICT and the work performed by the Audit Commission. In addition to the audit work undertaken during the year a lengthy investigation was also undertaken. Little work has been undertaken on risk during 2011/12 due to the Risk Management Steering Group being postponed or cancelled on a number of occasions.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.
- 1.8 All of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.

Andy Bromage

Acting Worcestershire Internal Audit Shared Services Manager

May 2012

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AUDIT BOARD

21ST June 2012

ANNUAL GOVERNANCE STATEMENT – 2011/12

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources.
Wards Affected	None.

1. SUMMARY OF PROPOSALS

To seek Members' approval of the Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2011/12.

2. RECOMMENDATIONS

2.1 The Board is asked to RESOLVE that

Subject to any member comments the Annual Governance Statement be recommended for inclusion in the Statement of Accounts.

3. KEY ISSUES

- 3.1 Authorities are expected to publish the Annual Governance Statement (AGS) for 2011/12 with their Statement of Accounts.
- 3.2 The CIPFA/SOLACE framework for the Annual Governance Statement requires the AGS to be signed by the most senior Officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent).
- 3.3 There is an expectation in the guidance that the Head of Internal Audit, or equivalent, will provide a written annual report to those charged with governance timed to support the Annual Governance Statement. The report prepared by the Internal Audit Manager has been included in a separate report within the Agenda.
- 3.4 The AGS should be as up to date as practicable at the time of publication which will follow the completion of the final accounts audit in September.

Financial Implications

- 3.5 There are no specific financial implications.

Legal Implications

- 3.6 The preparation and publication of an annual governance statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment)(England) Regulations 2006 to prepare a Statement on Internal Control (SIC) in accordance with 'proper practices'.

Service/Operational Implications

- 3.7 The Annual Governance Statement (AGS) is a statutory document, which provides an overview of the governance arrangements within the Council.
- 3.8. The purpose of the annual governance statement is not just to be 'compliant' but also to provide an accurate representation of the arrangements in place during the year and to highlight those areas where improvement is required.

Customer / Equalities and Diversity Implications

- 3.13 There are no customer/equalities and diversity implications.

4. RISK MANAGEMENT

- 4.1 The Council will not meet the requirements of Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 if it fails to produce an Annual Governance Statement for publication with the Statement of Accounts.

5. APPENDICES

Appendix 1 - Annual Governance Statement, 2011/12

6. BACKGROUND PAPERS

- 6.1 'Delivering Good Governance in Local Government' – CIPFA/SOLACE (Framework and Guidance Note)
- 6.2. The Annual Governance Statement – Rough Guide for Practitioners – The CIPFA Finance Advisory Network

AUTHOR OF REPORT

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Bromsgrove District Council

DRAFT Annual Governance Statement 2011 - 12

1. Scope and responsibility

Bromsgrove District Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

2. The purpose of the governance framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

Bromsgrove District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Executive Directors, Heads of Service, and other managers of the Council, who have responsibility for the development and maintenance of the Governance environment, and the Internal Audit Manager's annual report, and by the external auditors and other review agencies and inspectorates.

3. The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) has identified six principles of corporate governance that underpin the effective governance of all local authorities. Bromsgrove District Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- Progress against the Council Plan's targets and actions are monitored monthly at Corporate Management Team and Cabinet. In addition key projects are managed through the Project Management Board
- Posters are widely available to communicate priorities and goals
- The residents magazine "Together Bromsgrove" is sent to all households 3 times per year
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- The budget jury undertakes annual reviews of the priorities and the link to the budget considerations.
- The Bromsgrove Partnership provides a partnership review forum
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction

- Consultation informs our Community Strategy which is available to the public
- The Community Strategy and Annual Report articulate the Council's activities and achievements
- The medium term financial plan underpins corporate aims and links funding to the key priorities of the Council
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place regularly and is reported on a quarterly basis as an integrated report with performance to Cabinet, Overview and Scrutiny and Full Council
- Savings have exceeded targets
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training.
- Overarching legal agreement between Bromsgrove District Council and Redditch Borough Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services

Core Principle 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's priorities and aims clearly demonstrate its vision and values

- Posters communicating this vision and the values are widely available
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committee and a proposal has been put to Members to agree the framework for standards

Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There is an established and effective Overview and Scrutiny Board
- There is an established and effective Audit Board to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted and all formal member meetings are recorded
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Cabinet forward plan is rolled forward and reviewed weekly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Cabinet decisions. During 2011/12 Overview and Scrutiny undertook pre-scrutiny of :
 - Homelessness Grant 2012/13
 - Longbridge Statement of Principals regarding Affordable Housing Provision
 - Enforcement and Fixed Penalty Notices of Environmental Services
 - Proposed joint Environmental Enforcement Strategy
- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2011/12:
 - Reduction in Bus Services
 - Recreation Road South Car Park
 - Planning Policy
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of

shared services and the benefits realised from the transformational activities being undertaken by the Council.

