



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY 12TH DECEMBER 2013 AT 6.00 P.M.

COUNCIL CHAMBER, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors J. R. Boulter, M. T. Buxton, B. T. Cooper, S. J. Dudley,
P. A. Harrison, H. J. Jones and P. M. McDonald

AGENDA

1. Election of Chairman
2. Election of Vice-Chairman
3. To receive apologies for absence and notification of substitutes
4. Declarations of Interest

To invite Councillors to declare any Disclosable Pecuniary Interests and / or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.
5. To confirm the accuracy of the minutes of the meetings of the Audit Board held on 14th March 2013 and 19th September 2013 (Pages 1 - 18)
6. Grant Thornton Progress Report (Pages 19 - 34)
7. Head of Leisure and Cultural Services - verbal update on issues raised with regard to the Internal Audit Monitoring Report September 2013
8. Presentation from the Head of Planning and Regeneration
9. Marlbrook Tip - verbal update
10. Grant Thornton Audit Findings 2013/2013 (Pages 35 - 72)
11. Finance Monitoring Report (Pages 73 - 76)

12. Internal Audit Monitoring Report (Pages 77 - 108)
13. Provisional Internal Audit Plan 2014/2015 (Pages 109 - 120)
14. Benefits Fraud Update - Quarters 1 and 2 2013/2014 (Pages 121 - 130)
15. Corporate Fraud - staff survey results - Whistleblowing Procedure - verbal update
16. Risk Management Monitoring Group - verbal update
17. Audit Board Work Programme 2013/2014 (Pages 131 - 132)
18. 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

4th December 2013

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 14TH MARCH 2013 AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), Dr. B. T. Cooper,
Miss P. A. Harrison and Mrs. H. J. Jones

Observers: Councillors P. M. McDonald and S. P. Shannon

Invitees: Mr. J Godwin, Head of Leisure and Cultural Services

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

38/12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J. S. Brogan and Ms. M. T. Buxton.

39/12 DECLARATIONS OF INTEREST

No declarations of interest were received.

40/12 MINUTES

The minutes of the meeting of the Audit Board held on 13th December 2012 were approved as a correct record.

41/12 GRANT THORNTON - CERTIFICATION REPORT 2011/ 2012

The Chairman welcomed Mr. P. Jones (Engagement Lead) and Ms. Z. Thomas (Engagement Manager) from Grant Thornton to the meeting.

The Board considered the Certification work report 2011/2012 from Grant Thornton.

Ms. Z. Thomas introduced the report and in doing so informed the Board that it was a 'good news' report. There had been a fee reduction due to the lower number of errors identified in initial testing of the Housing and council tax benefit scheme so less further testing had been required. Members' attention was drawn to page 12 of the report, summary of Council performance, Key Message:-

- All claims were submitted on time to audit and all claims were certified within the required deadline.

- Overall the Council was performing well and there were no significant matters arising from their certification of claims and returns. There was excellent cooperation over the housing benefits audit and savings on the audit fee accrued as a result.
- Supporting working papers were generally of a good standard, which enabled certification within the deadlines.

Ms. Z. Thomas informed the Board there had been no significant findings arising from the audits and that the recommendations for improvement were detailed in Appendix C of the report.

Members were asked to note that paragraph 3.4, page 7 of the report to read:

“The auditors have certified 2 claims for 2011/12 relating to over £45m of expenditure”.

RESOLVED that, subject to the amendment as detailed in the preamble above, the Grant Thornton Certification work report 2011/2012 and action plan as detailed in the report be noted.

42/12 **GRANT THORNTON - AUDITING STANDARDS**

The Board considered a report from Grant Thornton on the Auditing Standards 2012/2013.

Ms. Z Thomas briefly explained the background to the report and the purpose of the report to ensure there was effective two-way communication between ‘Those Charged with Governance’ and the Engagement Lead, the Council’s external auditor. At Bromsgrove District Council the Cabinet retained the role of ‘Those Charged with Governance’ and the Audit Board received reports on internal control and fraud. The Audit Board provided assurance on the operation of internal controls to Cabinet.

In planning and performing their audit of the financial statements Grant Thornton needed to understand how Cabinet, supported by the Council’s management, and the Audit Board met its responsibilities in the following areas:

- Fraud
- Law and regulation
- Going concern
- Related parties
- Accounting for estimates

Ms. Z Thomas drew Members’ attention to Appendix 1 of the report and highlighted that the management responses as detailed, were draft responses, in relation to the controls in place within Bromsgrove District Council to ensure that arrangements were in place to support the financial and operational management of the organisation. No specific concerns had been highlighted.

In response the Executive Director, Finance and Corporate Resources informed Members that as Section 151 Officer she was comfortable with the draft responses. Any comments from the Board would be included in the Statement of Accounting Policies, to be approved by the Board and presented to Cabinet and Council.

Mr. P. Jones highlighted the need to look at particular risks and not inherent risks, and as the Council's External Auditors, the management responses as agreed by the Board could be revisited.

Further discussion followed in respect of Fraud and in particular the following question:-

- Question 2 of the report – 'Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1st April 2012'.

Members discussed the recent information provided by the Executive Director, Finance and Corporate Resources in respect of Marlbrook Tip and any potential loss of revenue and cost to the Council.

RESOLVED:

- a) that the Executive Director, Finance and Corporate Resources and Head of Planning and Regeneration be tasked to include in the scope of the report; the specific controls in place to ensure that similar incidents to that of Marlbrook Tip, do not happen in the future; and
- b) that the Grant Thornton, Auditing Standards Report 2012/2013, be noted and the management responses, as detailed in Appendix 1 to the report be agreed.

43/12 **GRANT THORNTON - AUDIT PLAN MARCH 2013**

The Board was asked to consider the following report, Grant Thornton Audit Plan 2012/2013.

Mr. P. Jones introduced the report and in doing so informed Members that in planning their audit they needed to understand the challenges and opportunities the Council was facing and to consider the impact of key developments relevant to the Council's business, whilst taking account of national audit requirements as set out in the Code of Audit Practice.

The Audit Opinion Plan 2012/2013 set out the work Grant Thornton proposed to undertake in relation to the Audit of the financial accounts for 2012/2013 an audit focused on risks, as detailed in the report.

Mr. P. Jones responded to Members' questions and clarified, as stated in the report, that they would continue to monitor the Town Centre regeneration progress through their discussions with officers and would consider the accounting implications of these schemes where relevant. In respect of Transformation, as part of their Value for Money (VFM) conclusion they would, as detailed in the report:

- review the medium term financial plan and consider how the Council was identifying and managing savings;
- continue to monitor the Council's path to transformation and provide support where appropriate.

In response the Executive Director, Finance and Corporate Resources informed Members that quarterly Finance Monitoring reports were presented to the Overview and Scrutiny Board, and that transformation savings were detailed in those reports.

RESOLVED that the Grant Thornton, Audit Opinion Plan 2012/2013 be noted and agreed.

44/12 **GRANT THORNTON - PROGRESS REPORT**

The Board was asked to consider a report from Grant Thornton which provided an update in relation to the work undertaken at Bromsgrove District Council.

Mr. P. Jones presented the report and in doing so informed the Board of the progress as at 31st March 2013. They would undertake the main final accounts visit during July 2013, as detailed in the report. Mr. P. Jones highlighted the challenge questions, as detailed in the report, that had been raised as a result of emerging issues both financial and operational that could impact on the Council; and asked if Members and officers had considered these.

In response the Executive Director, Finance and Corporate Resources informed the Board that she would respond to the challenge questions and would provide a full briefing on each of the challenge questions to the next meeting of the Board.

Following a brief discussion on items as detailed on page 74 of the report, 'Emerging issues and developments':

- closed landfill sites
- redundancy costs
- reserves

The Executive Director, Finance and Corporate Resources informed Members that in respect of redundancy costs; staff had been asked if they wished to be considered for voluntary redundancy, early retirement and flexible retirement; and that the requests received would be considered at a panel in April 2013, so there would be no cost implications until 2013/2014.

The Executive Director, Finance and Corporate Resources agreed to provide further information on closed landfill sites within the district and reserves to the next meeting of the Audit Board.

RESOLVED: that, as detailed in the preamble above in respect of additional information to be provided to the next meeting of the Audit Board; the Audit Board update from Grant Thornton be noted.

45/12 **CORPORATE RISK REGISTER / RISK MANAGEMENT UPDATE - PRESENTATION FROM THE HEAD OF FINANCE & RESOURCES**

The Audit Board received a presentation from the Head of Finance and Resources with regard to an Approach to Risk Management. The presentation provided an overview of the approach to risk management that the Council would adopt.

Heads of Service and managers would own their risk register so would be aware of risks within their service area. The risk scoring would assist management in identifying those risks to which priority must be given and so determine priority actions and where resources are best used.

Further discussion followed on the presentation slides and the Head of Finance and Resources responded to Members' questions in respect of management ownership, the need to be fully aware of the risks within their service area; and the monitoring of risk registers. The Head of Finance and Resources briefly informed Members of the Risk Management Monitoring Group that was in the process of being set up. This group would ensure on going corporate monitoring and would challenge risks. At the request of the Chairman the Head of Finance and Resources agreed to provide details of the first meeting of the Risk Management Monitoring Group in order for a nominated Audit Board Member to attend as a representative of the Board.

The Chairman thanked the Head of Finance and Resources for her presentation.

46/12 **PRESENTATION FROM HEAD OF SERVICE, LEISURE AND CULTURAL SERVICES**

The Chairman welcomed Mr. J. Godwin, Head of Leisure and Cultural Services to the meeting.

Mr. J. Godwin provided the Board with a presentation detailing risk management for his service area. He highlighted that the risk register was a live document and would be reviewed on a day to day basis. The presentation slides detailed information on the risk management principles and highlighted that good operational management was required in order to understand service based risks. Following a review of the existing risk register for his service area across Bromsgrove District Council and Redditch Borough Council a new risk register was produced in line with the revised corporate risk policy.

Mr. J. Godwin responded to Members' questions in respect of ownership by managers and monitoring, highlighting that 4th and 5th tier managers for each service area would take responsibility for risk management, with documented responsibility detailed on 4th tier managers' job descriptions. In his service

area risk management would become a standard item at all team meetings and the Business Manager would review monthly to ensure performance was monitored.

The Chairman thanked Mr. J. Godwin for his presentation.

47/12 **STATEMENT OF ACCOUNTING POLICIES**

The Board considered a report on the proposed Accounting Standards in preparation for the 2012/2013 Accounts.

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that the Statement of Accounts presented the overall financial position of Bromsgrove District Council for the year ended 31st March 2013.

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

48/12 **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011 - 2012**

The Executive Director, Finance and Corporate Resources provided Members with a verbal update on the progress made on the actions, as detailed in the Audit Commission Annual Governance Report 2011/2012, Appendix 4 – Action Plan, presented to the Board on 13th December 2012.

- Shared Services – a meeting has now taken place with the Council's external auditor who are now comfortable with the accounting process.
- Risk Management Arrangements - Risk Management arrangements are now in place.
- Internal Audit – Quarterly meetings are now taking place with the Executive Director, Finance and Corporate Resources and the Service Manager, Worcestershire Internal Audit Shared Services.
- Financial reporting – Financial reporting and details around savings has now been improved with revised quarterly monitoring to be presented to future meetings of the Audit Board.
- Housing benefits transformation – It has been agreed that this review will continue to develop to support the residents.

In response to the Chairman it was

RESOLVED that written detailed reports be presented to future meetings of the Audit Board.

