



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY 13TH DECEMBER 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 20th September 2012 (Pages 1 - 6)
4. Audit Commission Annual Governance Report 2011 - 2012 (Pages 7 - 36)
5. Corporate Risk Register / Risk Management - Presentation from the Head of Finance & Resources
6. Benefits Investigations April - September 2012 (Pages 37 - 48)
7. Internal Audit Manager's - Draft Audit Plan 2013 / 2014 (Pages 49 - 58)
8. Audit Board Work Programme 2012 / 2013 (Pages 59 - 60)
To consider the Board's work programme for the current municipal year.
9. Internal Audit Monitoring Report (Pages 61 - 70)

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

"RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant 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>
9	7 "

- Appendices 3 and 4 for Agenda Item 9 – Internal Audit Monitoring Report (Pages 71 - 84)
11. 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

5th December 2012



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BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

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

PRESENT: Councillors L. C. R. Mallett (Chairman), J. S. Brogan (Vice-Chairman), Ms. M. T. Buxton, Dr. B. T. Cooper, Miss P. A. Harrison (during Minute No's 16/12 to part of 22/12) and Mrs. H. J. Jones

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

16/12 APOLOGIES FOR ABSENCE

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

17/12 DECLARATIONS OF INTEREST

The following declarations of interest were made:

Item 7 – Audits in Progress as at 31st March 2012, Parks and Open Spaces (Fieldwork stage)

Councillors L. C. R. Mallett and Ms. M. T. Buxton each declared an other disclosable interest as ward members for Whitford, ward area for Sanders Park and that Councillor L. C. R. Mallett had been involved in a number of projects for Sanders Park.

18/12 MINUTES

The Minutes of the meeting of the Audit Board held on 21st June 2012 were submitted.

RESOLVED that the minutes be approved as a correct record.

19/12 CORPORATE RISK REGISTER

The Board considered a report which detailed the Corporate Risk Register and the current arrangements for risk management within the Council.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so informed Members that the Corporate Risk Register, as detailed at Appendix 1 to the report, had been developed and agreed by the Corporate Management Team following consideration of potential risks that could affect the Council.

Members were further informed that officers were currently developing Departmental Risk Registers and that key issues on the Corporate Risk Register and Departmental Risk Registers would be reported back to the Board on a quarterly basis. Following further discussion it was agreed that the high level actions on Departmental Risk Registers would be included within the quarterly reports for discussion, with the detailed Departmental Risk Registers provided for information periodically.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the six Corporate Risks identified and the scoring methodology. Following further discussion the Executive Director, Finance and Corporate Resources was tasked with taking the comments of the Board and the additional risks identified, to be included within the Corporate Risk Register back to the Corporate Management Team as follows:

- Members had expressed concern with regard to the Likelihood score of 1, Low, for the following:
 - Corporate Risk Reference 3 – Failure to realise the potential benefits of implementing shared services
 - Corporate Risk Reference 4 – Failure to develop a vibrant Town Centre
 - Corporate Risk Reference 5 – Impact on the Council of a change in political direction. Do ongoing and regular discussions with all members and more specifically Group Leaders take place?
- Include the following within the Corporate Risk Register:
 - Safeguarding the Council's reputation (reputational risk, treasury management, ombudsman and complaints)
 - Fraud
 - Further reduced funding from government

The Executive Director, Finance and Corporate Resources in response to Councillor Dr. B. T. Cooper confirmed that officers did undertake regular training to support future business continuity events.

RESOLVED:

- (a) that, subject to the comments and additional risks identified in the preamble above, the Corporate Risk Register be noted, and
- (b) that the Audit Board Work Programme be updated to include Corporate Risk Register and the high level actions from Departmental Risk Registers quarterly reports, with the Departmental Risk Registers to include a frontline service and a support service register. Detailed Departmental Risk Registers to be provided for information periodically.

20/12 **AUDIT BOARD WORK PROGRAMME 2012 / 2013**

The Board considered the Work Programme for 2012/2013.

It was noted that the Audit Board no longer received the Statement of Accounts. The Executive Director, Finance and Corporate Resources informed the Board that since 2010 / 2011 the Statement of Accounts were presented at Cabinet, but she considered it would be useful for the Board to receive the Audit Commission Annual Governance report at the next meeting of the Board.

RESOLVED that the Work Programme be updated to include the items discussed and agreed by the Board during the course of the meeting.

21/12 **EXCLUSION OF THE PUBLIC**

The Board considered whether or not to exclude the public from the meeting for the consideration of Agenda Item No. 7; The Internal Audit Monitoring Report of the Acting Shared Service Manager of the Worcestershire Internal Audit Shared Service. The Acting Shared Service Manager had provided a combined report and the Chairman advised that the Board had considered whether the public interest in maintaining the exemption outweighed the public interest in disclosing the information, which the Board agreed it did not.

RESOLVED that the public not be excluded from the meeting during the consideration of Agenda Item No. 7, Monitoring report of internal audit work and performance as at 31st August 2012, pages 13 to 20, and that this part of the report be placed in the public domain.

22/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 13 TO 20)**

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager presented the report and in doing so informed Members that individual reports would be presented to future meetings of the Board and as agreed, further completed audits would be presented to the next meeting of the Audit Board.

The Acting Audit Manager further informed Members that, as agreed at the meeting held on 21st June 2012, the Management of Data audit would be included in the 2012 / 2013 Audit Plan as part of the Governance audit.

Audits in progress as at 31st August 2012

The following audits had now been completed and would be presented to the next meeting of the Board:

- Asset Management 2011-12
- Street Scene
- Parks and Open Spaces

The Acting Audit Manager and the Executive Director, Finance and Corporate Resources responded to Members' questions with regard to the Asset Management 2011-2012 audit and the updating of acquisition and disposals on the Finance Asset Register.

Audit Days

The Acting Audit Manager responded to Members' concerns with regard to the total of 78 days that had been delivered against a target of 300 days for 2012 / 2013. He informed Members that work was still to be carried out for quarter 2 and as detailed at Appendix 1 to the report the Core Financial Systems would be audited in quarters 3 and 4 which would account for almost a third of the plan. Work was still continuing on quarter 2 so this would not be reflected in the figures.

