



## **BROMSGROVE DISTRICT COUNCIL**

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

**THURSDAY 20TH SEPTEMBER 2012**  
**AT 6.00 P.M.**

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

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

### **AGENDA**

1. To receive apologies for absence and notification of substitutes
2. Declarations of Interest
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 21st June 2012 (Pages 1 - 6)
4. Corporate Risk Register (Pages 7 - 10)
5. Audit Board Work Programme 2012 / 2013 (Pages 11 - 12)  
To consider the Board's work programme for the current municipal year.
6. 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 item of business on the grounds that it 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>	
7	7	“

7. Internal Audit Monitoring Report (Pages 13 - 42)
8. 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 September 2012



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- Meeting Minutes
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# Agenda Item 3

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT BOARD

THURSDAY, 21ST JUNE 2012 AT 6.00 P.M.

PRESENT: Councillors J. S. Brogan, Ms. M. T. Buxton, Dr. B. T. Cooper,  
Miss P. A. Harrison (during Minute No's 1/12 to 8/12), Mrs. H. J. Jones  
and L. C. R. Mallett

Officers: Ms. J. Pickering, Mrs. T. Kristunas, Mr. A. Bromage and  
Mrs. P. Ross

1/12 **ELECTION OF CHAIRMAN**

**RESOLVED** that Councillor L. C. R. Mallett be elected as Chairman of the Board for the ensuing municipal year.

2/12 **ELECTION OF VICE-CHAIRMAN**

**RESOLVED** that Councillor J. S. Brogan be elected as Vice-Chairman of the Board for the ensuing municipal year.

3/12 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor S. J. Dudley.

4/12 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

5/12 **MINUTES**

The minutes of the meeting of the Audit Board held on 29th March 2012 were submitted.

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

6/12 **BENEFITS INVESTIGATIONS APRIL 2011 - MARCH 2012**

The Board considered a report which detailed the performance of the Benefits Services Fraud Investigation service.

The Head of Finance and Resources introduced the main points within the report and in doing so responded to Members' questions with regard to

administrative penalties being accepted as detailed at section 3.14 to the report and prosecution costs incurred by the Council. Members were informed that a caution was an alternative to a prosecution. If reoffending occurred within a certain period of time a caution would not be an option and those reoffending would be prosecuted. Following further discussion it was agreed that the Head of Finance and Resources would look at the specific policies and procedures followed within the dedicated counter fraud team in order to prevent and deter fraud. Members requested that specific dates and not quarters (e.g. Q1) be used in future reports together with the actual referrals figures and not percentages as shown. The Board thanked officers for the case studies provided which had proved useful to the Board.

**RESOLVED** that subject to the comments in the preamble above being incorporated into future reports, the report be noted.

7/12 **INTERNAL AUDIT MANAGER'S - DRAFT AUDIT OPINION 2011/2012**

Members considered a report which detailed the Acting Worcestershire Internal Audit Shared Services Manager's draft Audit Opinion 2011/2012 to be included as part of the Annual Governance Statement.

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager presented the report and in doing so informed Members that the internal audit of Bromsgrove District Council's systems and operations during 2011/2012 had been conducted in accordance with the Internal Audit Annual Plan which had been approved by the Audit Board on 11th April 2011. A revised plan had been necessary as planned targets had not been met due to the impact on the service from long term sickness. The revised plan was considered by the Section 151 (S151) officer and was compiled to reflect the requirements of the remainder of the year and to ensure that the 'high' and 'medium' priority audits were delivered. Mr. Bromage drew Members' attention to Appendix 1 to the report and specifically section 1.7 highlighting that no areas of significant risk had been identified and any concerns raised by managers would be assessed and addressed by the Authorities Corporate Management Team.

The Executive Director, Finance and Corporate Resources responded to Councillor Mrs. H. J. Jones with regard to the Risk Management Steering Group being postponed or cancelled on a number of occasions, as detailed in Appendix 1 to the report section 1.6.

**RESOLVED** that the Internal Audit Opinion 2011/2012, as set out at Appendix 1 to the report, be noted and included in the Annual Governance Statement.

8/12 **ANNUAL GOVERNANCE STATEMENT**

The Board considered a report which detailed the Annual Governance Statement for inclusion in the Statement of Accounts 2011 / 2012.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so highlighted the six core principles within the draft

Annual Governance Statement 2011 / 2012 as detailed at Appendix 1 to the report.