49/12 **CORPORATE FRAUD (HOW THE AUTHORITY PRO-ACTIVELY RESPONDS)**

The Head of Finance and Resources provided Members with a verbal update on Corporate Fraud and how the Authority pro-actively responded. Information received from staff through the Council's whistleblowing procedure or from members of the public, would be directed to Internal Audit for preliminary investigation. Taking into account all of the information and evidence received a decision would then be made in respect of the next step to be taken; straight forward investigation, disciplinary action or if of a criminal nature possible police investigation.

Members briefly discussed and questioned staff awareness or willingness to report instances of suspected fraud using the Council's whistleblowing procedure. In response the Executive Director, Finance and Corporate Resources informed Members that staff were made aware of the Council's whistleblowing procedure but suggested that in order to gauge staff awareness or willingness to use the whistleblowing procedure; specific questions could be included within the next staff survey.

RESOLVED:

- a) that the Executive Director, Finance and Corporate Resources be tasked to scope the inclusion of specific questions in respect of the Council's whistleblowing procedure in the next staff survey; and
- b) that the results of the staff survey, in respect of the specific questions asked on the Council's whistleblowing procedure, be presented to a future meeting of the Audit Board.

50/12 **BENEFITS INVESTIGATIONS - DEMOGRAPHIC PROFILE**

The Board considered a table that detailed the demographic profile of cases of benefit fraud within the district. This information was provided by the Head of Finance and Resources as requested by Members at the Audit Board meeting on 13th December 2012.

The table detailed the sanctions; prosecution, caution or administrative penalty for each case of fraud. The Executive Director, Finance and Corporate Resources responded to Members' questions in respect of the level of overpayment and the sanction; highlighting that individual circumstances had to be taken into account prior to a decision being made on the most appropriate sanction.

The Chairman thanked the Head of Finance and Resources for providing the information to Members.

51/12 **AUDIT BOARD END OF YEAR REPORT - FOR MEMBER DISCUSSION**

The Democratic Services Officer briefly informed Members that as detailed on the current work programme; the Board had agreed to produce an end of year report. The report would be a factual report with input from Board Members.

The draft report would be presented to the Board in June 2013 with the final report presented to Cabinet in July 2013.

52/12 **AUDIT BOARD WORK PROGRAMME 2012 / 2013**

The Board considered the Work Programme 2012/2013.

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

53/12 **DRAFT INTERNAL AUDIT PLAN 2013 / 2014**

The Board considered a report which detailed the draft Internal Audit Operational Plan for 2013/2014.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the plan now included Transformation and Value for Money (VFM) (Critical Friend), as requested by the Audit Board and the Section 151 officer.

The Service Manager highlighted that the Internal Audit Plan for 2013/2014 had been based upon a resource allocation of 300 chargeable days which had been agreed with the Council's Section 151 officer. The 300 day allocation was based on transactional type system audits. The enhanced audit requirements as requested by the Audit Board had also been included.

Councillor Mrs. H. J. Jones expressed concern that the additional audit area as requested by Members, and detailed at Appendix 1 to the report – Transformation & VFM (Critical friend); showed a difference of minus 8 days in the number of planned days 2012/13 and planned days 2013/14. Councillor Mrs. H. J. Jones questioned if audit resources should be directed to this additional audit area. In response the Services Manager informed Members that there was some element of movement in budget if agreed with the Section 151 officer.

RESOLVED:

- a) that the Bromsgrove District Council Internal Audit Operational Plan for 2012/2014 as detailed at Appendix 1 to the report be approved; and
- b) that the key performance indicators for the Worcestershire Internal Audit Shared Service for 2012/2014 as detailed at Appendix 2 to the report be approved.

54/12 **EXCLUSION OF THE PUBLIC**

The Board considered whether or not to exclude the public from the meeting for the consideration of Agenda Item No. 17, Internal Audit Monitoring Report of the Service Manager of the Worcestershire Internal Audit Shared Service, Appendices 3 and 4.

Councillor Mrs. H. J. Jones expressed her concern and suggested to Members that legal advice be sought from the Head of Service for Legal, Equalities and Democratic Services.

The Executive Director, Finance and Corporate Resources responded to Members questions and to the concerns raised by Councillor Mrs. H. J. Jones and in doing so highlighted that; in agreement with the report author, Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service, she was comfortable that the specific pages in Appendix 3 to the report, as agreed by Board Members, be redacted and placed in the public domain.

RESOLVED that the public not be excluded from the meeting during the consideration of Agenda Item No. 17, Internal Audit Monitoring Report, Appendix 3, pages 125 to 126, 129 to 133 and 142 to 156, and that this part of the report be placed in the public domain.

55/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 125 TO 126, 129 TO 133 AND 142 TO 156)**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st January 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that all three audits carried out, as detailed on page 117 of the report, had a significant assurance level. In response to Councillor Mrs. H. J. Jones the Service Manager explained that 'Other chargeable' as detailed on page 122 of the report, was the amount of time systems had been down, there was still a cost to audit time even when systems went down.

RESOLVED that the monitoring report of internal audit work and performance as at 31st January 2013 (pages 125 to 126, 129 to 133 and 142 to 156), be noted.

56/12 **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 on 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>	“
57	7	

57/12 **INTERNAL AUDIT MONITORING REPORT (PAGES 127 TO 128, 134 TO 141 AND 157 TO 158)**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st January 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and responded to Members' questions with regard to actions being implemented as audits progressed and actions being discharged.

RESOLVED that the monitoring report of internal audit work and performance as at 31st January 2013 (pages 127 to 128, 134 to 141 and 157 to 158), be noted.

The meeting closed at 8.24 p.m.

Chairman

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY, 19TH SEPTEMBER 2013 AT 6.00 P.M.

PRESENT: Councillors J. R. Boulter, M. T. Buxton, H. J. Jones, R. J. Laight (substituting for S. J. Dudley), P. Lammas (substituting for B. T. Cooper), P. M. McDonald and C. J. Spencer (substituting for P. A. Harrison)

Observers: Councillor C. J. Bloore and Ms. A. Scarce

Invitees: L. Jones, Customer Services Manager

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

1/13 **ELECTION OF CHAIRMAN**

Members agreed that the meeting be adjourned to allow officers time to seek legal advice on a Constitutional issue that had been raised with regard to the nomination of Chairman.

Accordingly the meeting stood adjourned from 6.10pm to 6:16pm and 6:21pm to 6.30pm.

Having reconvened, the Board then considered nominations for Chairman.

RESOLVED that Councillor J. R. Boulter be elected as Chairman of the Board for the ensuing municipal year.

2/13 **ELECTION OF VICE-CHAIRMAN**

RESOLVED that Councillor H. J. Jones be elected as Vice-Chairman of the Board for the ensuing municipal year.

3/13 **APOLOGIES**

Apologies for absence were received from Councillors B. T. Cooper, S. J. Dudley and P. A. Harrison.

4/13 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

5/13 **MINUTES**

The minutes of the meeting of the Audit Board held on 14th March 2013 to be considered at the next meeting of the Board.

6/13 **PRESENTATION FROM THE CUSTOMER SERVICES MANAGER**

The Chairman welcomed Lynn Jones, Customer Services Manager to the meeting.

The Customer Services Manager provided the Board with a presentation detailing risk management for her service area. The presentation slides covered key operational risks and current projects with associated risks. The presentation highlighted that Risk Management was a continuous and developing process within Customer Services.

The Executive Director, Finance and Corporate Resources responded to Councillor P. M. McDonald in respect of the risk management undertaken and the decision made to close the Bromsgrove Customer Service Centre on a Saturday morning. The Executive Director, Finance and Corporate Resources explained that the recent review of the Bromsgrove Customer Service Centre had highlighted that the vast majority of customer demand was received Monday to Friday. A report had been presented to Cabinet on 4th September 2013 which had proposed that the opening hours of the Bromsgrove Customer Service Centre were changed to reflect the reduced demand and changes to service delivery, and that staffing resources were realigned to when they were most needed. The data collected throughout 2012/2013 detailed the average customer numbers and total enquiries received. The report highlighted that the overall number of enquiries received on Saturday mornings was too low to warrant having expert staff available. Therefore a high percentage of customer demand could not be dealt with due to the unavailability of a variety of service experts on a Saturday morning.

The Chairman thanked the Customer Services Manager for her presentation.

7/13 **AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011/2012 –
PROGRESS MADE ON ACTIONS**

Further to the meeting of the Audit Board held on 20th September 2012, Members considered a report which provided an update on actions relating to the five recommendations made by the Audit Commission in their Annual Governance Report 2011/2012.

The Executive Director, Finance and Corporate Resources presented the report and in doing so informed Members that as part of the process for auditing the final accounts for 2011/2012 the Audit Commission had reviewed the Council's processes and procedures and had made recommendations that they felt might improve the Council's future service and accounting.

There were five recommendations proposed by the Audit Commission that had been agreed by officers and reported to Audit Board Members in

September 2012. Pages 11 and 12 of the report detailed the five recommendations and provided an update on the actions.

The Executive Director, Finance and Corporate Resources drew Members' attention to the recommendation and update - 'Review the format of the monitoring savings as presented to officers and Members'. The financial monitoring reports for 2013/2014 would show detailed information in relation to the savings to be delivered. The format of these reports would show the savings generated as a separate table to ensure Members could see the savings that have been realised. The Executive Director, Finance and Corporate Resources informed the Board that a detailed report would be presented to the next meeting of the Audit Board.

RESOLVED:

- (a) that, as set out in the preamble above, a detailed report be presented to the next meeting of the Audit Board, and
- (b) that the updates to the actions relating to the Audit Commission, Annual Governance Report 2011/2012 be noted.

8/13 **GRANT THORNTON UPDATE - RESPONSES TO THE CHALLENGE QUESTIONS**

The Board was asked to consider the responses to the challenge questions raised by the Council's external auditors Grant Thornton during the last Audit Board meeting.

The Executive Director, Finance and Corporate Resources introduced the report and in doing so informed Members that Grant Thornton had presented an update report to the Board on the 14th March 2013 which had included a number of questions that they had asked the Council in relation to a number of financial issues. Members had requested that officers considered the questions in order to present the responses to a future meeting of the Board.

RESOLVED that the responses, as detailed in the report, to the challenge questions raised by Grant Thornton and presented to Members on the 14th March 2013 be agreed.

9/13 **VERBAL UPDATE FROM THE EXECUTIVE DIRECTOR, FINANCE AND CORPORATE RESOURCES:-**

Following on from the Audit Board meeting held on 14th March 2013 Members had requested that further information be provided to a future meeting of the Board on:-

- Closed Landfill Sites
- Reserves

The Executive Director, Finance and Corporate Resources informed Members that the Council did not have any closed landfill sites. With regards to reserves, quarterly reports were presented to both Overview and Scrutiny Board and Cabinet meetings, with an annual report presented to Full Council.

The Executive Director, Finance and Corporate Resources responded to questions from Councillor P. M. McDonald with regard to Marlbrook Tip and agreed to provide a further update in respect of Marlbrook Tip to the next meeting of the Board.

RESOLVED that an update on Marlbrook Tip be included on the Audit Board Work Programme for December 2013.

10/13 **BENEFITS INVESTIGATIONS**

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

The Head of Finance and Resources presented the report and in doing so informed Members that the report gave performance information from 1st October 2012 to 31st March 2013, during this period 76 fraud referrals had been received. 27 of the referrals had come from data-matching through the Housing Benefit Matching Service (HBMS), 30 of the referrals were from official sources; the remaining 19 referrals had come from other sources, as detailed in section 3.9 in the report.