The Acting Audit Manager responded to the Chairman with regard to the Lead Auditor leaving the service and the potential impact this would have on the service for Bromsgrove. The Acting Audit Manager informed Members that whenever there was a natural turnover the delivery of the service was re-assessed in respect of its effectiveness and efficiency. He reassured Members that the audit team were now essentially resourced in order to deliver the audit plan in full for this year, and that the service was currently delivering more in comparison to the previous year.

The Executive Director, Finance and Corporate Resources informed the Board that she had raised her concerns with the Acting Audit Manager in respect of the delivery of the audit plan 2012/2013 and that she now felt more assured with the delivery of the audit plan.

The Acting Audit Manager responded to Members' questions with regard to the potential of natural turnover and a possible shortage of staff. Members were informed that any staff shortage due to natural turnover would be covered with agency staff and that additional costs would be met within the overall budget already set; there would be no additional cost implications.

RESOLVED that the monitoring report of internal audit work and performance as at 31st August 2012 (pages 13 to 20), be noted.

RECOMMENDATION that Cabinet be made aware of the concerns raised by the Board in respect of the delivery of the Internal Audit Plan 2012 / 2013.

23/12 **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 item of business of the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act, as amended, the relevant paragraph of that part being as set out below, and that it is in the public interest to do so:-

<u>Minute No.</u>	<u>Paragraph</u>	
24	7	
25	7	“

24/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 21 TO 42)**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st March 2012, pages 21 to 42 and provided an update on Protecting the Public Purse checklist.

Mr. A. Bromage, Worcestershire Internal Audit Shared Service, Acting Audit Manager presented the report and in doing so informed Members that individual reports would be presented to future meetings of the Board and as agreed, further completed audits would be presented at the next meeting of the Board.

The Acting Audit Manager further informed Members that, as agreed at the Audit Board meeting held on 21st June 2012, the Management of Data audit would be included in the 2012 / 2013 Audit Plan as part of the Governance audit.

Following further discussion on one of the audits being put on hold, Members requested that the Executive Director, Finance and Corporate Resources obtain further detailed information with regard to the reasons the audit was put on hold and report back to the Board.

The Acting Audit Manager responded to Members' questions with regard to the final Internal Audit Report for Worcestershire Regulatory Services and the Audit Opinion and Executive Summary as detailed in the report.

The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to Performance Indicators and Contracts Register, as detailed at Appendix 4 to the report. Members were assured that each department were aware of contracts held and therefore there was no potential risk to budgets.

Protecting the Public Purse

The Acting Audit Manager presented the completed self assessment checklist as requested during the Audit Board meeting on 21st June 2012. The Acting Audit Manager informed Members that in order to provide assurance to the Board the checklist item was identified, a comment made and evidence shown in order to determine how the decision was determined. Members were informed that item 9 should show 'Yes' in column two.

RESOLVED:

- (a) the Executive Director, Finance and Corporate Resources be tasked to check that Managers follow the 'due process' with regard to contracts entered into and that the Legal Services Team see all contracts entered into. The findings to be reported back to a future meeting of the Audit Board; and
- (b) that the Executive Director, Finance and Corporate Resources and Acting Audit Manager be tasked to provide further clarification with Heads of Service on the questions raised with regard to the following items and report back to the next meeting of the Board:

- Item 17 – Housing Tenancy
 - Item 21 – Recruitment; and
- (c) that the monitoring report of internal audit work and performance as at 31st August 2012 (pages 21 to 42), be noted.

25/12 **FRAUD INVESTIGATION - VERBAL UPDATE**

(The Chairman agreed that this matter be raised as an urgent item, in light of further information received by the Executive Director, Finance and Corporate Resources).

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.

RESOLVED:

- (a) that the current and final position be noted and that the lessons learnt be noted by the Senior Management Team with regard to this investigation; and
- (b) that any future decisions with regard to potential Fraud Investigations be made by the Chief Executive, Bromsgrove District Council and Redditch Borough Council and the Section 151 Officer.

The meeting closed at 7.20 p.m.

Chairman

AUDIT BOARD

13TH DECEMBER 2012

AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011/12 – RESPONSES

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the S151 Officer responses to the Annual Governance Report as attached at Appendix 1 for 2011/12 from the Audit Commission.

2. RECOMMENDATIONS

- 2.1 That the Board considers and notes the responses to the Annual Governance Report 2011/12
- 2.2 That the Board requests a quarterly update to ensure that actions are being undertaken and monitored in an effective way.

3. KEY ISSUES

Financial Implications

- 3.1 None other than those included in this report.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2011 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 3.3 As part of the process for auditing the final accounts for 2011/12 the Audit Commission review our processes and procedures and make any recommendations that they feel may improve our service and accounting in the future. There are 5 recommendations proposed by the Audit Commission that have been agreed by officers. These are

- Review the shared service plans accounting arrangements in order to simplify the process
- Improve risk management arrangements and reporting

- Continue to monitor the delivery of the Internal Audit plan
- Review the format of the monitoring of savings as presented to officers and members
- Review the benefits transformation with the aim to bring to a close

3.4 The responses to the recommendations are included at Appendix 1 and will form the basis for future updates to members in relation to the Annual Governance Report. The original Governance report as reported to Cabinet and Council in September 2012 is also attached at Appendix 2 for member's information.

Customer / Equalities and Diversity Implications

3.5 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The corporate risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

5. APPENDICES

Appendix 1 – Audit Commission – Annual Governance Report 2011/12 responses
Appendix 2 – Audit Commission – Annual Governance Report 2011/12

AUTHOR OF REPORT

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Appendix 1 – Action plan

Recommendations

Recommendation 1

Shared Services: the council should review the way it accounts for shared services to simplify the accounting process.

Responsibility Executive Director of Finance and Corporate Resources

Priority High

Date November 2012

Comments A workshop is to be organised in the new year with internal finance staff and external audit to review the way that we account for the shared service. The issue of ensuring that each organisation funds an accurate proportion of the costs associated with the services provided will be important and focused on during the session. The resulting framework should ensure that officers on both sides are happy and understand the approach and that this can be presented to members as part of the financial monitoring reports.