- Consideration of risk implications in committee reports and the decision making process
- Audit Board have a workplan that is reviewed at each meeting for completeness
- Full risk register for corporate and shared service risks. In addition the risk management group has met to discuss how risk management can work in the future.
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Clear and approved plan to implement shared services by April 2012. This has included full and comprehensive consultation with unions and members. This will ensure the Council delivers the savings required and to improve resilience and capacity across the organisation
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Cabinet and Overview and Scrutiny Board
- Active performance management arrangements to Corporate Management Team, Cabinet and Overview and Scrutiny Board
- A revised and effective complaints/ compliments procedure is in place and is widely publicised – this has been revised in 2011/12 to include reporting of customer feedback to the Overview and Scrutiny Committee.
- A whistle blowing policy is in place and available on the Council's web site
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and objectives, and address as appropriate any financial, staffing, risk, legal, procurement and customer implications

Core Principle 5: developing the capacity and capability of members and officers to be effective

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils. The Council has

been awarded primary status of the member development charter in recognition of this.

- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service and to enable them to present reports at Cabinet in relation to their portfolio area
- The shared services have continued to develop across Bromsgrove District Council and Redditch Borough Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff has the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Officers and Members
- A managers conference takes place every 2 years to develop managers understanding of new initiatives (transformation)
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services

Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Sustainable Community Strategy is positively used and developed in conjunction with the Bromsgrove Partnership
- The Council has an Inclusive Equalities Scheme, operates an Equalities and Diversity Forum and Disabled Users' Forum, holds an annual equalities conference and supports the community events that are funded via the forum budget considerations
- The Council is defined as "achieving" against the Equality Framework for Local Government
- The District Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to attend Bromsgrove Partnership Board meetings
- The Council has service agreements with the Artrix and Community transport service delivery (WRS) to ensure joint decisions are made on service provision
- Surveys are conducted on the Council's website, at the Customer Service Centre and resident feedback is obtained at Council events (e.g. summer events at local parks)
- Board, Cabinet and Council meetings are open to the public, with papers available on the internet

- Clear and colourful publications e.g. Annual Report, residents' magazine.
- Customer complaints are tracked and monitored and actions reported to residents via the website.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior and 4th tier Managers, with the S151 officer informing the Cabinet of any significant matters warranting their attention.

During the year the following actions have been undertaken to improve arrangements:

- Regular reporting to the Shared Service Board
- Business Cases approved for a number of further shared services between Bromsgrove District Council and Redditch Borough Council
- Developed and received approval for business cases to share:
 - Building Control (across Bromsgrove District Council, Redditch Borough Council and Wyre Forest)
 - Emergency Planning (across Bromsgrove District Council, Redditch Borough Council and Wyre Forest)

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectionates.

Internal Audit

Bromsgrove's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic,

efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit Board receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

External auditors and other review agencies/inspectors

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit
- Customer Service Excellence review of the Customer Service Centres run in partnership with Worcestershire County Council.

5. Significant governance and internal control issues

During 2010/11 the number of complaints against elected members reduced. These were managed through the formal assessment process and where appropriate referred for investigation. Notwithstanding this, the process for managing complaints against elected members at Bromsgrove has been acknowledged by Standards for England as being an example of good practice.

The review of Bromsgrove's system of governance and internal control has not identified any significant weaknesses.

The Annual Audit Letter and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include:

- A robust risk management arrangement for departmental and corporate registers to be developed. This will focus the Management Team and Audit Board on the corporate risks associated with the delivery of services within the future financial constraints.
- Clarity of savings from shared services and transformation within reporting for members
- Progress and risks associated with the Town Centre development to be reviewed on a regular basis
- Review cost allocation within transformation of services to ensure accurate reflection of revised service cost.
- Ensure performance is reviewed during the year to address any impact from system changes and trials

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 21st June 2012

2011/12 INTERNAL AUDIT ANNUAL REPORT

Relevant Portfolio Holder	Councillor Roger Hollingworth
Relevant Head of Service	Teresa Kristunas, Head of Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To present:

- The 2011/12 Internal Audit Annual Report for the period 1st April 2011 to 31st March 2012.