The Head of Finance and Resources responded to Councillor P. M. McDonald who had expressed his concerns with regard to the cases where fraud had been proven but a sanction was not considered appropriate. The Head of Finance and Resources informed Members that where fraud referrals related to benefits paid by both Bromsgrove District Council and the Department for Works and Pensions a joint approach was taken to ensure that the full extent of offending was uncovered and that appropriate action was taken by both bodies and that individual personal circumstances had to be taken into account prior to a decision being made on the most appropriate sanction. The Head of Finance and Resources highlighted that offenders would be prosecuted for any further offences.

RESOLVED that the Benefits Investigations report for the period 1st October 2012 to 31st March 2013 be noted.

11/13 **INTERNAL AUDIT MONITORING REPORT**

The Board considered a report which detailed the monitoring report of internal audit work and performance as at 31st August 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the report provided commentary on Internal Audit's performance against the performance indicators agreed for the service. The report also detailed the completion and reporting of 2012/2013 audits for information.

The Service Manager responded to Councillor P. M. McDonald with regard to the audit report for ICT, as detailed on pages 55 and 56 of the report, items 1 and 2. The Service Manager informed Members that the management of the

inventory, the stock replacement and disposals programme was considered satisfactory for the needs of the organisation, although the ICT equipment records should be checked on an annual basis and that, as detailed in the report, a procedure document for the disposing of equipment would be written.

The Executive Director, Finance and Corporate Resources further responded that the audit team had identified both items as a medium priority. The audit had identified that there was no formal process or procedure in place but the system of control that was in place was generally sound.

The Executive Director, Finance and Corporate Resources responded to Councillor P. M. McDonald with regard to the full system audit for Cemeteries – Bereavement Services, fees and charges. The audit had identified that the incorrect fees and charges (as at April 2011) had been displayed on the Council's web site. The Executive Director, Finance and Corporate Resources informed the Board that all fees and charges were agreed at Cabinet and placed on the Council's web site. She would therefore need to seek clarification from the Head of Environment as to why the incorrect fees and charges had been displayed on the Council's website and would provide Members with an update on this issue.

The Executive Director, Finance and Corporate Resources responded to Members questions with regard to the audit report for Parks and Open Spaces (Sanders Park). Councillor P. M. McDonald raised concerns with officers with regard to Internal Check – Banking and Contractor Check. The Executive Director, Finance and Corporate Resources informed Members that with regard to Internal Check – Banking, as detailed in the report, some weeks the takings were nominal and therefore staff may not bank the income until the following week. With regard to Contractor Check the Executive Director, Finance and Corporate Resources informed Members that she would raise Councillor P. M. McDonald's concerns with the Head of Service and request that he attended the next meeting of the Audit Board to address the concerns highlighted.

The Executive Director, Finance and Corporate Resources responded to Councillor P. M. McDonald with regard to the audit of the Markets and in particular cash collection. The Executive Director, Finance and Corporate Resources informed Members that the market was managed as part of the shared service and hosted by Wyre Forest District Council. A Service Level Agreement (SLA) was in place between Bromsgrove District Council and Wyre Forest District Council for the services provided and the inconsistencies, as detailed in the report, had been raised with officers at Wyre Forest District Council.

Councillor P. M. McDonald emphasised that a further review should be carried out on all three areas, as detailed in the preamble above. Having been put to the vote it was agreed that a further review would not be carried out.

RESOLVED:

- (a) that the Head of Leisure and Cultural Services be requested to attend the next meeting of the Audit Board with regard to the issues raised, as detailed in the preamble above; and
- (b) that the monitoring report of internal audit work and performance as at 31st August 2013 be noted.

12/13 INTERNAL AUDIT ANNUAL REPORT 2012 / 2013

The Board considered the 2012/2013 Internal Audit Annual Report for the period 1st April 2012 to 31st March 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that Appendix 2 to the report provided a breakdown of the audits completed and the overall assurance. 76% of the audits undertaken for 2012/2013 which had received an assurance allocated returned an assurance of 'moderate' or above.

RESOLVED that the 2012/2013 Internal Audit Annual Report for the period 1st April 2012 to 31st March 2013 be noted.

13/13 DRAFT INTERNAL AUDIT MANAGERS AUDIT OPINION 2012 / 2013

The Board considered the draft 2012/2013 Worcestershire Internal Audit Shared Services Manager's Opinion.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing drew Members' attention to section 3.4 in the report.

RESOLVED that the draft 2012/2013 Worcestershire Internal Audit Shared Services Manager's Opinion for inclusion in the Annual Governance Statement be noted.

14/13 RISK MANAGEMENT MONITORING GROUP

Following on from the Audit Board meeting held on 14th March 2013 and at the request of the Chairman, Members were asked to nominate a Member of the Board to attend future meetings of the Risk Management Monitoring Group, who would attend meetings as a representative of the Board.

RESOLVED that Councillor H. J. Jones be nominated as a representative of the Board to attend future meetings of the Risk Management Board.

15/13 AUDIT BOARD DRAFT END OF YEAR REPORT 2012 / 2013

Members considered the draft Audit Board End of Year Report 2012/2013. The report was a factual report with input from Board Members for the municipal year 2012/2013.

RESOLVED that the draft Audit Board Annual Report 2012/2013 be presented as the final report to the next meeting of Council for information.

16/13 **AUDIT BOARD WORK PROGRAMME 2013 / 2014**

The Board considered the Work Programme for 2013/2014.

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

The meeting closed at 7.40 p.m.

Chairman

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AUDIT BOARD

12th December 2013

GRANT THORNTON PROGRESS REPORT – 2013/14

Relevant Portfolio Holder	Cllr Roger Hollingworth
Relevant Head of Service	Jayne Pickering
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To report to Audit Board the progress report from Grant Thornton for the financial year 2013/14.

2. RECOMMENDATIONS

- 2.1 That Audit Board note the progress report and the emerging issues as presented by Grant Thornton

3. KEY ISSUES

- 3.1 The External Auditors, Grant Thornton, have a statutory responsibility to audit the Councils accounts to ensure they comply with legislation and relevant accounting codes of practice.
- 3.2 The report at Appendix 1 shows the areas that Grant Thornton will review in consideration of the accounts and financial management for 2013/14.
- 3.3 The report also sets out a number of emerging issues that form part of separate briefings and guidance from Grant Thornton. A number of questions have been raised in relation to the Council addressing these issues and it is proposed that a separate report to the next meeting of the Board be presented to identify any actions may be required.

Legal Implications

- 3.4 The Council has a statutory obligation to comply with relevant legislation and codes of accounting practice. Grant Thornton will ensure that this is undertaken by the Council during the year.

Service/Operational Implications

- 3.5 The Internal Audit service provide review of all services in accordance with the agreed audit plan. This work is relied on by the External Auditors to deliver their assessment of the Councils financial management and accounting arrangements.

Customer / Equalities and Diversity Implications

- 3.6 None, as a direct result of this report.

5. RISK MANAGEMENT

Compliance with the accounting codes of practice is managed through the risk register for Finance and Resources.

6. APPENDICES

Appendix 1 – Grant Thornton Progress Report.

AUTHORS OF REPORT

Name: Jayne Pickering- Exec Director Finance and Resources
Email: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400



Audit Board Update for Bromsgrove District Council

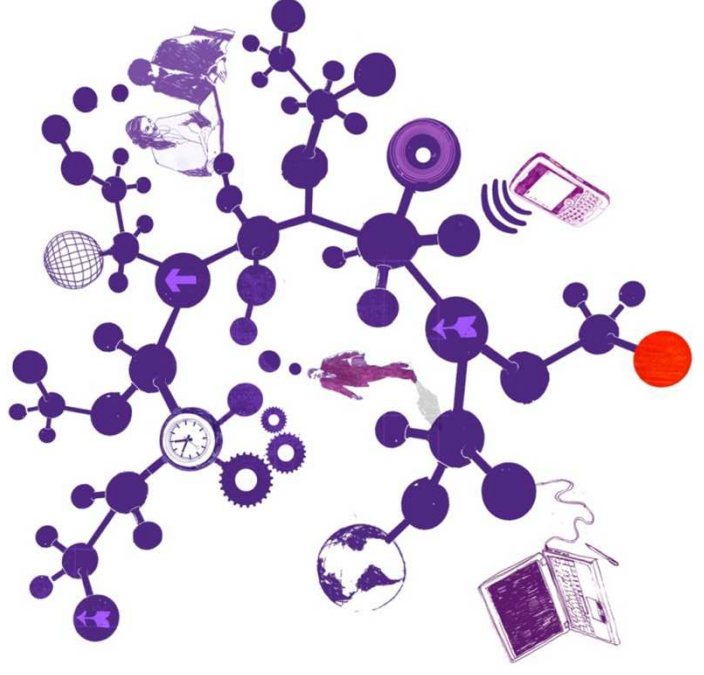
Year ended 31 March 2014

12 December 2013

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Phil Jones
Engagement lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com



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

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Introduction

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

- a summary of emerging national issues and developments that may be relevant to you as a District Council.

Your Executive Director, Finance and Resources has agreed to prepare an action plan that addresses the issues raised in these papers. This will be presented to the next audit Board for members consideration

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

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

Phil Jones Engagement Lead T 0121 232 5232 M 0782 434 3631 phil.w.jones@uk.gt.com
Zoe Thomas Audit Manager T 0121 232 5277 M 07880 456 119 zoe.thomas@uk.gt.com

Progress at December 2013

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	January 2014		
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2014		
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion, 	July 2014 fieldwork – opinion issued September 2014		

Progress at December 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises a review of the Council's arrangements against the following criteria:</p> <p>The organisation has proper arrangements in place for securing financial resilience.</p> <ul style="list-style-type: none"> The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness:</p> <ul style="list-style-type: none"> The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. 	March – July 2014		
<p>Other activity undertaken</p> <p>Audit committee workshop – presentation to members on the role of the audit committee.</p> <p>Completion of the 2012/13 audit – report presented to September Cabinet meeting.</p> <p><small>© 2013 Grant Thornton UK LLP</small></p>	September 2013 September 2013		

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published '[Income from charging: Using data from the VFM Profiles, September 2013](#)'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published '[Business rates: using data from the VFM profiles October 2013](#)'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

"Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions."

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a [briefing note on the Local Audit and Accountability Bill](#). The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.



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GRANT THORNTON AUDIT FINDINGS 2012/13

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Audit Findings Report as attached at Appendix 1 for 2012/13 from Grant Thornton.

2. RECOMMENDATIONS

- 2.1 **That Audit Board considers and notes the Audit Findings Report 2011/12**

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 The Statement of Accounts were approved by the Executive Director of Finance and Resources in June 2013 in accordance with revised legislation on approval of the accounts which included formal approval of the Accounts by Council by 30th September each year.
- 3.4 During the External Audit of the Accounts for 2012/13 it was recognised by Grant Thornton that the accounts were well prepared and working papers appropriate. There was one significant change to the accounts that impacted on several notes. This related to the accounting for a notional capital receipt for the Council's share of receipts from the sale of former council houses. Grant Thornton agreed with officers that it would be proper to reverse these entries and refer to the transaction in a separate note to the accounts.

3.5 There are 2 recommendations proposed by the Grant Thornton that have been agreed by officers. These are :

Recommendation	Priority	Management response	Implementation date & responsibility
Ensure that the weaknesses highlighted on pages 16 and 17 in relation to IT security are addressed	M	Rcommendations1 and 4 have been implemented by August 2013	December 2013
The matters raised as residual risks in the VFM conclusion will be reported more fully in our detailed Financial resilience report, a draft of which has been issued to officers for comment. Members should monitor progress against these detailed recommendations.	H	Officers will consider and respond to this detailed report. The report and the action plan will be taken to the November cabinet and the Audit Board will track the implementation of these recommendations.	November 2013

3.6 In addition to the work on the accounts preparation the Grant Thornton assess their opinion on value for money. Their conclusion is that they are satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness during 2012/13. The Financial Resilience report as referred to in the table above is to be presented to this Board at its next meeting.