Recommendation 2

Risk Management Arrangements: more robust risk management arrangements should be put in place. This should include a corporate risk register highlighting risks and mitigating actions

Responsibility Executive Director of Finance and Corporate Resources

Priority High

Date November 2012

Comments Officers have already commenced development of departmental risk registers for consideration by members at future Audit Board meetings. The registers will be updated on a quarterly basis and reported via management teams to ensure that actions are put in place to mitigate risk to the authority in delivery of services. Individual registers and action plans will be reported to the Committee at each meeting.

Recommendation 3

Internal Audit: The scope and delivery of internal work should continue to be monitored.

Responsibility Executive Director of Finance and Corporate Resources

Priority Medium

Date November 2012

Comments The Executive Director Finance and Resources has regular meetings with the Internal Audit manager to track progress on the delivery of the Audit Plan. It is understood that the team have been resourced to full capacity to ensure delivery of the required Audits. The Audit manager will continue to present performance reports to this Committee at each meeting to address concerns and demonstrate actions undertaken.

Recommendation 4

Financial reporting: the transparency of financial reporting should be improved, in particular detail around planned savings across the Council and in year monitoring of the delivery of these.

Responsibility Executive Director of Finance and Corporate Resources

Priority High

Date November 2012

Comments The budget monitoring reports will be reviewed for 2013/14 to ensure that officers and members can identify savings being delivered. The review will include consideration of any revised reports by the External Auditors to ensure that the level of detail is appropriate for the future financial planning of the Council.

Recommendation 5

Housing benefits transformation: the Council should formally review the progress of the transformation review and consider the next steps to bring the review to a close

Responsibility Executive Director of Finance and Corporate Resources

Priority Medium

Date November 2012

Comments The benefits transformation is still ongoing with the current focus on the link with our housing providers to ensure that full support and advice is given to our customers. The teams continue to gather the demand and are looking to work with our partners to provide a more comprehensive service to residents to ensure that income is maximised. The management team and Shared Service Board receive regular updates and presentations on the enhancements and improvements to the service and any changes to service provision will be based on clear evidence that the changes will provide a better service to the customer.

Annual governance report

Bromsgrove District Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 18 September I expect to issue an unqualified audit opinion.

The accounts were prepared and authorised in line with requirements and I expect the accounts to be audited and approved by the statutory deadline of 30 September. Overall the accounts were well prepared and no material amendments were necessary. This year the accounts have been prepared using an excel workbook format which has helped the preparers of the accounts and has provided a good mechanism for ensuring that there is internal consistency in the accounts.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

In 2011/12 the Council relied less on balances than planned and overall achieved the level of savings it had forecast. General fund balances are relatively healthy and well above the minimum level set by the Executive Director Finance and Corporate Resources. The Council has recognised in its medium term financial plan that large savings need to be made over the next few years. It will be a considerable challenge to maintain or improve services whilst making these savings.

The medium term financial plan depends on the programme of 'shared services' and 'transformation' to deliver large savings. Due to the nature of the radical approach being taken, there are risks of non delivery and savings from transformation are difficult to specify in advance. Therefore elements of the savings plan are currently unsupported. The Council's arrangements for managing the risk and for reporting delivery of savings need to be more detailed and robust.

In view of the current levels of balances and because the Council is removing recurring savings from its base budget, I consider that the Council is financially resilient for the foreseeable future. It is fundamentally challenging how it operates and is establishing processes to secure economy efficiency and effectiveness.

Certificate

I expect to complete the outstanding work and report my findings to management by 26 September. I plan to issue my certificate by 28 September.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including Ethical Standard 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any new relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Audit Committee to:

- approve the letter of representation (appendix 2), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 3).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

The audit trail for shared services was difficult and thus this has resulted in some delay in completion of our work in this area. I expect to complete this work shortly.

Uncorrected errors

There are no material uncorrected errors in the accounts.

Corrected errors

There were no errors that resulted in a change in the out turn position of the Council. Amendments were made to several disclosure notes to improve the accuracy and quality of information provided. One amendment was made to the face of the Comprehensive Income and Expenditure Statement in relation to the prior year to improve the consistency of reporting between years.

Significant risks and my findings

I reported to you in my February Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

Risk	Finding
<p>Final accounts format: The council changed the way it gets the final accounts information from the financial ledger into the financial statements</p>	<p>I reviewed this process and concluded that it actually improved the accuracy of the accounts because validation checks had been in built into the accounts production process, thus reducing problems around internal consistency of the financial statements.</p>
<p>Shared services: I considered that the increased use of shared services presented a risk around allocating and accounting for the costs between organisations. A joint management team and close working between the councils heightens the need for transparency in the process.</p>	<p>The process for recording shared services is very complex. Different processes operate within a single shared service arrangement with individual decisions being made on whether a cost is to be shared or not, down to very small items. This resulted in a complicated audit trail from the accounts to the supporting evidence. Also the way that the costs are accounted for make it difficult to evidence that they have been apportioned in line with members' expectations and the accounting requirements. The audit of this area therefore took longer than planned. In our testing we did not identify any invoices that were raised in error. There is scope to simplify the process and reduce the number of invoices either through an annual service level agreement encompassing all the costs of the service or by streamlining current processes.</p>
<p>Heritage Assets</p>	<p>I considered the councils process for identifying heritage assets. I consider that the disclosure in the accounts is appropriate.</p>

Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

I did not identify any significant weakness in internal controls.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