Further discussion followed specifically on Core Principal 2: 'The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training', as detailed at Appendix 1 to the report. Councillor Ms. M. T. Buxton expressed concerns that decisions (Planning decisions) were not always made in accordance with the specific training and guidelines given to Members. The Executive Director, Finance and Corporate Resources agreed to discuss the concerns raised with the Monitoring Officer.

The Chairman raised the question 'How do we measure the core principles within the Annual Governance Statement, how well are we performing against the core principles'. The Executive Director, Finance and Corporate Resources agreed to discuss this with the Monitoring Officer with regard to preparing a report on 'how do we measure the effectiveness of our governance' to be presented to a future meeting of the Audit Board. Members agreed that it would have proved useful if the actual number of member complaints had been included within the Appendix.

**RESOLVED** that subject to the comments, as detailed in the preamble above, being raised with the Monitoring Officer, the Annual Governance Statement be included in the Statement of Accounts 2011 / 2012.

9/12 **INTERNAL AUDIT ANNUAL REPORT 2011/2012**

Consideration was given to a report which detailed the Internal Audit Annual Report for the period 1st April 2011 to 31st March 2012.

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager presented the report and in doing so informed Members that 2011/2012 had been a demanding year for the Worcestershire Internal Audit Shared Service team with the reasons as detailed in section 3.6 of the report.

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
- external risk

The Internal Audit section had achieved the majority of what was required according to the 2011/2012 audit plan. Due to the impact of long-term sickness within the 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 2011/2012 but had either been brought forward to the 2012/2013 audit plan or as part of the risk based assessment had been classified as 'low' priority. This

decision had been taken with the agreement of the Council's Section 151 officer. The overall conclusions showed that 72% of the audits undertaken for 2011/2012 which had received an assurance, returned an assurance of 'moderate' or above. From the data received clients were satisfied with the audit process and service.

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager responded to Members' questions with regard to what assurances were in place with the shortfall in audits that had not been delivered and the impact this could have on the 2012/2013 delivery against plan and the current staff resources. Further discussion followed on Appendix 2 to the report it was agreed that individual reports for completed audits would be presented to future meetings of the Board and Heads of Service be invited to the meeting to discuss the completed audits. Details of completed audits to be included on the Work Programme 2012/2013.

**RESOLVED:**

- (a) that the Worcestershire Internal Audit Shared Service, Acting Audit Manager be tasked to provide individual reports for completed audits to future meetings of the Board and to liaise with the Democratic Services Officer to include the details on the Audit Board Work Programme 2012/2013;
- (b) The Executive Director, Finance and Corporate Resources be tasked to invite Heads of Service to future Audit Board meetings to discuss any completed audits for their service area; and
- (c) that the Internal Audit Annual Report for the period 1st April 2011 to 31st March 2012, be noted.

10/12 **AUDIT BOARD WORK PROGRAMME 2012/2013**

The Board considered the Work Programme for 2012/2013.

The Executive Director, Finance and Corporate Resources informed Members that the Work Programme had been based on the standard reports to be presented to the Board. Following further discussion it was agreed that the following be included on the Work Programme:

- Benefits Investigations reports to be presented to the Board on a six monthly basis
- December 2012 – Working session / discussion on the Internal Audit Plan - Look at the risk calculation
  - Value for money
  - Were service areas working / impact on customers, had services improved for customers following transformation and shared services
- Individual reports for completed audits
- End of Year Review to be changed to End of Year Report from the Chairman
- Review of effectiveness of the Audit Board to be included as a reflective view of the Audit Board within the End of Year Report from the Chairman



**RESOLVED** that the Work Programme for 2012/2013 be updated to include the items, as detailed in the preamble above, and that the Work Programme, be noted.

11/12 **LOCAL GOVERNMENT ACT 1972**

**RESOLVED** that under Section 100 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 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's</u>	<u>Paragraphs</u>
12/12	7
13/12	2 and 7
14/12	7
15/12	7

12/12 **PROTECTING THE PUBLIC PURSE - VERBAL UPDATE**

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager provided Members with a verbal update on the recently issued Audit Commission publication 'Protecting the Public Purse 2011: Fighting Fraud against Local Government'. Members were reminded that officers had been tasked to provide an updated report on the self assessment checklist during the Audit Board meeting on 29th March 2012. Members were informed that due to recent changes within the Council's Corporate Fraud Team work on the self assessment checklist had been passed to Internal Audit. Internal Audit had planned to look at the actual checklist to identify what was already in place and existed in order to ensure there was no duplication of work. It was agreed that the completed self assessment checklist be presented to the next meeting of the Audit Board.