Customer / Equalities and Diversity Implications

3.7 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 – Grant Thornton – Audit Findings Report 2012/13

AUTHOR OF REPORT

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



The Audit Findings for Bromsgrove District Council

Year ended 31 March 2013

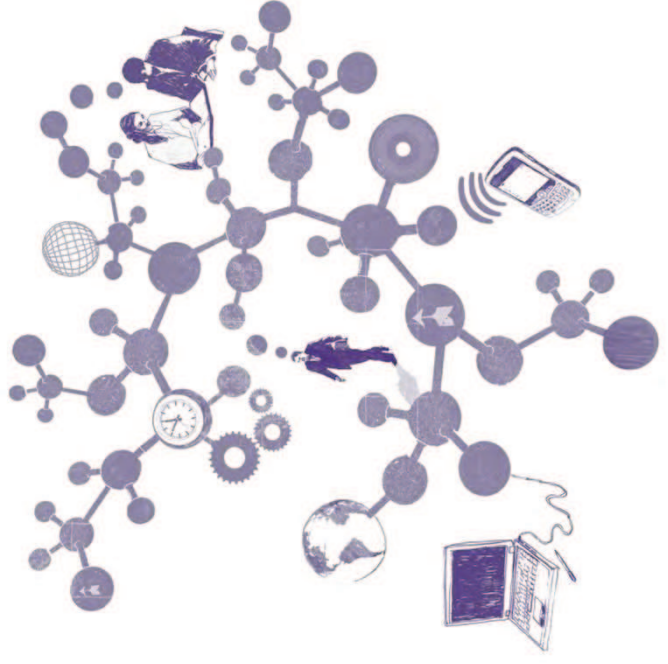
25 September 2013

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Phil Jones
Engagement Lead
T 0121 232 5232
E phil.w.jones@uk.gt.com

Zoe Thomas
Manager
T 0121 232 5277
E zoe.thomas@uk.gt.com

Azizul Islam
Audit Executive
T 0121 232 5416
E azizul.islam@uk.gt.com



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Appendices

- A Action plan
- B Audit opinion
- C Overview of audit findings

Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

We are planning to issue an unqualified opinion on the accounts by the statutory deadline of 30 September. We also plan to issue an unqualified conclusion on the Council's arrangements to secure value for money.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Bromsgrove District Council's (the Council) financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2013. Our audit is substantially complete although we are finalising our work in the following areas:

- Whole of Government accounts
- Housing benefits

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit **Financial statements opinion**

We anticipate providing an unqualified opinion on the financial statements.

The accounts were well prepared with adequate supporting papers and officers were responsive to any questions raised.

We have identified no adjustments affecting the Council's reported financial position. Adjustments have been made to supporting notes and disclosures to improve the presentation of the financial statements.

There was one significant change to the accounts that impacted on several notes. This related to the accounting for a notional capital receipt for the Council's share of receipts from the sale of former council houses. We agreed with officers that it would be proper to reverse these entries and refer to the transaction in a separate note to the accounts.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. The National Audit Office states a minimum level of expenditure below which only limited procedures are required. Bromsgrove's accounts fall into this category.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

No significant deficiencies in control were identified in the audit. At the date of issue of the audit plan, we reported that our IT risk assessment was incomplete. We have summarised the weaknesses identified in that review – however none of these represent deficiencies that we consider could result in a material misstatement.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We made some recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Executive Director (Finance and Resources) and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

This section summarises the findings from the opinion audit.
This section also includes an update on the risks and approach outlined in the audit plan issued to you in March 2013.

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Board in March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March.

Unadjusted misstatements

All adjustments have been agreed with the Council and we have no unadjusted misstatements to report

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition . We reported in our audit plan that we considered that were able to rebut this risk.</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In our review of journal controls, three journals from a sample of 127 were not evidenced as authorised . There were however working papers to support the journals and we judged that these were errors rather than indicative of an overall weakness in controls or indicative of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Operating expenses understated</p> <p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively Tests of controls for operating expenditure Completion of substantive testing for the financial year 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Employee remuneration</p>	<p>Remuneration expenses not correct</p>	<ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively <p>Tests of detail on the employee remuneration including</p> <ul style="list-style-type: none"> Performance of substantive testing on a sample of payroll expenditure Agreement of employee remuneration disclosures in the financial statements to supporting evidence 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Welfare expenditure</p>	<p>Welfare benefits improperly computed</p> <p>Welfare benefits improperly computed</p>	<ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively Completion of Housing benefit claim initial sample testing 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>


Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed
Bromsgrove Arts Development Trust	Yes	Comprehensive	Building valuation not accurately recorded	<ul style="list-style-type: none"> Review of valuation report from independent valuer . Confirmation with the Trustees of the Bromsgrove Arts Development Trust that there are no income or expenditure transactions within the accounts.

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>Grants and contributions are recognised when there is reasonable assurance that the council will comply with the conditions attached to them and the grants or contributions will be received. Grants and contributions are accounted for on an accruals basis and are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the council has not satisfied.</p> <p>Fees for the provision of goods and services due from customers are accounted for on the date that the council supplies the service.</p> <p>Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</p> <p>Where revenue has been recognised but cash has not been received or paid, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</p>	<ul style="list-style-type: none"> • Our review of accounting policies has confirmed that these are consistent with expectations formed by our review of the LA SORP. Our testing has not identified any instances where the Council is not complying with its revenue recognition policies. • No significant estimates or judgements have been identified in relation to revenue recognition other than the provision for bad debts. We have undertaken specific testing on the provision for bad debts. 	

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements

<p>Other accounting policies assessment</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – Provisions – Earmarked reserves 	<p>The stated bases of judgment and estimates set out in note 2 to the accounts, reflects our understanding of the key estimates in the accounts and where we have carried out audit tests of the estimates we have judged that the basis of estimate is reasonable.</p>	

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1			
<ul style="list-style-type: none"> Reversal of the treatment of the notional LSVT receipt. (Reduction in housing expenditure and cost of services and overall reduction in net cost of services Reversal of receipt – increase in 'other operating expenditure' 	(837) 837		nil
(nb: this did impact on several other notes to the accounts namely: note 7, note 9, note 16, note 26, and note 30)			

Misclassifications & disclosure changes


The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Accounting policy	n/a	Grant income	Accounting policy 10, updated to improve clarity of disclosure
2 Note 39	n/a	Operating leases	Explanation added for restatement of prior year
3 Note 6		Events after the reporting period	Note added that the Council house is to be formally marketed for sale, which could impact on the valuation of the asset
4 Note 6		Events after the reporting period	Narrative added to explain the impact of the retention of business rates
5 Note 30.1	n/a	Segmental reporting	Note added to highlight that the apportionment of support services is being done on a different basis to the prior year

Internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements to help us design appropriate audit procedures to assist us in forming that opinion. Controls have not been reviewed for the purpose of expressing an opinion on the effectiveness of internal control.

The matters reported here are limited to those deficiencies that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. The matters summarised below are reported here because our IT audit was incomplete when we issued our audit plan to you. We have judged that these deficiencies do not compromise the overall control environment, but never the less are minor deficiencies in control and should be addressed.

Assessment	Issue and risk	Recommendations
<p>1. </p>	<p>There is no documented Change Management Policy in place for IT system changes and no documented evidence of the controls implemented for the changes that have taken place on the network and applications during the year..</p> <p>The lack of documented change management procedures for staff to adhere to could result in changes not being effectively administered across the network, causing system down-time or even loss of financial data</p>	<p>IT should implement documented procedures for the change management process which will define how they will deal with both minor and major changes. This is to ensure that staff are dealing with changes as per the set process and traceability is maintained throughout.</p>

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Internal controls(cont.)

	Assessment	Issue and risk	Recommendations
2.	●	There is no formal review of access to the network on a regular basis.	There should be a formal review of user access to the network on a regular basis (e.g. quarterly) to ensure access is appropriate based on job functions
3.	●	A number of users were identified who had SYSTEM level access within the Agresso application who did not require it. This level of access allows users to perform a range of system administration tasks, for example the creation of users and the reallocation of permissions within the system	The number of users with SYSTEM level access should be reduced to the minimum number required. In addition Management should considering introducing a process to regularly review which users have access to the system and what access they have.
4.	●	There are 94 accounts within the Domain Administrators group, 28 of which are users and 66 of which are service accounts. There are a number of duplicate accounts . Accounts within the Domain Administrators group are able to perform privileged actions across the domain and increases the risk of unauthorised access being obtained	A review should be undertaken of the accounts within the Domain Administrators group.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Board and no material frauds have been disclosed. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

We are planning to issue an unqualified conclusion on the Council's arrangements for securing value for money.

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council 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.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted that the Council has good levels of balances which will provide some financial resilience given uncertain future funding streams.

The Council is also taking steps to achieve recurring savings. Improvements in in-year forecasting and review of achievement of savings plans will help the Council to more accurately manage its out-turn.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. Through the shared services and transformation programmes the Council is making changes to the operation of its services with the intention to improve economy efficiency and effectiveness of services. The new corporate priorities will help the Council to focus its resources in priority areas. A robust performance management framework and fully embedded risk management arrangements will support delivering the desired outcomes.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Financial Governance: Original budgets were set with some savings yet to be identified.</p>	<p>We reviewed the in-year budget reports and the outturn position as reported in the statement of accounts. The out-turn position was not accurately forecast in year, resulting in a large underspend. There was also a large underspend the previous year. The impact of this is to increase the level of balances to £3m .</p>	<p>Financial reports in 2013/14 are to include more detailed reporting of progress against savings plans. This should assist in forecasting the out-turn position but should also enable 'Those Charged with Governance' to have improved information to be able to understand the risks around delivering challenging savings plans .</p>
<p>Financial planning: absence of operational risk management arrangements may mean that decision makers may not have an up to date knowledge of risks and the financial implications</p>	<p>We reviewed financial reports to Members and discussed the arrangements for updating the risk register. We attended risk management training for Members.</p>	<p>Advisors have supported the Council in updating the risk register and to support more effective use of the risk management software. All departments now have current risk registers and the council now needs to fully embed a risk management culture. An updated risk register will be presented to Members in the Autumn and will reflect the new corporate priorities.</p>
<p>Financial planning: the medium term financial plan contains unidentified savings in the medium term</p>	<p>The Council has made reasonable assumptions about future funding and costs and plans reflect anticipated savings from shared services and Service Transformation.</p>	<p>The MTFP contains unidentified savings for 2014/15 and beyond. There has been no formal reporting of outturn savings against original plans , although some analysis has been undertaken by officers . This process helps management to fully understand which underspends are recurring or one-off, which would supports more accurate budgeting in subsequent years. The Council is currently assessing the affordability of future capital projects. Current balances would not cover the costs of these and assumed borrowing is reflected in the MTFP. The Council currently has a good level of general fund balances that provide some financial resilience.</p>