2. RECOMMENDATION

2.1 That the Audit Board considers and notes:

- the 2011/12 Internal Audit Annual Report

3. BACKGROUND

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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 Internal Audit Plan for 2011/2012 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their ‘opinion’ and other corporate systems for example governance and

AUDIT BOARD

Date 21st June 2012

- a number of operational systems, for example waste collection and s106's, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.4 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.5 The purpose of the 2011/12 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.6 2011/12 was a demanding year for Worcestershire Internal Audit Shared Service (WIASS) team, with the implementation of a new methodology (1st April 2012), the implementation of a new structure (1st April 2011), the procurement of new internal audit management software, a significant proportion of the year with the Service Manager on maternity leave, vacancy managed posts for the first six months and the departure of staff as part of the efficiency gains. In addition there was unforeseen long term sickness absence which placed further pressure on the service and its ability to deliver the internal audit programme. Internal Audit also took a risk based approach and concentrated on "pure" audit work, minimising the amount of time allowed for in the plan for activity such as team meetings, technical reading and training. As part of the monitoring of the delivery of the audit plan throughout the year it became apparent that small changes were required due to the changing environment in Bromsgrove District Council. Discussions with the Executive Director (Finance and Corporate Resource) who is the s151 agreed some minor changes to the plan delivery but the overall coverage remained focussed on 'high' and 'medium' risk areas as well as core financials.

AUDIT BOARD

Date 21st June 2012

4. KEY ISSUES

- 4.1 As can be seen in Appendix 1 during 2011/2012 there were 207 productive audit days. This equates to productivity of 53% against a productivity target for the year of 64%. The lower than expected productivity is accounted for by a number of influencing factors indicated earlier in the report.
- 4.2 **Appendix 2** provides a breakdown of the audits completed and the overall assurance.
- 4.3 The Internal Audit section has achieved the majority of what was required according to the 2011/2012 audit plan. Due to the impact of long-term sickness within Internal Audit team and the need to share financial and operational impact of this between the participating councils within the Internal Audit Shared Service, a small number of the audits were not delivered in 2011/12 but have either been brought forward to the 2012/13 audit plan or as part of the risk based assessment been classified as 'low' priority. These included Committee Reporting Alignment BDC & RBC, Strategic Alliance of BDC & RBC, climate change and shared service. Climate change and shared service have been rolled into 2012/13. The decision to not deliver these audits in 2011/12 was taken based upon a risk analysis of the work that still needed to be delivered within the plan at the time the decision was taken and the changing requirements of the Bromsgrove District Council. This decision was taken with the agreement of the council's section 151 officer.
- 4.4 Internal Audit was able to use a piece of work the Audit Commission produced in respect of ICT from which assurance could be taken.

Quality Measures

- 4.5 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 4.6 To further assist the Board with their assurance of the overall internal audit standards applied the CIPFA Self Assessment questionnaire has been considered and applied to the shared service. The outcome has indicated that there is a sound basis from which the shared service will work and which will be enhanced as certain key developments are implemented, for example the audit management software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance

with the Code would be reported as exceptions to the Client Officer Group and Audit Committee. There are no exceptions to report.

5. FINANCIAL IMPLICATIONS

5.1 None as a direct result of this report.

6. LEGAL IMPLICATIONS

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

7. POLICY IMPLICATIONS

7.1 None as a direct result of this report.

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

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

- Non-compliance with statutory requirements.

10. CUSTOMER IMPLICATIONS

10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

AUDIT BOARD

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13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None as a direct result of this report.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective overall governance process.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Nothing to report for this Board.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No

BROMSGROVE DISTRICT COUNCIL

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Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	No
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards.

22. APPENDICES

Appendix 1 ~ Delivery against plan 2011/12
Appendix 2 ~ Audits complete with assurance

23. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2011/12
1st April 2011 to 31st March 2012

Audit Area	DAYS USED TO 31/03/12	2011/12 PLANNED DAYS
Core Financial Systems	71	86
Corporate Audits (Note 1)	8	55
Other Systems Audits	128	130
TOTAL	207	271
Audit Management Meetings	6	15
Corporate Meetings / Reading	3	5
Annual Plans and Reports	7	8
Audit Committee support	8	6
Other chargeable	16	0
TOTAL	40	34
TOTAL	247	305

Note 1

Due to the continuing transformation a number of the corporate audits have been under consideration / review as to whether there will be any value added at this time. Some audit areas have been deemed that no value added at this time can be demonstrated therefore they have been deferred/considered as part of the 2012/13 plan.