**RESOLVED** that the completed self assessment checklist be presented to the next meeting of the Audit Board.

13/12 **FRAUD INVESTIGATION - VERBAL UPDATE**

The Executive Director, Finance and Corporate Resources provided Members with a further verbal update on the one case referred to in the Corporate Anti-Fraud Performance Report 2010/2011 as agreed during the Board meeting on 29th March 2012.

**RESOLVED** that the current position be noted and that a further update be provided to the next meeting of the Audit Board.

14/12 **INTERNAL AUDIT MONITORING REPORT MARLBROOK TIP - VERBAL UPDATE**

The Executive Director, Finance and Corporate Resources provided Members with a verbal update in relation to any potential loss of revenue and cost to the Council with regard to Marlbrook Tip as agreed during the Audit Board on 29th March 2012.

**RESOLVED** that the verbal update be noted.

15/12 **INTERNAL AUDIT MONITORING REPORT**

Members considered a report which detailed the monitoring report of the internal audit work as at 11th June 2012.

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager presented the report and in doing so informed Members that this was the first report of the 2012/2013 internal audit plan.

The Head of Finance and Resources responded to Members' questions with regard to software issues identified as detailed at Appendix 3, page 71 to the report. Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager responded to the Chairman with regard to the recommendation as detailed at Appendix 3, page 71 to the report and in doing so informed Members that regular risk based quality checks were being undertaken. Members agreed that this item be removed from the 'High' and 'Medium' priority recommendations following an assurance from officers that regular risk based quality checks were being undertaken.

A brief discussion took place with regard to a recent complaint discussed during the meeting of the Overview & Scrutiny Board on 18th June 2012.

**RESOLVED:**

- (a) that The Worcestershire Internal Audit Shared Service, Acting Audit Manager be tasked to remove the recommendation, as detailed in the preamble above, from the 'High' and 'Medium' priority recommendations;
- (b) that The Worcestershire Internal Audit Shared Service, Acting Audit Manager be tasked to ensure that, as part of the internal audit process, regular risk based quality checks are being undertaken; and
- (c) that, as detailed in the preamble above, and following the Overview and Scrutiny Board meeting on 18th June 2012, The Worcestershire Internal Audit Shared Service, Acting Audit Manager be tasked to include on the internal audit plan an item on data management within the authority.

The meeting closed at 7.47 p.m.

Chairman

**AUDIT BOARD**

**20th SEPTEMBER 2012**

**CORPORATE RISK REGISTER UPDATE**

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas
Wards Affected	<b>All</b>
Ward Councillor Consulted	None specific

**1. SUMMARY OF PROPOSALS**

- 1.1 To provide members of the Audit Board with an opportunity to consider the Corporate Risk Register and consider the current arrangements for risk management within the Council.

**2. RECOMMENDATIONS**

- 2.1 **The Board is asked to note the report, subject to any comments.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 The development and monitoring of the Corporate Risk register has been undertaken by officers. The appropriate management of risk ensures that the Council mitigates financial consequences of issues arising within a managed framework.
- 3.2 The Corporate Risk Register recognises the need to monitor the budget to ensure that the Council is able to deliver services within the budget allocated. In addition all reports to members include a section requiring officers to consider the financial implications of any proposals.

**Legal Implications**

- 3.3 A robust risk management framework will support the Council in delivering its services in a compliant way and therefore reducing the opportunity of legal challenge..

**Service / Operational Implications**

- 3.4 The Corporate Risk Register attached at Appendix 1 has been developed and agreed by the Corporate Management Team in consideration of potential risks that may affect the Council.
- 3.5 The risks previously included in the Corporate Risk Register have been assessed to ensure that they are relevant to be managed at a

Corporate level. A number of these risks are to be addressed at departmental level to ensure that there is clarity within the staff as to the impact of the risk on their service area. An example would include failure to deliver on the Council's procurement agenda which clearly sits within the finance and resources department.