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Financial control:</p> <ul style="list-style-type: none"> -Recurring underspends may be indicative of poor in year budgeting -Prioritising resources: decision making may not be based on up to date information 	<p>We have reviewed financial reports and discussed with officers the reasons for the budget variances . The Council is reviewing the content of on-going financial reports.</p> <p>Budget holders are aware of the need to deliver out turn savings and therefore some underspend against budget is to be expected.</p> <p>It is good practice that large savings plans are separately monitored to ensure the risks are clearly understood and managed.</p> <p>It is important that TCWG are provided with accurate information to support them in their decision making roles.</p> <p>Reports to the Shared Services Board provide commentary on the progress of shared services and other Transformation projects.</p>	<p>Officers recognise the importance of effective budgetary arrangements and the need for good communications between budget holders and accountants to ensure that budget reports reflect the most up to date information. This should result in more accurate in-year reports and a more predictable and managed financial outturn in 2013/14.</p>
<p>Prioritising resources –</p> <ul style="list-style-type: none"> monitoring of the impact and implication of efficiency plans 	<p>Reports to the Shared Services Board provide commentary on the progress of shared services and other Transformation projects.</p>	<p>The Council has relatively recently agreed new corporate priorities. Performance measures that fit with these new priorities are currently being developed which will strengthen performance management arrangements. The council should be in a better position when setting the budget to match resources and target savings in priority and non priority areas.</p>
<p>Improving efficiency and productivity –</p> <ul style="list-style-type: none"> use of information on unit costs and understanding of what has driven costs over time 	<p>The Council is undertaking an on-going programme of service reviews to improve their efficiency and effectiveness. Good practice sites have been visited as part off this review.</p>	<p>The Council should consider whether CIPFA indicators or other financial benchmarking could be effectively incorporated into these reviews.</p>
<p>Improving efficiency and productivity</p> <ul style="list-style-type: none"> -Robust efficiency plans with detail of how they will be delivered -Inadequate arrangements to monitor achievement of efficiencies 	<p>The Shared Services Board reports summarise improvements in services as a result of reviews.</p> <p>There is currently no separate reporting of savings plans and delivery, although it is planned that budget reports will reflect this in the future.</p>	<p>The budget is set including aspirational savings to be delivered from Transformation and other measures. For the last 2 years the Council has delivered its outturn with large underspends which has resulted in the addition of £1m to general fund balances.</p> <p>Delivery of savings remains a key risk for the Council and this risk needs to be effectively managed with detailed savings plans built into the budget at the start of the year.</p>

Section 4: Fees, non audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

We are planning to charge for the audit in line with the agreed audit plan issued to you in March 2013. This fee is consistent with the fee proposed by the Audit Commission on their website.

Fees, non audit services and independence

We confirm below our final fees charged for the audit

Fees	Per Audit plan £	Actual fees £
Council audit	64,006	64,006
Grant certification	13,300	13,300
Total audit fees	77,306	77,306

NB: The audit of grant claims is currently on-going, however we are not currently expecting to seek a variation to the fees planned. We will report to you separately the findings from our grants work.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters**

Auditing standards require us to report certain matters to those charged with governance. The following section summarises these.

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that the weaknesses highlighted on pages 16 and 17 in relation to IT security are addressed	M	Recommendations 1, 3 and 4 have been implemented by August 2013	December 2013
2	The matters raised as residual risks in the VFM conclusion will be reported more fully in our detailed Financial resilience report, a draft of which has been issued to officers for comment. Members should monitor progress against these detailed recommendations.	H	Officers will consider and respond to this detailed report. The report and the action plan will be taken to the November cabinet and the Audit Board will track the implementation of these recommendations.	November 2013

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

Opinion on the financial statements

We have audited the financial statements of Bromsgrove District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow 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 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director (Finance and Resources) and auditor

As explained more fully in the Statement of the Executive Director (Finance and Resources) Responsibilities, the Executive Director (Finance and Resources) 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

- give a true and fair view of the financial position of Bromsgrove District Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our 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 we report by exception

We report to you if

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we 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
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 2013.

Certificate

We certify that we have completed the audit of the financial statements of Bromsgrove District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Jones
 Director
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
 20 Colmore Circus
 BIRMINGHAM
 West Midlands
 B4 6AT
 28 September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you in March.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	The council has changed the accounting for notional housing receipts

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	None	Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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AUDIT BOARD

12th December 2013

APRIL - SEPTEMBER (QUARTER 2) FINANCE MONITORING REPORT 2013 /14

Relevant Portfolio Holder	Cllr Roger Hollingworth
Relevant Head of Service	Jayne Pickering
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To report to Audit Board on the Council's financial position for the period April -September 2013 (Quarter 2 – 2013 /14) in delivering of projected savings.

2. RECOMMENDATIONS

- 2.1 That Audit Board note the current financial position on Revenue and service underspends be used to offset the savings requirements in Corporate Services.
- 2.2 That Audit Board request any revisions to the format of this report for future meetings.

3. KEY ISSUES

- 3.1 This report provides details of the financial information across the Council. The aim is to ensure that savings identified have been delivered as recommended by the Councils External Auditors in their report in relation to the 2012/13 final accounts.
- 3.2 When identified savings are approved as part of the budget process the relevant budget is reduced for the year to ensure that managers are aware of the exact budget that they have for the financial year.
- 3.3 A value is also set, as part of the budget process, for savings that are not specifically attributable to individual service areas. For 2013/14 this value is £131k and relates to savings realised from vacancies £86k and other general corporate savings £45k. It is common practice for vacancies to be held as a corporate saving.
- 3.4 The following table shows the position for the Council for the period April-September 2013 (Quarter 2 ,2013/14). This is also included in the main financial monitoring report as presented to Cabinet and Overview and Scrutiny.

AUDIT BOARD

12th December 2013

Revenue Budget summary Quarter 2 (April – September) 2013 /14 – Overall Council

Service Head	Revised Budget 2013 /14 £'000	Budget April - Sept £'000	Actual Spend April – Sept £'000	Variance to date April - Sept £'000	Projected Outturn 2013/14 £'000	Projected Variance 2013/14 £'000
Environmental Services	3,962	1,285	1,269	-16	3,926	-36
Community Services	2,482	618	629	11	2,505	23
Leisure & Cultural Services	2,064	1,006	999	-7	2,053	-11
Planning & Regeneration	1,273	232	242	10	1,268	-5
BDC Regulatory Client	712	84	75	-9	698	-14
Customer Services	10	180	179	-1	13	3
Finance & Resources	838	327	283	-44	826	-12
Legal, Equalities & Democratic Services	1,327	373	350	-23	1,286	-41
Business Transformation	68	712	662	-50	-8	-76
Corporate Services	1,665	943	982	39	1,892	227
SERVICE TOTAL	14,401	5,760	5,670	-90	14,459	58
Interest Payable	75	37	0	-37	0	-75
Interest on Investments	-67	-33	-35	-2	-67	0
COUNCIL SUMMARY	14,409	5,764	5,635	-129	14,583	-17

3.5 As shown above the majority of services are showing slight variances to budget. This demonstrates that identified savings have been delivered across the Council.

- 3.6 The Corporate Services budget includes the target for unidentified corporate savings as mentioned above. The total of £131k is therefore included in the projected overspend of £227k. However the individual services are projected to offset the majority of this savings target by the end of the year, leaving a corporate shortfall of £58k. Managers are currently reviewing all expenditure to mitigate this overspend by the end of the financial year.
- 3.7 It is proposed that for future reports the corporate savings will be allocated across the services to enable a clearer position statement as it is appreciated that holding the value against one service area does not give clarity of the savings realised. This will be actioned for the quarter 3 (April – December) report that will be presented to the next meeting of this Board.

Legal Implications

None.

Service/Operational Implications

All included in financial implications.

Customer / Equalities and Diversity Implications

None, as a direct result of this report.

5. RISK MANAGEMENT

Accurate budget monitoring is included within the Finance and Resources risk register.

6. APPENDICES

None.

AUTHORS OF REPORT

Name: Jayne Pickering- Exec Director Finance and Resources
Email: j.pickering@bromsgroveandredditch.gov.uk
Tel: (01527) 881400

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AUDIT BOARD

Date: 12th December 2013

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	Sam Morgan, Financial Services Manager
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 monitoring report of internal audit work and performance as at 31st October 2013;

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.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2013 to 31st October 2013 against the performance indicators agreed for the service. Also included is the completion and reporting of 2012-2013 audits for information.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:

2013/14 AUDITS COMPLETED AS AT 31st OCTOBER 2013

Bromsgrove Urban Rural Transport (BURT) ~ Community Transport

The review was a health check audit concentrating on specific areas of the Community Transport system including effective reporting, overall management arrangements are satisfactory, key systems are backed up and staff are appropriately trained. The review found there is a good working relationship and generally sound system of internal control in place. The contract is managed effectively but it was noted that there could be some improvement with regard to the Client's responsibilities and the Service Level Agreement which will result in enhanced performance monitoring of this contract.

Assurance Level: Significant
Final Report issued: 10th October 2013

Development and Building Control

The review was a full systems audit concentrating on the receipt, payment and processing of Building Control applications as operated by Bromsgrove District Council for all three partners as at the time of audit. The audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service. The review found generally there is a sound system of control in place and there were no significant delays in the processing of building control applications and all income was traced to the relevant financial ledgers. In addition there is regular monitoring of performance including the number of applications processed and level of work load per Building Control officer. The one high priority recommendation reported relates to the lack of a financial charging statement in accordance with the Building (Local Authority Charges) Regulations 2010. It should be noted however that although this is a requirement under the regulations it no longer forms part of the final account process as with previous years.

Assurance Level: Significant
Final Report issued: 29th October 2013

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
2013/2014	
BURT ~ Bromsgrove Urban Transport Travel Community Transport	Significant
Building Control	Significant

2012/13 AUDITS NEARING COMPLETION 31st OCTOBER 2013

Shared Service ~ (Shared Service/Transformation Savings and Clarity of Reporting to the Members)

The audit of the Corporate Governance (Shared Service/Transformation Savings and Clarity of Reporting to the Members) was requested by the members of the Shared Services Committee to review the accuracy of the savings and the clarity of the information provided to the committee. It was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13.

This audit had reached draft report stage but in discussion the s151 Officer requested further work to be undertaken in this area. The audit, therefore, is progressing and will be reported in the near future.

As the above audit remains in progress an assurance level will be allocated on completion.

2013/14 AUDITS IN PROGRESS AS AT 31st OCTOBER 2013

S106's (currently progressing through fieldwork stage)

The review is a full system audit concentrating on S106 Agreements from the point the agreement is signed and will cover the S106 Agreements in place at the time of the audit. The review will not cover the reasoning behind or procedures undertaken to obtain agreement to a S106 Agreements.

Housing and Council Tax Benefits (currently progressing through fieldwork stage)

The review is a full system audit concentrating on areas including overpayments occurring as a result of Local Authority error, emergency loan payments, fraud identification, assessment and recovery, and, reconciliations of Benefits including Council Tax and general ledger entries.

NNDR(currently progressing through clearance stage)

The review is a full system audit concentrating on areas including empty property monitoring and billing, reconciliations from the NNDR system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and appropriate action taken, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, system access is appropriate.

Council Tax(currently progressing through clearance stage)

The review is a full system audit concentrating on areas including regular reconciliations from Council Tax system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), empty properties are monitored and billed promptly, accounts with credit balances are regularly reviewed and appropriate action taken, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, systems access is appropriate.

Debtors(currently progressing through fieldwork stage)

The review is a full system audit concentrating on the debtors system from the point where the invoice is raised to entry into the main ledger. The audit will not look at the cash collection procedures as this will be covered in a separate audit.

Creditors(currently progressing through fieldwork stage)

The review is a full system audit concentrating on the Creditor System including areas of segregation, supplier details, reconciliations, system access and requirements of the HMRC's Real Time information reporting are met in relation to any payments made to sub-contractors. The audit will not cover the procurement process.