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APPENDIX 1

Performance against Key Performance Indicators as at 31st March 2012

	KPI	As at 31st March 2012	Target	Frequency of monitoring	Frequency of reporting
1	Chargeability %	63%	72%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
2	Productivity %	53%	64%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
3	% Plan delivered excluding overruns	68%	95% for year	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
4	Overruns as a % of time spent	16%	5%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
5	Customer satisfaction surveys	100%	95% Good or above	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
6	Number of audits delivered compared to plan	2010/2011 5 2011/2012 14 1x investigation	19	Annually by WIASS management	Annually to Client Officer Group and Audit Committee
7	Annual survey of Internal Audit Service	Monitored by Client Officer Group	Good or above	Annually by WIASS management	Annually to Client Officer Group and Audit Committee

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 will also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code will be reported as exceptions to the Client Officer Group and Audit Committee.

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Appendix 2

**Audit Opinion Analysis ~
Audits completed during financial year 2011/2012:**

Audit Report / Title	Final Report issued	Assurance
Creditors	12.12.11	Full
Treasury Management	21.02.12	Full
Budgetary Control & Strategy	21.02.12	Full
Cash, General ledger and Bank reconciliation	22.03.12	Full
Council Tax	29.02.12	Significant
Non Domestic Rates	29.02.12	Significant
Debtors	12.12.11	Significant
Garden Waste	15.09.11	Significant
Benefits	28.03.2012	Moderate
Waste Collection 2010/11	June 2011	Significant
S106's	To be confirmed	To be confirmed
Asset Management	To be confirmed	To be confirmed
Regulatory Services (Regulatory Shared Service)	To be confirmed	To be confirmed
Marlbrook Tip	16.12.11	N/a
ICT inc. project auditing	May 2011	Assurance taken from Audit Commission work undertaken
Governance inc Procurement & WETT Programme	Due to changing circumstances the audit was deferred	N/a
Arts Development	Due to changing circumstances the audit was deferred	N/a
Strategic Alliance of RBC & BDC	Due to changing circumstances the audit was deferred	N/a

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Committee Reporting Alignment BDC & RBC	Due to changing circumstances the audit was deferred	N/a
Climate Change	Due to changing circumstances the audit was rolled into 2012/13	N/a
Shared Service Client	Due to changing circumstances the audit was rolled into 2012/13	N/a

Summary of 2011/12 Audits Assurance Levels.

2011/12	Number of BDC Audits	Assurance	Overall %
From 14 audits	4	Full	29
(not including ICT or deferred)	5	Significant	36
	1	Moderate	7
	0	Limited	0
	0	No	0
	3	To be confirmed	21
	1	N/a	7

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2011/12 financial year indicated that:

- The majority of auditees were more than happy with the process and format of the audits. This continues to be further developed.
- Recommendations made would help to add value and increase efficiency and effectiveness.
- There is a high satisfaction rate with the audit product from the data received.

Overall Conclusions:

- 72% of the audits undertaken for 2011/12 which have received an assurance allocated returned an assurance of 'moderate' or above.
- Clients are satisfied with the audit process and service from the data received.

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AUDIT BOARD

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WORK PROGRAMME 2012/13

21st June 2012

- Internal Audit Monitoring Report
- Internal Audit Manager's – Draft Audit Opinion 2011/2012
- Internal Audit Annual Plan 2012/2013
- Internal Audit Performance and Workload
- Annual Governance Statement

20th September 2012

- Internal Audit Monitoring Report
- Internal Audit Performance and Workload
- Statement of Accounts 2011/12 (pre-Audit)

13th December 2012

- Internal Audit Monitoring Report
- Internal Audit Performance and Workload

14th March 2013

- Audit Commission Annual Audit Letter
- Audit Commission Certification of Claims & Returns
- Audit Commission Opinion Plan
- Internal Audit Monitoring Report
- Internal Audit Performance and Workload
- Internal Audit DRAFT Annual Plan 2013/2014

To Be Allocated To Suitable Dates

- Anti-Fraud and corruption update
- Internal Audit 3 year plan 2012/2013 – 2014/2015
- Review of effectiveness of the Audit Board – **December 2012?**
- End of Year review of the operation of the Audit Board – **March 2013?**
- Best practice – speaker from another authority on operation of their member Audit review and monitoring arrangements

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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