Table 2: **Other matters**

Issue	Finding
Risk Management Arrangements	The Councils risk management arrangements are not comprehensive, other than for shared services it is not clear how members are managing risk. Shared services and the financial position are key risks for the Council and these risks are being managed through the shared services board and routine budget reporting. We have previously reported that the Council had good risk management arrangements and internal audit used to take a key role. Officers have recognised that risk management arrangements have deteriorated this year and that there is a need to introduce improved arrangements for identifying and escalating risks to 'those charged with governance'.
Internal audit	In the first half of the year Internal audit had difficulty delivering its work and this situation was closely monitored by the Audit Committee. With the agreement of the Committee revisions were made to the audit plan to focus the remaining time on financial systems work. Internal audit made considerable progress for the rest of the year enabling the internal audit opinion to be issued to support the Annual Governance Statement. Management should continue to monitor the scope and delivery of internal audit work in 2012/13.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. Changes in their requirements this year have meant that our work on the WGA return has been relatively limited. I have no matters to report.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my February Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 3: Value for money conclusion criteria and my findings

Criteria	Risk	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Last year I highlighted that the medium term financial plan contained gaps in funding that had yet to be adequately addressed.</p> <p>The MTFP includes significant savings.</p> <p>Much of the saving is to be made through extending shared services and from transformation. There is a risk that these savings will not be made within the necessary timescale. I planned to review the arrangements that the council had in place to manage these savings.</p>	<p>Overall the Council has delivered the savings that it planned for 2011/12. The level of balances remains healthy. There was less reliance on balances than budgeted and thus the general fund balance has increased this year. Large savings have been made in 2011/12. These factors contribute to our conclusion that the council has financial resilience in the short term.</p> <p>There remain gaps in the MTFP, mainly around transformation where savings are aspirational.</p> <p>Our review of housing benefits transformation</p>

Criteria	Risk	Findings
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has highlighted that the council has not formally identified any savings from the project to date. This indicates that there is ongoing risk around reliance on transformation as a source of savings within the MTFP.

In a challenging financial position it is crucial that there are clear and accurate financial reports. It is also important that there is particular emphasis on savings plans and delivery to enable management to manage the risk. Whilst there is reporting around savings from shared services, other reports to council do not contain enough detail around savings plans or progress in delivery. This is a key risk for the council and therefore should be improved.

Routine financial reports should be improved to clearly show changes from the original budget and why. Together with more accurate profiling, this should enable 'those charged with governance' to clearly understand and manage the risk.

The Council has demonstrated its commitment to achieving cost reductions and improving efficiency through its shared services and transformation programmes. The Council is actively seeking to make savings by removing duplicated posts and processes that do not add value, thus improving efficiency and productivity.

I undertook a risk assessment of the council based on our understanding gained from previous audits and our discussions with you. We concluded that the council had already demonstrated adequate arrangements in many areas. I felt that a key risk for the council was the current transformation programme. I agreed with

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within

Criteria	Risk	Findings
<p>tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>you that I would consider the benefits transformation project as an example to consider how well the council is managing the review process, implementing recommendations, measuring success and considering the impact on performance.</p>	<p>The benefits transformation project started really well. Some benefits officers were transferred to the Hub to provide expert support to customers. It was generally accepted that this had improved both performance and customer experience. I have not seen any formal review of the success of the project or reports on changes in performance arising from the review. I concluded that the project had delivered some operational benefits but the management and reporting of outcomes needs to be stronger.</p>

Fees

I reported my planned audit fee in the February Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)	Variance
Audit	106,676*	106,676	0
Claims and returns [delete if not applicable]	22,000	22,000**	0
Non-audit work	0	0	0
Total	128,676	128,676	0

*The audit Commission has rebated the fee by 7% reducing the fee to £98,142.

**The fee will depend on the amount of additional testing required on the Housing benefits claim. This work is currently ongoing.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BROMSGROVE DISTRICT COUNCIL

Opinion on the Council financial statements

I have audited the financial statements of Bromsgrove District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Bromsgrove District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

ⁱ Amend to reflect the title used

policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Bromsgrove District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, *Bromsgrove District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Elizabeth Cave

District Auditor

Appendix 2 – Draft letter of management representation

Bromsgrove District Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Bromsgrove District Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Bromsgrove District Council

I confirm that this letter has been discussed and agreed by the Cabinet on 26 September 2012.

Signed:

Name Jayne Pickering

Position: Executive Director of Finance and Corporate Resources

Date: September 2012

Appendix 3 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards (ES)

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

LASAAC: Local Authority (Scotland) Accounts advisory Committee

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 4 – Action plan

Recommendations

Recommendation 1

Shared Services: the council should review the way it accounts for shared services in order to simplify the process.

Responsibility Executive Director of Finance and Corporate Resources

Priority High

Date

Comments

Recommendations

Recommendation 2

Risk Management Arrangements: more robust risk management arrangements should be put in place. This should include a corporate risk register highlighting risks and mitigating actions

Responsibility Executive Director of Finance and Corporate Resources

Priority High

Date

Comments

Recommendation 3

Internal Audit: The scope and delivery of internal work should continue to be monitored.

Responsibility Executive Director of Finance and Corporate Resources

Priority Medium

Audit Commission

Annual governance report

Date	
Comments	
Recommendation 4	
Financial reporting: the transparency of financial reporting should be improved, in particular detail around savings and in year monitoring of the delivery of these.	
Responsibility	Executive Director of Finance and Corporate Resources
Priority	High
Date	
Comments	
Recommendation 5	
Housing benefits transformation: the Council should formally review the progress of the transformation review and consider the next steps to bring the review to a close	
Responsibility	Executive Director of Finance and Corporate Resources
Priority	Medium
Date	
Comments	

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

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



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AUDIT BOARD

13th December 2012

BENEFITS INVESTIGATIONS April – September 2012

Relevant Portfolio Holder	
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
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 Committee 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 there is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1 April to 30 September 2012.