ICT(currently progressing through fieldwork stage)

The review is a full systems audit concentrating on the controls in operation by IT Services to provide measures of success including ICT helpdesk functionality since the merging of the Redditch Borough Council and Bromsgrove District Council, the control around the starters and leavers from the point where network access is requested, and, whether there is effective and efficient control around the disposal of IT equipment. The audit will not cover the starters and leavers procedures followed by Human Resources, or, the controls around the acquisition of IT equipment as this is covered under Procurement.

AUDIT BOARD

Date: 12th December 2013

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 31st October 2013 a total of 107 days had been delivered against a target of 300 days for 2013/14.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Board on the 14th March 2013 for 2013/14.

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

Appendix 4 provides the Board with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

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 review
- 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 Due to natural turnover WIASS currently has two establishment posts vacant; a reduction from the three previously reported and it is hoped that this will further be reduced to one by the middle of December. Close monitoring of resource is continuing using current management information to assist the delivery of the Partner's plans in relation to forecasted demand for the remainder of the year.

WIASS is committed to delivering all audits as indicated in the 2013/14 plan for Bromsgrove District Council and will continue to take active steps to achieve this using agency staff where required. The current projection is that of no extra cost to Bromsgrove District Council.

Customer / Equalities and Diversity Implications

3.7 There are no implications arising out of this report.

4. RISK MANAGEMENT

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 2013/14
Appendix 2 ~ Key performance indicators 2013/14
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary with finalised reports
Appendix 4 ~ Follow up summary

6. BACKGROUND PAPERS

Individual Internal Audit reports.

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
E Mail: andy.bromage@worcester.gov.uk
Tel: 01905 722051

Delivery against Internal Audit Plan for 2013/14
1st April 2013 to 31st October 2013

Audit Area	2013/14 PLANNED DAYS	DAYS PLANNED TO THE END OF QUARTER 3(31st December 2013)	DAYS USED TO 31/10/13
Core Financial Systems (*Note 1)	87	87	21
Corporate Audits	68	24	9
Other Systems Audits (*Note 2)	109	67	57
TOTAL	264	178	87
Audit Management Meetings	15	12	11
Corporate Meetings / Reading	5	4	3
Annual Plans and Reports	8	6	0
Audit Board Support	8	6	5
Other chargeable	0	0	1
TOTAL	36	28	20
TOTAL	300	206	107

***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. We are planning to undertake this work in Q3 this year.

***Note 2**

A number of the budgets in this section are 'on demand' e.g. consultancy, investigations so the requirements can fluctuate.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

KEY PERFORMANCE INDICATORS 2013/14

APPENDIX 2

The indicators provide the Board with an overall assessment in respect of reports delivered by the Internal Audit Shared Service as well as Corporate factors including the number of 'high' priority recommendations which may lead to an added overall corporate risk factor perspective.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Position (as at October 2013)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	8	1	Quarterly
2	No. of moderate or below assurances	Downward	3	0	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	2	3	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 20 (1x ongoing)	Target = 15(minimum) Delivered =4	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

APPENDIX 3

‘High’ & ‘Medium’ Priority Recommendations Summary

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
BURT ~ Bromsgrove Urban Rural Transport (BURT) 2013					
Assurance: Significant					
Summary: The review was a health check audit concentrating on specific areas of the Community Transport system including effective reporting, overall management arrangements are satisfactory, key systems are backed up and staff are appropriately trained.					
1	M	<p><u>Service Level Agreement</u></p> <p>Internal Audit identified that the following areas of the Service Level Agreement are not fully complied with:</p> <ul style="list-style-type: none"> Review meetings with the Service Provider are only carried out half yearly however the Service Level Agreement states they should take place quarterly. In accordance with the Service Level Agreement the Service Provider should provide annual audited income and expenditure accounts to the Council but this is not happening. 	<p>Risk of poor performance leading to financial loss and reputational damage to the Council.</p>	<p>Review meetings to take place quarterly as per the Service Level agreement to ensure any performance issues are identified sooner rather than later.</p> <p>The Service Provider to forward every financial year an audited copy of their income and expenditure account to the Council so that their true financial position can be assessed.</p>	<p>Regular communication is held with the service provider via telephone and email contacts, this is in addition to the half yearly review meetings. In future quarterly meetings are to be held.</p> <p>Whilst finances are discussed annually with the service provider, in error the audit accounts were not requested in 2012/13. This request has now been made to the service provider.</p> <p>Responsible Manager: Acting Head of Community Services</p> <p>Implementation date: November 2013</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

2	M	<p><u>Quarterly review minutes</u></p> <p>As the review meetings with the Service Provider are not minuted there is lack of evidence to support the decisions made and any issues discussed.</p>	<p>Risk of challenge leading to possible financial loss and reputational damage.</p>	<p>To ensure that quarterly meetings with the Service Provider are formally minuted including evidence of issues discussed, funding position and any other related action taken.</p>	<p>Follow up actions arising from review meetings have been via email correspondence. In the future minutes of these meetings, with actions, will be produced and distributed to the service provider.</p> <p>Responsible Manager: Acting Head of Community Services</p> <p>Implementation date: October 2013</p>
Building Control 2013					
Assurance: Significant					
<p>Summary: The review was a full systems audit concentrating on the receipt, payment and processing of Building Control applications as operated by Bromsgrove District Council for all three partners as at the time of audit. The audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service.</p>					
1	H	<p>There is no clear demonstration that Bromsgrove Council are breaking even on fee charging income for Building Control Services.</p>	<p>Risk of non compliance with the Building (Local Authority Charges) Regulations 2010 leading to reputational damage.</p>	<p>Bromsgrove Council to satisfy themselves that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of each Council.</p>	<p>Responsible Manager: Financial Services Manager/Building Control Manager</p> <p>Implementation date: To be addressed at Final Account closedown for 13/14.</p> <p>Agreed.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

2	M	Whilst reviewing payments received by the Cashiers it was noted that they do not always record the applicants name/address.	Unable to identify/prove payment in the event of challenge leading to possible financial loss.	The Cashiers to be reminded that full payment details for example name and address of property should be entered when receipting payments.	<p>Responsible Manager: Head of Customer Access and Financial Support</p> <p>Implementation date: 21st October 2013</p> <p>All staff advised that name and address details must be entered for all payments not linked to an account.</p> <p>Extra training provided where necessary.</p> <p>Monitoring to take place and individual issues to be discussed with staff ongoing.</p>
end					

Full Finalised Reports Issued

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Bromsgrove Urban and Rural Transport (BURT) 2013/14

10th October 2013

Distribution:

- Kevin Dicks : Chief Executive Officer
- Sue Hanley : Deputy Chief Executive Officer & Executive Director (Leisure, Environment and Community Services)
- Jayne Pickering : Executive Director (Finance and Resources)
- Judith Willis : Acting Head of Community Services

Introduction



BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

- 1.1 The audit of the Bromsgrove Urban and Rural Transport (BURT) community transport service was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14th March 2013. The audit was a risk based systems audit of BURT funded by Bromsgrove District Council.
- 1.2 The Community Transport Service for Bromsgrove District Council is provided by Royal Voluntary Services (previously known as Women's Royal Voluntary Services (WRVS) and funded by Bromsgrove District Council.
- 1.3 The Community Transport Service assists residents of Bromsgrove District who are unable to make essential journeys by conventional transport, both because of personal mobility/disability difficulties and because of the non availability of a suitable service. The bus is adapted for wheelchair users.
- 1.4 The amount of Funding awarded to Royal Voluntary Services (RVS) by Bromsgrove District Council is £15,444 per annum. This is given out in two payments during the year. The payment dates are 1st April and 1st of September.
- 1.5 A Service Level Agreement is in place which sets out the responsibilities of the Client (Bromsgrove District Council) and the Service Provider (Royal Voluntary Services).
- 1.6 This audit was a risk based review undertaken by Fiona Ziro in July and August 2013.

1. Audit Scope and Objectives

- The review assessed whether the following control objectives of BURT were being achieved:
 - There is an effective reporting system in place with timescales and responsibilities outlined to ensure that Bromsgrove District Council is working to the agreed Service Level Agreement.
 - The overall management arrangements are satisfactory.
 - Key systems are backed up, staff have been suitably trained and access rights for staff are appropriate.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

- The review was a health check audit and concentrated on BURT as funded by Bromsgrove District Council at the time of the audit, covering the period from the 1st of April 2013 to 31st July 2013.
- The audit did not cover the service provider's (RVS) responsibility.

2. Audit Opinion and Executive Summary

From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant assurance** in this area because there is generally sound system of internal control in place and the contract is managed effectively. However following an internal audit walkthrough of the Service Level Agreement in relation to the Client's responsibilities (Bromsgrove District Council) it was noted that there are some areas where improvement could be made. Recommendations have been made below to help enhance the performance monitoring of this contract. Following discussions with both the Client (Bromsgrove District Council) and the Service Provider (RVS) it is evident that there is a good working relationship between the two.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Priority	Number of Recommendations
High	0
Medium	2
Low	0

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

3. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit					
No issues were brought forward from previous audits.					
New matters arising					
1	M	<p><u>Service Level Agreement</u></p> <p>Internal Audit identified that the following areas of the Service Level Agreement are not fully complied with:</p> <ul style="list-style-type: none"> Review meetings with the Service Provider are only carried out half yearly however the Service Level Agreement states they should take place quarterly. In accordance with the Service Level Agreement the Service Provider should provide annual audited income and expenditure accounts to the Council but this is not happening. 	<p>Risk of poor performance leading to financial loss and reputational damage to the Council.</p>	<p>Review meetings to take place quarterly as per the Service Level agreement to ensure any performance issues are identified sooner rather than later.</p> <p>The Service Provider to forward every financial year an audited copy of their income and expenditure account to the Council so that their true financial position can be assessed.</p>	<p>Regular communication is held with the service provider via telephone and email contacts, this is in addition to the half yearly review meetings. In future quarterly meetings are to be held.</p> <p>Whilst finances are discussed annually with the service provider, in error the audit accounts were not requested in 2012/13. This request has now been made to the service provider.</p> <p>Responsible Manager: Acting Head of Community</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Services Implementation date: November 2013
2	M	<p><u>Quarterly review minutes</u></p> <p>As the review meetings with the Service Provider are not minuted there is lack of evidence to support the decisions made and any issues discussed.</p>	Risk of challenge leading to possible financial loss and reputational damage.	To ensure that quarterly meetings with the Service Provider are formally minuted including evidence of issues discussed, funding position and any other related action taken.	<p>Follow up actions arising from review meetings have been via email correspondence. In the future minutes of these meetings, with actions, will be produced and distributed to the service provider.</p> <p>Responsible Manager: Acting Head of Community Services Implementation date: October 2013</p>

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

Worcestershire Internal Audit Shared Service



Final Internal Audit Report Building Control 2013/14 29th October 2013

Distribution:

Ruth Bamford – Head of Planning and Regeneration

Adrian Wyre – Building Control Manager

Sam Morgan – Financial Services Manager

Amanda De Warr – Head of Customer Access and Financial Support



BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

1. Introduction

- 1.1 The audit of the Building Control system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14th March 2013. The audit was a risk based systems audit of the Building Control system operated by Bromsgrove District Council.
- 1.2 North Worcestershire Building Control Shared Service is responsible for the provision of the Council's building control service and is hosted by Bromsgrove District Council. Other participating partners are Redditch Borough Council and Wyre Forest District Council.
- 1.3 All income is receipted and retained by the relevant participating partner other than partnership income; this is retained by the business in accordance with the collaborative legal agreement.
- 1.4 This audit was carried out by Mandy Crowther during the months of July and August 2013.