- 3.6 In addition to the corporate risks, all reports to Members include a section for the consideration of any risk implications arising from the proposals contained within the report. In addition risks in relation to shared services are for reported to the Shared Services Board for Members consideration.
- 3.7 Officers are currently developing departmental risk registers with the aim to present the key issues on these to the Board on a quarterly basis. Risks are currently managed at Departmental Management Level however it is considered to be important for the key issues to be reviewed at Member level.

**Customer / Equalities and Diversity Implications**

- 3.8 Failure to manage the risks contained with the Corporate Risk Register could have implications for customers.

**4. RISK MANAGEMENT**

- 4.1 The consideration and management of risk is good practice for any organisation. Risks need to be considered in order that they can be monitored and action taken to minimise the impact on the organisation. The aim of the risk management process is to encourage a downward shift from Very High to High and then to Medium/Low risk status through the continued effort of service managers in managing their risks to bring them down to a corporately acceptable level.

**5. APPENDICES**

Appendix A - Corporate Risk Register

**6. BACKGROUND PAPERS**

N/A

**AUTHOR OF REPORT**

Name: Jayne Pickering – Exec Director Finance and Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: 01527-881400

## CORPORATE RISK REGISTER

## APPENDIX A

In developing the risk analysis the following matrix has been used:

Likelihood:

High 4

Significant 3

Medium 2

Low 1

Impact:

Critical 4

Major 3

Marginal 2

Low 1

Ref	Risk	L	I	Score	Responsible Officer	Mitigation
1.	Unable to deliver the base budget	2	4	8	Jayne Pickering	A 3 year financial plan is developed and considered by Members each year to ensure that all financial issues and pressures are addressed. Monthly monitoring statements are discussed with budget holders to address any variances and develop action plans to reduce any overspends. Quarterly financial reports are presented to Cabinet and Overview and Scrutiny for members consideration. Balances are maintained at an appropriate level to support any immediate pressures.
2.	Failure to implement effective business continuity arrangements	1	4	4	John Staniland	The Council works in partnership with Wyre Forest to ensure a professional approach and framework is in place for business continuity. The plans for addressing issues are regularly updated and communicated to specific officers and staff. Officers undertake regular training to support future business continuity events. There is a formal rota in place for emergency planning duties of senior officers with regular training and support in place.

Ref	Risk	L	I	Score	Responsible Officer	Mitigation
3.	Failure to realise the potential benefits of implementing shared services	1	3	3	Kevin Dicks	The shared services Board have regular updates to demonstrate the benefits of the new arrangements. The implementation of the shared service teams has been supported by a clear Human Resources plan to ensure staff are supported through the recruitment to the new structures. The finance plans include the savings realised from sharing of services and these are monitored on a monthly basis.

4.	Failure to develop a vibrant Town Centre.	1	3	3	Ruth Bamford	In working in partnership with Wyre Forest for Economic Development the Council benefits from a wide professional network of support and advice. In addition there is a Town Centre Project Manager in place funded by the District and the County Council who ensures that all developments are on track and legal and financial issues are addressed.
5.	Impact on the Council of a change in political direction.	1	3	3	Kevin Dicks	Ongoing and regular discussions with all members in relation to the services provided by the Council. Support and advice provided to all members to ensure that Members are aware of Council issues and are treated in a consistent manner.
7.	Failure to realise the benefits of the Transformation Programme	1	3	3	Deb Poole	There is strong leadership by Heads of Service of the Transformation programme and the outcomes for the customer. A management programme Board meets on a regular basis to discuss any issues and to develop action plans to ensure that the programme is supported. The shared service Board receives regular presentations from Heads of Service to demonstrate the benefits to the community.

## **AUDIT BOARD**

20th September 2012

### **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)
- Risk Management quarterly report
- Protecting the Public Purse – Completed Self Assessment Checklist
- Individual Reports for completed audits
- Fraud Investigation – further verbal update

#### **13th December 2012**

- Internal Audit Monitoring Report
- Internal Audit Performance and Workload
- Benefits Investigations
- Risk Management
- Working Session / discussion on the Internal Audit Plan – Look at the risk calculation
  - Value for Money
  - Are service areas working / impact on customers, have services improved for customers following transformation and shared services

#### **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
- Risk Management

**To Be Allocated To Suitable Dates**

- Internal Audit 3 year plan 2012/2013 – 2014/2015
- End of Year Report from the Chairman, to include a reflective view of the Audit Board - **March 2013?**
- Best practice – speaker from another authority on operation of their member Audit review and monitoring arrangements



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

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