Background

3.4 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. During the period April 2012 to September 2012 there were around 5680 live benefit claims at anyone time and on average there were 58 new claims and 271 change in circumstances decided each week. Direct expenditure on Housing Benefit and Council Tax Benefit for the year up to the end of August was £11,876,813. About 45% of the caseload is made up of 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 67 fraud referrals were received by the team.
- 3.7 Approximately 51% 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.
- 3.8 Approximately 31% of the referrals were from official sources. Apart from the joint working invitations received from the DWP, the majority of these were within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.9 The remaining, approximately 18% 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, showing the value of issuing press releases giving the public details of the case and how to report suspicions of benefit fraud whenever possible. One of the main concerns of customers who are being interviewed under caution for benefit fraud offences is that their name will be in the paper.
- 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 38 Investigations were closed during the period and fraud or error was established in 31 of these.
- 3.12 3 customers were prosecuted. The offences in 2 of these cases were related to undeclared work and the other to an undeclared partner.
- 3.13 Cautions were accepted by 9 customers. The offences in 4 of these cases related to undeclared work, a further 2 cases related to undeclared increases in income, 1 case related to undeclared capital, 1 to an undeclared partner and the other to an undeclared change in a non-dependant's income.
- 3.14 Administrative penalties were accepted by 5 customers. The offences in 4 of these cases related to undeclared work and the other to undeclared capital.
- 3.15 The remaining 14 cases were closed for other reasons. Most of these were classed as claimant error, meaning that an overpayment of benefit had been identified but there was insufficient evidence to justify taking the case any further. The alleged fraud in 2 cases, although found to be true did not result in overpayments of benefit. Both of these cases related to undeclared Carer's Allowance and although additional income was established to be going into the household, the entitlement to Carer's Allowance means that the Carer Premium is payable on the claim and as a result there is no net loss. Outcomes such as these will be taken into consideration when deciding whether similar cases should be accepted for investigation in future. Although fraud was not proven on a further claim, the claim came to an end and the investigation was considered to be the causal link of this.

Impact on other areas

- 3.16 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. For the year up until the end of September 2012 the team identified £85,180.51 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 The Welfare Reform Act received Royal Assent on the 8th March 2012 and will have far reaching consequences. There are changes to Housing Benefit from April 2013 and Council Tax Benefit will be replaced by local schemes. Also from April 2013 the grant towards Discretionary Housing Payments will increase substantially and discretionary social fund payments, currently decided by DWP, will be replaced with local schemes. From October 2013 Universal Credit will gradually replace Income Support, Income based Job Seekers Allowance, income based Employment Support Allowance, Housing Benefit, Working Tax Credit and Child Tax Credit.
- 3.18 To support these changes the DWP propose combining the various fraud services into a Single Investigation Service (SFIS) which will combine local authority benefit fraud investigation staff with those of the DWP and Revenues and Customs. 4 pilot sites for the Service were due to commence during November 2012 and regular updates from these should soon commence. All benefit fraud investigation work will be branded as SFIS between April 2013 and March 2014. During this time local authority investigators will continue to be employed by the councils that they currently work for and unless involved in a pilot or pathfinder site will continue to work to current procedures. The final rollout of SFIS will take place between April 2014 and March 2015.
- 3.19 Consideration is also being given to the investigation of claims from April 2013 under Local Council Tax Reduction schemes. It is clear that the investigation of these claims will not fall within the remit of SFIS and will be the responsibility of the local authority. It is hoped that data will be able to be shared with SFIS in order for both teams to work together and possibly extend this to other areas of work generally covered by local authorities, for example tenancy fraud.

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.

AUDIT BOARD

13th December 2012

5. APPENDICES

Sanctions comparison compared to other districts in the County.

Example cases

SFIS Frequently asked questions

6. BACKGROUND PAPERS

None

AUTHOR OF REPORT

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Tel: (01527) 64252 ext: 3295

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

**County investigation and sanction comparison
April 2012 – September 2012**

Description	Q1	Q2	Q3	Q4	Total
No. of Investigations closed					
Bromsgrove	18	21			39
Malvern Hills	Not available				
Redditch	67	78			145
Worcester	Not available				
Wychavon	Not available				
Wyre Forest	Not available				
No. of Cautions accepted					
Bromsgrove	2	7			9
Malvern Hills	5				5
Redditch	11	12			23
Worcester	19				19
Wychavon	6				8
Wyre Forest	Not available				
No. of Admin Penalties accepted					
Bromsgrove	3	2			5
Malvern Hills	0				0
Redditch	0	0			0
Worcester	3				3
Wychavon	3				3
Wyre Forest	Not available				
No. of Prosecutions successful					
Bromsgrove	2	1			3
Malvern Hills	5				5
Redditch	3	5			8
Worcester	14				14
Wychavon	4				4
Wyre Forest	Not available				

APPENDIX 2

Example cases.

360064943

A 53 year old man was prosecuted for falsely claiming Housing Benefit, Council Tax Benefit, Carer's Allowance and Jobseeker's Allowance by failing to declare that he had returned to work.

The referral on this case came from the Benefit Team after suspicion was raised when the customer's partner visited the Hub. The DWP were invited to join the investigation as the suspected fraud was also likely to affect the Carer's Allowance and Job Seeker's Allowance which he had also been claiming. As is usual in most cases of joint working the prosecution was lead by the DWP who now prosecute through the Crown Prosecution Service.

The investigation established that although the customer had been made redundant he had been employed again by the same company not long afterwards and had failed to notify either Bromsgrove District Council or the Department for Work and Pensions of this.

Overpayments of £4,892.23 Housing Benefit, £1,452.90 Council Tax Benefit, £6,112.05 Carer's Allowance and £484.95 Jobseeker's Allowance were identified.

The customer was sentenced to a 12 month community order with a requirement to carry out 100 hours unpaid work.

The Housing Benefit overpayment is being recovered from current ongoing correct entitlement at £20.65 weekly and the Council Tax Benefit overpayment has been returned to the Council Tax account for recovery.

360056455

A 66 year old man who was falsely claimed Housing Benefit of £2,850.85 and Council Tax Benefit of £1,830.20 accepted an administrative penalty as an alternative to prosecution.

This case had been referred for investigation by the Benefit Team previously because the Housing Benefit payable left a large shortfall against the rent being charged on the property that the customer chose to live in. No evidence could be found to prove any offences at that time and the customer denied having any additional income or capital. This investigation was started after the customer volunteered information that he had been claiming incorrectly as he had inherited over £50,000 more than 2 years earlier.

Prosecution would normally have been considered as the appropriate sanction in this case, particularly in view of the denials the customer had made in previous investigations which had taken place since he had received the inheritance. However, the customer was leaving the property and going abroad and it was therefore considered more appropriate to offer the penalty with a condition of full payment which was made upon acceptance.