2. Audit Scope and Objectives

- 2.1 The review assessed whether the following control objectives of the Building Control system were being achieved:
 - There is a formal process in place for the setting of Building Control fees for all partners; fees and charges are approved by the relevant Council and published on the Councils' websites;
 - Fees and charges are reviewed on an on going basis to ensure they remain competitive and cover the actual cost of processing applications including inspections etc;
 - Applications are not processed unless the correct fee is received. All income is controlled and banked promptly;
 - Adequate records are maintained for each application, including details of inspections carried out;
 - A consistent approach is applied to "site specific" quotations and a clear audit trail maintained;
 - There are sufficient management processes in place to ensure performance is regularly monitored and appropriate action taken where needed.
- 2.2 The review was a full systems audit that concentrated on the above areas of the Building Control system for the period 1st April 2013 to the end of June 2013.
- 2.3 The audit did not cover a review of the Service Level agreement in place for this service.

3. Audit Opinion and Executive Summary

From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant assurance** as generally there is a sound system of control in place. Audit testing highlighted no significant delays in the processing of building control applications and all income was traced to the relevant financial ledgers. In addition there is regular monitoring of performance including the number of applications processed and level of work load per Building Control officer. However one high priority recommendation has been made regarding the lack of a financial charging statement in accordance with the Building (Local Authority Charges) Regulations 2010. It should be noted however that although this is a requirement under the regulations it no longer forms part of the final account process as with previous years.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Priority	Number of Recommendations
High	1
Medium	1
Low	1

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit					
There were no issues brought forward in relation to the area under review.					
New matters arising					
1	H	There is no clear demonstration that Bromsgrove Council are breaking even on fee charging income for Building Control Services.	Risk of non compliance with the Building (Local Authority Charges) Regulations 2010 leading to reputational damage.	Bromsgrove Council to satisfy themselves that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of each Council.	<p>Responsible Manager: Financial Services Manager/Building Control Manager</p> <p>Implementation date: To be addressed at Final Account closedown for 13/14.</p> <p>Agreed.</p>
2	M	Whilst reviewing payments received by the Cashiers it was noted that they do not always record the applicants name/address.	Unable to identify/prove payment in the event of challenge leading to possible financial loss.	The Cashiers to be reminded that full payment details for example name and address of property should be entered when receipting payments.	<p>Responsible Manager: Head of Customer Access and Financial Support</p> <p>Implementation date: 21st October 2013</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th December 2013

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					<p>All staff advised that name and address details must be entered for all payments not linked to an account.</p> <p>Extra training provided where necessary.</p> <p>Monitoring to take place and individual issues to be discussed with staff ongoing.</p>
3	L	<p>The North Worcestershire Building Control Shared Service Administration team are supplied with a daily cash receipting list of all building control payments receipted in Bromsgrove. This is used to check that all income has been charged to the correct financial code.</p> <p>Wyre Forest District Council carries out internal checks.</p>	<p>Financial miscoding leading to financial loss to the service/partner.</p>	<p>The Cashiers to supply the North Worcestershire Building Control Shared Service Administration team with a daily cash receipting list of all building control payments for reconciliation purposes.</p>	<p>Responsible Manager: Head of Customer Access and Financial Support</p> <p>Implementation date: 21st October 2013</p> <p>Daily report to be produced and emailed.</p>

AUDIT BOARD

APPENDIX A

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Moderate Assurance	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
Limited Assurance	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
No Assurance	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

AUDIT BOARD

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
M	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
L	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

AUDIT BOARD

APPENDIX 4

Follow Up

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of September 2013. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load.

Follow up in connection with the core financials is undertaken as part of the routine audits that are being performed during quarter 3.

AUDIT BOARD

Audit	Date Final Audit Report Issued	Responsible Officer	Date to be 1st Followed up	2nd	3rd
			High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2012-13 Audits					
Housing Benefits	20th June 2013	Benefits Manager	Follow up in 13/14 audit		
NDR	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit		
Council Tax	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit		
Budgetary Control & Strategy	26th April 2013	Financial Services Manager	Follow up in 13/14 audit		
Treasury Management	13th November 2012	Financial Services Manager	Follow up in 13/14 audit		

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Debtors	3rd January 2013	Financial Services Manager	Follow up in 13/14 audit		
Creditors	1st March 2013	Financial Services Manager	Follow up in 13/14 audit		
Asset Management	21st March 2013	Financial Services Manager	Follow up in 13/14 audit		
ICT inc. project auditing	26th February 2013	ICT Operations Manager	Follow up in 13/14 audit		
Shared Services	Draft report stage	Executive Director (Finance & Corporate Resources)	Extended scope ~ agreed and being delivered		
Governance inc Procurement	20th May 2013	Financial Services Manager		Nov-13	
Markets	21st March 2013	Head of Planning Services		Sep-13	
Data Management - Post opening	1st May 2013	PA to Chief Executive and Office Services Manager		Nov-13	
Street Scene inc abandoned vehicles, fly tipping, etc.	7th January 2013	Head of Environmental Services		Aug-13	
Cemeteries	26th April 2013	Head of Environmental Services		Oct-13	
Parks & Open Spaces (Sanders Park)	18th March 2013	Capital Project & Greenspace Manager		Sep-13	
Regulatory Service/Environmental Health	2 nd August 2013	Regulatory Services Shared Service Manager		Feb-14	
2013-14 Audits					
Building Control	29th October 2013	Building Control Manager		Apr-14	

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BURT - Community Transport	10th October 2013	Acting Head of Community Services		Apr-14		
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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 12th DECEMBER 2013

THE 2014/15 PROVISIONAL 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	Sam Morgan Financial Services Manager
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 Internal Audit Operational Provisional Plan for 2014/15
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2014/15

2. RECOMMENDATIONS

- 2.1 The Board is asked to consider the draft Audit Plan and subject to any comments / proposed changes the Plan be noted
- 2.2 The Board is asked to note the Key Performance.

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 Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

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 organisation changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2014/15, 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 and dialogue with the s151 Officer and Heads of Service as well as an independent risk assessment of the audit universe by

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Internal Audit. The Internal Audit Plan for 2014/15 has been agreed with the council's section 151 officer.

By bringing a provisional plan of work before the Audit Board in December 2013 it allows Members to have a positive input into the audit work programme for 2014/15 and make suggestions as to where they feel audit resources may be required under the direction of the s151 Officer. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer.

Resource Allocation

The Internal Audit Plan for 2014/15 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 and remains the same as 2013/14.

The provisional Internal Audit Plan for 2014/15 is set out at Appendix 1.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2014/15 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 partner organisations), 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.

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4. RISK MANAGEMENT

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 ~ Outline Internal Audit Plan 2014/15 (including the three year rolling cycle)

Appendix 2 ~ Key performance indicators 2014/15

6. BACKGROUND PAPERS

None

7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
E Mail: andy.bromage@worcester.gov.uk
Tel: 01905 722051

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Date: 12th DECEMBER 2013

APPENDIX 1

Detailed Provisional Programme of Work for 2014/15

Audit Area	Source	Planned days 2014/15	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 34	12	12	0
Council Tax	Risk assessment score 33	12	12	0
Cash, General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 33	17	17	0
Treasury Management	Risk assessment score 28	7	7	0
Creditors	Risk assessment score 28	10	10	0
Debtors	Risk assessment score 28	7	7	0
Asset Management	Risk assessment score 24	7	7	0
		87	87	0
Corporate				0
Shared Service Delivery (Client)	Risk assessment score 35	12	12	0
ICT	Risk assessment score 34	14	14	0
Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality)	Risk assessment score 30	10	10	0
Risk Management	Risk assessment score 28	15	15	0
s106s	Risk assessment score 29	0	10	-10
Transformation (Critical Review)	Section 151 request	7	7	0
		58	68	-10

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Other Systems Audits				0
2014/15 audits				
Waste Collection	Risk assessment score 35	12	0	12
Elections including finances	Risk assessment score 30	8	0	8
DFG's	Risk assessment score 27	10	0	10
Communications & Media	Risk assessment score 27	8	0	8
Regulatory Services	Risk assessment score 27	15	15	0
Equality & Diversity	Risk assessment score 23	7	0	7
Performance Indicators and Data Quality	Risk assessment score 21	10	0	10
		70	15	55
2013/14 audits (for information / balancing purposes)				
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 Community Transport	Risk assessment score 28	0	7	-7
Strategic Housing	Risk assessment score 27	0	8	-8
Completion of Prior Year's work	N/A	10	10	0
Statement of Internal Control	N/A	3	3	0
Follow Up on recommendations	N/A	12	12	0
Fraud and Special	N/A	12	10	2

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Investigations				
Advisory / Consultancy / Contingency	N/A	12	10	2
		49	109	60
TOTAL PRODUCTIVE (A ONLY)		264	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	
Audit Board support	N/A	8	8	
TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)		36	36	0
TOTAL CHARGEABLE (A + B)		300	300	0

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Bromsgrove Audit Plan 2014~15 including 3yr rolling indicators

SYSTEM DESCRIPTION	Year of last audit UPDATED 11.11.13	2012/13	2013/14	2014/15	2015/16	Proposed 2014/15 Budgeted Days
Fundamentals:						
Budgetary Control & Strategy incl. Cash, imprests, purchase cards, General Ledger, Budget Control & Bank Reconciliations	2013/14	√	√	√	√	17
Payroll	2009/2010 (transferred to RBC)	√	X	N/a	N/a	0
Benefits	2013/14	√	√	√	√	15
Asset Management	2013/14	√	√	√	√	7
Creditors	2013/14	√	√	√	√	10
NDR	2013/14	√	√	√	√	12
Debtors	2013/14	√	√	√	√	7
Treasury Management	2013/14	√	√	√	√	7
Council Tax	2013/14	√	√	√	√	12
Audit Reviews:						
Transformation:						
ICT	2013/14	√	√	√	√	14
ICT - Data Protection & Freedom of Information	2006/07	X	X	X	√	
Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality)	2013/14	√	√	√	√	10

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Shared Services	2013/14	√	√	√	√	12
Transformation	2013/14	√	√	√	√	7
Policy & Performance:						
Performance Indicators & Data Quality	2007/08	X	X	√	X	10
Communications & Media	-	X	√	√	X	8
Community Services:						
Strategic Hsg inc. Enabling	2013/14	X	√	X	X	
Shared Services E.g Community Safety; Lifeline; CCTV; Elections; etc.	CCTV 2006/2007 Lifeline 2007/2008	X	√	X	X	
Equality & Diversity	-	X	X	√	X	7
Disabled Facilities Grants & Grants	2012/13	√	X	√	X	10
BURT Community Transport	2013/14	x	√	X	X	
Regulatory Services:	2013/14	√	√	√	√	15
Licensing & Taxi Licensing	-					
Environmental Health (commercial & pollution)	-					
Environmental:						
Waste Collection	2010/11 Garden Waste 2011/12	X	X	√	X	12
Insurance	2005/06	X	√	X	X	
Car Parks	Transferred to WFDC	X	X	N/a	N/a	
Grounds Maintenance	2012/13	X	√	X	X	
Garage & Stores	2013/14	X	√	X	X	
Street Scene	2012/13	√	X	X	√	

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Climate Change	2012/13	√	X	X	√	
Environmental Enforcement	2013/14	X	√	X	X	
Planning & Regeneration:						
s106's	2013/14	X	√	X	X	
Development & Building Control	2013/14	√	√	X	X	
Land Charges	2013/14	X	√	X	X	
Legal Services:						
Member Development	-	X	X	X	X	
Member Allowances	2009/10	X	X	X	X	
Election Finances	-	X	X	X	X	8
Leisure & Culture:						
Sports Development	2006/07	X	√	X	X	
Events e.g. bonfire, street theatre	2011/12 (Arts Development)	√	X	X	√	
Cemeteries	2012/13	√	X	X	√	
Parks & Open Spaces	2009/10	√	X	X	√	
Projects including:						
Risk Management	2013/14	√	√	√	√	15

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KEY PERFORMANCE INDICATORS 2014/15

APPENDIX 2

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2014/15.