360106945

A 19 year old man accepted a caution after falsely claiming Housing Benefit of £544.19 and Council Tax Benefit of £33.51 by failing to declare that he was no longer receiving Jobseeker's Allowance and was working.

This referral was received through the Housing Benefit Matching Service after a match against Jobseeker's Allowance records identified the discrepancy.

360034656

A data match was received on an 80 year old man identifying an undeclared private pension. The claim had been in payment for a number of years but as the pension was in respect of the customer's late wife and no claim forms had been completed since the pension started, it was considered inappropriate to take any further action than recovery of the overpaid benefit.

APPENDIX 3

SFIS FAQs

Q. How will SFIS directly affect staff terms and conditions?

A. Initially SFIS will be a partnership between HMRC, DWP and LAs. When SFIS is introduced, staff dealing with the investigation of welfare benefit fraud will remain employed by their current employer, for example, DWP staff will continue to be employed by DWP on their existing terms and conditions. The same will apply to LAs and HMRC staff.

Q. What does SFIS Branding mean?

A. Initially you will still operate in the same way as you do now and claimants will not see a difference. We want to start to create a unique identity and pave the way for the cultural changes that are needed for a successful implementation. The pilot sites will be testing the lower level detail such as who undertakes prosecution, how data is shared and how communications are branded.

Q. What work will SFIS undertake?

A. SFIS will be responsible for the investigation of welfare benefit fraud. As with any organisation, the amount of resource will dictate the number of investigations which can be undertaken, in the same way that each of your organisations currently decides which work will be given to your fraud team and your compliance/administration teams. The pilots will be testing a number of collaborative approaches, which includes a joint prosecution policy that will feed into the final policy for national? Or further pilot? roll out. We will be working with partners to look at how we join up activity across other fraud areas, for example Local Council Tax Support.

Q. Will SFIS staff, regardless of employer, be located in the same office and which office will this be?

A. Our four SFIS pilots are currently testing a number of models and one of these does have a centralised team of DWP and Local Authority (LA) staff based in LA accommodation. Feedback from the pilots will allow us to evaluate the benefits and costs of these different models and then agree the design for national rollout. We are aware that in many areas the current DWP FIS teams do not match with LA boundaries so we may see slightly different arrangements in different locations. As this work progresses, we will share information with you.

Q. How can I get some more information on SFIS?

A. We issue a bi-monthly newsletter which provides updates on the Fraud & Error Programme. We are also developing a Communications Hub which will allow all our stakeholders to access the most up to date information and will also offer the opportunity to ask questions. More information about this will be available soon.

AUDIT BOARD

13th December 2012

Within the DWP Fraud Investigation Service (FIS) community, progress on the Fraud & Error Programme is discussed at each 6-weekly Area Fraud Investigators meeting and a monthly FIS update note is also cascaded to all staff and placed on the FIS internal website. FIS colleagues have the opportunity to raise questions (and have them answered!) at FIS Your Call events and on the FIS Discussion Group on the DWP FIS Intranet pages.

Q. Will we be working under SFIS policy and procedure from April 2013?

A. Presently if you are not in a Pilot or Pathfinder site, the SFIS policy and procedure will come into force during 2014/15.

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AUDIT BOARD

Date: 13th DECEMBER 2012

THE 2013/14 DRAFT INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas Head of Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the Bromsgrove District Council Draft Internal Audit Operational Plan for 2013/14 for noting.
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2013/14

2. RECOMMENDATIONS

2.1 **The Board is asked to RESOLVE that the report be noted.**

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 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”.

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”.

Service / Operational Implications

Internal Audit Aims and Objectives

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council’s objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council’s assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisational changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2013/14, which is included **at Appendix 1**, is a risk based plan which takes into account the adequacy of the council’s risk management, performance management and other assurance processes. It has been based upon the risk priorities per discussions with the s151 Officer and Heads of Service as well as an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2013/14 has been agreed with the council’s section 151 officer.

By bringing a provisional plan of work to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2013/14 and make suggestions as to where they feel audit resources should be directed. As with all plans it may subject to review as the year progresses in consultation with the s151 Officer.

Resource Allocation

The Internal Audit Plan for 2013/14 has been based upon a resource allocation of 300 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 300 day allocation is based on transactional type system audits. Enhanced audit requirements would require reallocation or additional audit days. Any such requirement and the implications can be further discussed at the Audit Board meeting. Additional areas that could be considered for auditing but have not been included in the draft plan have been identified at the foot of the draft plan for information/consideration purposes.

The draft Internal Audit Plan for 2013/14 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2013/14 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Board on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's s151 officer and are included at **Appendix 2**.

Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

4. RISK MANAGEMENT

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

failure to complete the planned programme of audit work within the financial year;
and,

the continuous provision of an internal audit service is not maintained.

AUDIT BOARD

Date: 13th DECEMBER 2012

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

Appendix 1 ~ Outline Internal Audit Plan 2013/14
Appendix 2 ~ Key performance indicators 2013/14

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 13th DECEMBER 2012

DETAILED PROVISIONAL AUDIT PLAN FOR 2013/14

APPENDIX 1

Audit Area	Source	Planned days 2012/13	Planned days 2013/14	Difference = + or -
A – CHARGEABLE AND PRODUCTIVE				
Core Financial Systems				
Benefits	Risk assessment score 36	15	15	0
NDR	Risk assessment score 36	12	12	0
Council Tax	Risk assessment score 33	12	12	0
General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 33	21	17	-4
Treasury Management	Risk assessment score 30	7	7	0
Creditors	Risk assessment score 29	7	10	3
Debtors	Risk assessment score 28	7	7	0
Asset Management	Risk assessment score 26	7	7	0
		88	87	-1
Corporate				0
Shared Service Delivery (Client)	Risk assessment score 36	15	12	-3
ICT	Risk assessment score 35	14	14	0
Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality)	Risk assessment score 31	10	10	0
Risk Management	Risk assessment score 31	15	15	0
s106's	Risk assessment score 31	0	10	10
Transitional (Critical friend)	Section 151 request	15	7	-8
		69	68	-1

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 13th DECEMBER 2012

Audit Area	Source	Planned days 2012/13	Planned days 2013/14	Difference = + or -
Other Systems Audits				0
Environmental Enforcement	Risk assessment score 33	0	8	8
Depot and Stores	Risk assessment score 32	0	10	10
Development & Building Control	Risk assessment score 29	0	8	8
Regulatory Services	Risk assessment score 28	0	15	15
Land Charges	Risk assessment score 28	0	8	8
BURT Dial a Ride	Risk assessment score 28	0	7	7
Strategic Housing	Risk assessment score 27	0	8	8
Completion of Prior Year's work	N/A	12	10	-2
Statement of Internal Control	N/A	3	3	0
Follow Up on recommendations	N/A	10	12	2
Fraud and Special Investigations	N/A	8	10	2
Advisory / Consultancy / Contingency	N/A	10	10	0
TOTAL PRODUCTIVE (A ONLY)		266	264	
B – CHARGEABLE AND NON-PRODUCTIVE				
Audit Management Meetings	N/A	15	15	
Corporate Meetings / Reading	N/A	5	5	
Annual Plans and Reports	N/A	8	8	2
Audit Board support	N/A	6	8	
TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)		34	36	2
TOTAL CHARGEABLE (A + B)		300	300	0

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 13th DECEMBER 2012

Potential Areas for Auditing for information/consideration

Audit Area	Source		Planned days 2013/14	
Sports and Arts Development	Risk assessment score 30		To be considered	
Insurance	Risk assessment score 28		To be considered	
Election Services	Risk assessment score 27		To be considered	
Communications and Media	Risk assessment score 27		To be considered	
Member Development & Allowances	Risk assessment score 27		To be considered	
Grounds Maintenance	Risk assessment score 26		To be considered	
Equality and Diversity	Risk assessment score 23		To be considered	

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 13th DECEMBER 2012

SUMMARY OF DETAILED PROVISIONAL PLAN 2013/14

Planned Days for 2013/14	2012/13	2013/14
Core Financial Systems	49	48
Revenues and Benefits	39	39
Corporate Work	69	68
Other Systems Audits inc follow up	79	79
Completion of prior year's work	12	10
Advisory / Consultancy inc NFI, Fraud & investigations	18	20
Sub Total	266	264
Audit management meetings	15	15
Corporate meetings / reading	5	5
Annual plans and reports	8	8
Audit Board support	6	8
Sub Total	34	36
TOTAL Audit Days	300	300

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 13th DECEMBER 2012

KEY PERFORMANCE INDICATORS 2013/14

APPENDIX 2

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2013/14.

	KPI	Target	Frequency of reporting
1	% Plan delivered excluding overruns	90% for year	Quarterly
2	Customer satisfaction surveys	90% Good or above	Quarterly
3	Number of audits delivered compared to plan	19	Quarterly
4	Annual survey of Internal Audit Service	Good or above	Annually

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

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AUDIT BOARD

13th December 2012

WORK PROGRAMME 2012/13**13th December 2012**

- Audit Commission Annual Governance Report
- Corporate Risk Register
- Internal Audit Monitoring Report –
to include an update on the questions raised with regard to the
following items:
 - Housing Tenancy
 - Recruitment
- Individual Reports for completed audits
- 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
- Individual Reports for completed audits
- Internal Audit Performance and Workload
- Internal Audit DRAFT Annual Plan 2013/2014
- Risk Management

To Be Allocated To Suitable Dates

- Departmental Risk Registers – High Level Actions, quarterly reports (to
include a frontline service and a support service.
- Departmental Risk Registers – Detailed reports to be provided
periodically
- Contracts Register – ‘due process’ update to be provided with regard to
contracts entered into and that the Legal Services Team see all
contracts entered into
- 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

AUDIT BOARD

Date: 13th DECEMBER 2012

THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas Head of Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision
This report contains exempt information as defined in Paragraphs 7 of Part I of Schedule 12A to the Local Government Act 1972, as amended. (Appendices 3 & 4)	

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance as at 30th November 2012;

2. RECOMMENDATIONS

2.1 **The Board is asked to RESOLVE that the report be noted.**

3. KEY ISSUES

Financial Implications

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

Legal Implications

3.2 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”.

Service / Operational Implications

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

AUDIT BOARD

Date: 13th DECEMBER 2012

This section of the report provides commentary on Internal Audit's performance for the period 01st April to 30th November 2012 against the performance indicators agreed for the service. As discussed at the 21st June Audit Board the Management of data audit will be included in the 2012/13 plan as part of the Governance audit. This will be scheduled to be undertaken later in the financial year with the outcome being reported to the Audit Board in a timely manner.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:

Asset Management 2011-12 (Final Report)

The audit covered the period from April 2011 to March 2012. The audit review was to confirm an Asset Management Register is maintained by Bromsgrove District Council in accordance with current accounting regulations along with the valuations undertaken by Worcestershire County Council on a cyclical basis to provide Bromsgrove District Council with sufficient information and advice to enable it to write its Corporate Asset Management plan. The audit identified that the Asset Management Group has authorised large value disposals; however, updating of acquisition and disposals on the Finance Asset Register has not been recorded against the asset categories of land disposals and vehicles and plant. Areas of good control identified during the audit include:

- Actions from the Asset Management Group had been assigned and actioned on a prompt and timely basis.
- Assets had the depreciation charge calculated correctly.

Assurance Level: Significant
Final Report issued: 13th November 2012

Treasury Management (Draft Report Stage)

The review is a full system audit concentrating on the controls over the Treasury Management System. The audit did not express an opinion on the rates of interest obtained for individual investments/loans. Although several "medium priority" recommendations have been made and will be reported to the Board when the management response is received there is generally a strong system of internal control. Monthly reconciliations are undertaken, although at the time of this audit were not up to date but this has since been addressed. Interest is paid and received on a timely basis and investments are made based upon cash flow, appropriately authorised and in accordance with the approved Counterparty list.