	KPI	Trend requirement	2013/14 Year End Position	2014/15 Position (as at xxxxxxxx)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward			Quarterly
2	No. of moderate or below assurances	Downward			Quarterly
3	No. of customers who assess the service as 'excellent'	Upward			Quarterly
4	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered =	Target = 15 (minimum) Delivered =	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

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BENEFITS FRAUD UPDATE – QUARTERS 1 AND 2 2013/14

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To advise Members on the performance of the Benefits Services Fraud Investigation service for quarters 1 and 2 , 2013/14.

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 Customer Access and Financial Support Service there is a dedicated counter-fraud team whose purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority. 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.
- 3.4 This report gives performance information for the team from 1 April 2013 to 30 September 2013.
- 3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area. During the period of this report there were 3809 live Housing Benefit claims and 5280 Council Tax Reduction claims at anyone time. Direct expenditure for the period was

£8,539,769 in Housing Benefit and £4,659,984 in Council Tax Reduction.

- 3.6 Approximately 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 Reduction are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.
- 3.7 During the 6 month period overpayments of £200,955 in Housing Benefit and £78,905 Council Tax Reduction caused by claimant error were identified.
- 3.8 During quarters 1 and 2 of 2013/14 77 fraud referrals were received and considered for investigation by the team.
- 3.9 24 of the referrals came from data-matching.

8 of these were identified through the 2012/13 National Fraud Initiative. This is a scheme where public sector organisations are required to submit data to the Audit Commission for the purpose of identifying fraud. Our Benefit data is submitted every alternate year and cross matched against other datasets submitted in order to identify fraudulent claims. These are mainly where income such as earnings, private pensions or student finance has not been declared but can also include other types of fraud such as non-residency or undeclared capital.

The remainder were identified through the Housing Benefit Matching Service (HBMS) - 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 to 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.

- 3.10 25 of the referrals were from official sources. 4 of these were joint working invitations received from the DWP. 2 referrals were raised as a result of investigations being carried out by other local authority investigation teams, and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.11 The remaining 28 referrals came from other sources, mostly members of the public. This demonstrates the value of maintaining a high level

of fraud awareness within the local community. An increase in the number of referrals from the public is experienced following reports of successful prosecutions in the local press giving details of the case and how to report suspicions of benefit fraud. This practice is understood to deter fraud as one of the main concerns of customers who are being interviewed under caution for benefit fraud offences is that their name will appear in the paper.

- 3.12 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.
- 3.13 44 investigations were closed during the period and fraud or error was established in 31 of these.
- 3.14 8 people were prosecuted. The offences related to:
- 3 cases - undeclared partners;
 - 2 cases - undeclared work;
 - 1 case - undeclared private pension;
 - 1 case - undeclared capital; and
 - 1 case - undeclared non-dependant who was working.
- 3.15 Cautions were accepted by 13 people. The offences in these cases related to:
- 9 - work, either undeclared totally or increases in earnings that hadn't been reported;
 - 1 - an undeclared partner
 - 1 - non-dependants in the property;
 - 1 - Tax Credits; and
 - 1- undeclared capital.
- 3.16 An administrative penalty was accepted by 1 person for continuing to claim after leaving the address.
- 3.17 The remaining 9 cases were closed without sanctions although overpayments were identified on all of them. There must be sufficient evidence to prosecute for any sanction to be considered. At times this cannot be achieved and the file must therefore be closed without sanction.
- 3.18 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon the identification of overpaid Housing Benefit and excess payments of Council Tax Benefit/Reduction. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.

Overpayments on the files closed during the period of this report totalled £65,867.02 in Housing Benefit and £29,755.39 in Council Tax Benefit/Reduction. Some of these overpayments may be included in the totals identified as shown in 3.4 but because investigations can sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 April 2013.

- 3.19 The Single Fraud Investigation Service (SFIS), announced as part of the Government's Welfare reform plans which came into force on 1 April 2013, has not yet made any noticeable impact upon the team. The Pilot sites are still trialling various ways of working but in September notification was received that in August 2013 the programme board had recommended that they should introduce SFIS within DWP during 2014/15. This had since been ratified by the Permanent Secretary and Minister and discussions taken place with Permanent Secretaries from DCLG, Scottish Government, Welsh Assembly and additionally with officials.
- 3.20 At this stage the proposed approach is still a recommendation as more work needs to take place, including finalising the full business case and seeking agreement of funding with HM Treasury. Until an agreement on future funding is reached the Programme Board is not in a position to make any formal announcements or commitments.
- 3.21 The planning assumptions announced are that, as SFIS is implemented
- The investigation of HB/CTB fraud will move to DWP
 - The investigation of LCTS/Tenancy Fraud etc will remain with LAs
 - The amendment of HB/CTB claims will remain with LAs
 - The calculation and recovery of any HB/CTB overpayments will remain with LAs
 - DWP investigators will request information and evidence from LAs to support an investigation
 - A single prosecution body will be used (CPS for England and Wales & the PF for Scotland)
- 3.22 The next phase of project activity is that the project team will be working closely with Human Resources experts to understand the impacts on people working on fraud investigations and prosecutions, including looking at any potential TUPE (Transfer of Undertakings (Protection of Employment) or COSOP (Cabinet Office Statement of Practice) implications.
- 3.23 The Programme Board acknowledge that there are many questions around what the proposal means for staff, services and budgets, but recognise that they are not yet in a position to provide all of the

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information, although it has been confirmed that there will be no change to the administration grant funding for 2014/15.

Customer / Equalities and Diversity Implications

3.24 None specific.

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 - Example cases
Appendix 2 - Additional demographic information

6. BACKGROUND PAPERS

None

AUTHOR OF REPORT

Name: Shona Knight
E Mail: s.knight@bromsgroveandredditch.gov.uk
Tel: 01527 64252 ext 3039.

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Fraud - Example Cases

359144966

A 61 year old man was prosecuted for failing to declare that he was receiving a pension from a former employer.

This investigation was started by the DWP who invited BDC to join the investigation in order for the full extent of offending to be identified and the prosecution was conducted by the Crown Prosecution Service who prosecute cases on behalf of the DWP.

The investigation resulted in overpayments of £8,799.22 Housing Benefit, £2,706.65 Council Tax Benefit and £7,526.03 in DWP benefits being identified.

The customer was sentenced to 3 months imprisonment on each charge to run concurrently, suspended for 12 months. The Housing Benefit overpayment is being recovered through deductions from the customer's current benefit entitlement and an arrangement has been made to repay the Council Tax Benefit overpayment by instalments.

359135623

A 38 year old woman accepted an administrative penalty as an alternative to prosecution for continuing to claim Housing Benefit from BDC after moving from her home and making another claim from a neighbouring authority.

This investigation began as a result of a data match from HBMS suggesting that 2 claims may be in payment.

Overpayments of £1,649.96 Housing Benefit and £187.06 Council Tax Benefit were established. The Housing Benefit overpayment and the administrative penalty are being recovered through deductions from DWP benefits.

A caution could not be considered appropriate in this case as the offences were denied during the interview under caution.

36011173X

A 40 year old woman accepted a caution after admitting that she had failed to declare capital during a joint investigation with Wychavon District Council (WDC).

The investigation started as a result of information that the customer gave when attending the Customer Service Centre. It was established that the customer had owned a flat in Poland when she initially claimed Housing Benefit from WDC and then from BDC when she moved into this area. The property was later sold and the money was deposited in her mother's name in an account in Poland.

£1,018.59 was incorrectly claimed from BDC and £1,308.05 from WDC. It was decided by each authority that it was appropriate to offer a caution as an alternative to prosecution mainly because of the customer's co-operation with the investigation and providing information which may not have otherwise been available.

The overpayment was repaid to BDC in full during the period of the investigation.

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Prosecution of a 29 year old man was decided to be inappropriate due to lack of evidence after an investigation into his claim resulted in overpayments of £6,746.62 Housing Benefit and £2,400.59 Council Tax Benefit.

This case was referred for investigation by the Benefit Section after it was found that although the claim had been based on the customer's entitlement to Jobseeker's Allowance, this had never been in payment. The claim had been made at the time that Voice Recognition software was in use and verification rules were based around this.

The customer failed to attend for interview under caution and unfortunately proof of income for 1 month's agency work was the only evidence available to show the correct financial circumstances for the period involved. The case was referred to the Legal Team but rejected as there was insufficient evidence to prosecute and an alternative sanction could not be considered for the offences that could be proven because the customer has not attended for interview.

The Housing Benefit overpayment is being recovered through deductions from current benefit and an agreement to repay the Council Tax Benefit has been made by instalments.

APPENDIX 2

PROFILE – FRAUD CASES

This table gives additional information on the nature and demographic profile of cases of benefit fraud where sanctions were applied during the period covered by this report.

Gender	Status	Tenancy type	Area	Fraud type	Outcome
f	Single	2 P/T	Rubery	Non-residency	Ad pen
f	Single	4 HA	Catshill	Work	Caution
f	Single	2 CT only	Belbroughton	Work	Caution
f	Single	0 CT only	Hollywood	Capital	Prosecution
f	Partnered	3 P/T	Alvechurch	Income increase	Caution
m	Single	0 P/T	Central	Work	Prosecution
f	Partnered	1 P/T	Central	Work	Caution
m	Single	0 CT only	Charford	Work	Caution
f	Partnered	2 HA	Sidemoor	Work	Caution
m	Partnered	0 HA	Stoke Heath	Pension	Prosecution
m	Single	0 HA	East	Work	Caution
m	Single	0 CT only	Rubery	Work	Caution
m	Single	0 CT only	East	Work	Prosecution
f	Single	0 HA	Charford	Non dependant	Prosecution
f	Single	0 CT only	Charford	Non dependant	Caution
m	Single	0 CT only	Alvechurch	CT liability	Caution
f	Single	2 HA	Charford	Undec'd partner	Prosecution
m	Single	0 P/T	East	Work	Caution
f	Single	1 HA	Central	Work	Caution
f	Single	1 HA	Sidemoor	Capital	Caution
f	Single	3 HA	Charford	Undec'd partner	Prosecution
m	Single	0 CT only	Sidemoor	Undec'd partner	Prosecution

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AUDIT BOARD12th December 2013**WORK PROGRAMME 2013/14****12th December 2013**

- Grant Thornton Audit Findings 2013/2013
- Marlbrook Tip – update
- Risk Management Monitoring Group - update
- Financial Reporting – revised quarterly monitoring report, detailing savings.
- Internal Audit Monitoring Report
- Draft Internal Audit Plan 2014/2015
 - Internal Audit 3 year plan 2012/2013 – 2014/2015 (to be included as an appendix to the Draft Internal Audit Plan)
- Benefits Investigations
- Corporate Fraud – staff survey results with regard to the questions asked on the Council’s whistleblowing procedure.
- Audit Board Work Programme 2013/2014

20th March 2014

- Grant Thornton Certification Report 2012/2013
- Grant Thornton Auditing Standards
- Grant Thornton Audit Plan March 2014
- Grant Thornton Progress Report
- Statement of Accounting Policies
- Internal Audit Monitoring Report
- Internal Audit Plan 2014/2015
- Audit Board End of Year Report 2013/2014 (For Member discussion)
- Audit Board Work Programme 2014/2015

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
- Best practice – speaker from another authority on operation of their member Audit review and monitoring arrangements

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