Assurance Level: Significant
Draft Report issued: 13th November 2012

Street Scene 2012-13 (2nd Draft Report stage)

- The review was a full system audit concentrating areas of Street Scene. Detailed testing of operational activities was limited to areas considered the highest priority for the public or the most regularly undertaken, such as fly tipping, dog fouling and hazardous waste. Although there is generally a sound system of control in place and areas of good practice were identified (for example budget monitoring, publicity campaigns and priority cleansing areas) the audit found a couple of areas where managers are required to address identified control weaknesses including no performance monitoring currently undertaken and no schedule for street sweeping in operation. These are to be considered by managers to ensure that processes are in place in the future.

The service is currently undergoing a transformation review and, therefore, the findings and consequential recommendations may be considered as part of this process.

Assurance Level: Moderate
Draft Report issued: 16th July 2012

Summary of Assurance Levels:

Audit	Assurance Level
Asset Management 2011/12	Significant
Treasury Management 2012/13	Significant
Street Scene 2012/13	Moderate

2012/13 AUDITS IN PROGRESS AS AT 30th November 2012

ICT (Clearance Meeting Stage)

The review is a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring.

Debtors (Clearance Meeting Stage)

The review is a full system audit concentrating on the controls over the debtors system as operated from the point where the invoice is raised to entry onto the main ledger.

Parks and Open Spaces (Fieldwork Review Stage)

The review is a limited systems review of Sanders Park concentrating on the areas of the pavilion and café including, income collection and contractual and management information.

Creditors (Fieldwork Stage)

The review is a full system audit concentrating on the controls over the creditors system as operated from the point when the purchase order is raised to the point the payment is recorded in the ledger. The audit will not look at the procuring of goods and services.

Regulatory Services ~ Licensing Income (Fieldwork stage)

The review is a full systems audit concentrating on the Miscellaneous Environmental Licensing system. The review has included the granting and approval of licenses, renewal and enforcement, collection and payment of licenses and income performance monitoring.

Council Tax (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Council tax system in connection with key areas such as discounts, recovery of debt, write offs and system access.

Non Domestic Rates (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Non Domestic Rate system in connection with key areas such as discounts, recovery of debt, write offs and system access.

Housing and Council Tax Benefits (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Housing and Council Tax Benefit system in connection with key areas such as overpayments, back dated claims and reconciliations.

Cemetery and Crematorium (on hold)

The review will be a full system audit which will concentrate on adherence with regulatory requirements, for example, documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information. The audit has been placed on hold for the several weeks but remains under regular review for recommencement at an appropriate time.

As the above audits are in remain in progress an assurance level will be allocated on completion.

3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at

AUDIT BOARD

Date: 13th DECEMBER 2012

30th November 2012 a total of 138 days had been delivered against a target of 300 days for 2012/13.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Board on the 29th March 2012 for 2012/13.

Appendix 3 shows the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 shows an updated list of recommendations reported to the Board previously. The 'Action Tracker' reporting mechanism has been superseded by Appendix 3 but will continue to be reported until the points have been satisfied.

3.5 OTHER KEY AUDIT WORK

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a critical friend
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

Recruitment

- 3.6 WIASS has experienced natural turnover of staff and has also had to manage sickness absence during the year to date. This has been achieved with the careful allocation of resource and engaging the services of agency workers to assist in the overall delivery of the plans to all the partners. Close monitoring of resource is continuing using current management information and further resource is being sourced to assist the delivery of the partner's plans in relation to forecasted demand for the remainder of quarter 3 and quarter 4. WIASS remains committed to delivering the full audit plan for Bromsgrove District Council and continues to take active steps to achieve this. There is no

expectation that engaging agency workers will result in an increased contribution requirement from Bromsgrove District Council.

Protecting the Public Purse

- 3.7 Housing Tenancy: The allocation and occupation of social housing is covered in the contractual arrangement between Bromsgrove District Council and the Bromsgrove District Housing Trust. The Housing Trust operate and apply their own internal arrangements and controls in order to provide tenancy arrangements. It is understood that the internal controls operated within the Trust seek to identify any tenancy fraud with appropriate enforcement action taking place. Under the current agreement Internal Audit does not have right of access to enter the Trust, or, audit processes on behalf of Bromsgrove District Council therefore there is a reliance on the service level agreement in place.

Customer / Equalities and Diversity Implications

- 3.8 There are no implications arising out of this report.

4. RISK MANAGEMENT

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

failure to complete the planned programme of audit work within the financial year; and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

5. APPENDICES

- Appendix 1 ~ Internal Audit Plan delivery 2012/13
Appendix 2 ~ Key performance indicators 2012/13
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary and complete finalised reports
Appendix 4 ~ Action Tracker entries

6. BACKGROUND PAPERS

Individual Internal Audit reports.

7. KEY

AUDIT BOARD

Date: 13th DECEMBER 2012

N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2012/13
1st April 2012 to 31st March 2013

Audit Area	DAYS USED TO 30/11/12	2012/13 PLANNED DAYS
Core Financial Systems (*Note 1)	24	88
Corporate Audits (*Note 2)	20	69
Other Systems Audits	66	109
TOTAL	110	266
Audit Management Meetings	11	15
Corporate Meetings / Reading	3	5
Annual Plans and Reports	3	8
Audit Board support	6	6
Other chargeable	5	0
TOTAL	28	34
TOTAL	138	300

***Note 1**

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

***Note 2**

Corporate Audits to include Management of Data audit request per Audit Board 21st June 2012.

APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2012 to 31st March 2013.

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13.

	KPI	Progress to date (1/4/12 to 30/11/12)	Target	Frequency of Reporting
1	% Plan delivered excluding overruns	46%	90% for year	Quarterly
2	Customer satisfaction surveys	None received at time of publishing	90% Good or above	Quarterly
3	Number of audits delivered compared to plan	2011/12 2 2012/13 3 & 9 in progress	18	Quarterly
4	Annual survey of Internal Audit Service	To be monitored by the Client Officer Group throughout the year	Good or above	Annually

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 Board.

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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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