



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

THURSDAY 4TH JULY 2013
AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

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

AGENDA

1. Election of Chairman
2. Election of Vice-Chairman
3. To receive apologies for absence
4. Declarations of Interest
5. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 14th March 2013 (Pages 1 - 10)
6. Presentation from the Customer Services Manager
7. Annual Governance Statement 2012 / 2013 (Pages 11 - 22)
8. Audit Commission Annual Governance Report 2011/2012 - progress made on actions (Pages 23 - 26)
9. Grant Thornton Update - responses to the Challenge Questions (Pages 27 - 38)

10. Verbal Update from the Executive Director, Finance and Corporate Resources:-
 - Closed Landfill Sites
 - Reserves
11. Benefits Investigations (Pages 39 - 48)
12. Internal Audit Monitoring Report (Pages 49 - 92)
13. Internal Audit Annual Report 2012 / 2013 (Pages 93 - 100)
14. Draft Internal Audit Managers Audit Opinion 2012 / 2013 (Pages 101 - 106)
15. Risk Management Monitoring Group

Nominated Audit Board Member to attend the Risk Management Monitoring Group bi-monthly meeting July 2013, date and time to be confirmed.
16. Audit Board Draft End of Year Report 2012 / 2013 (for information and comment) (Pages 107 - 154)
17. Audit Board Work Programme 2013 / 2014 (Pages 155 - 156)
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

26th June 2013



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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

AUDIT BOARD

4TH JULY 2013

ANNUAL GOVERNANCE STATEMENT – 2012/13

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	None.

1. SUMMARY OF PROPOSALS

To seek Members' approval of the Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2012/13.

2. RECOMMENDATIONS

2.1 The Board is asked to RESOLVE that

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

3. KEY ISSUES

3.1 Authorities are expected to publish the Annual Governance Statement (AGS) for 2012/13 with their Statement of Accounts.

3.2 The CIPFA/SOLACE framework for the Annual Governance Statement requires the AGS to be signed by the most senior Officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent).

3.3 There is an expectation in the guidance that the Head of Internal Audit, or equivalent, will provide a written annual report to those charged with governance timed to support the Annual Governance Statement. The report prepared by the Internal Audit Manager has been included in a separate report within the Agenda.

3.4 The AGS should be as up to date as practicable at the time of publication which will follow the completion of the final accounts audit in August.

Financial Implications

3.5 There are no specific financial implications.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

4TH JULY 2013

Legal Implications

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

Service/Operational Implications

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

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

5. APPENDICES

Appendix 1 - Annual Governance Statement, 2012/13

6. BACKGROUND PAPERS

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

AUTHOR OF REPORT

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Bromsgrove District Council

DRAFT Annual Governance Statement 2012/13

1. Scope and responsibility

Bromsgrove District Council is responsible for ensuring that:

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

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

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

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

2. The purpose of the governance framework

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

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

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

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

3. The governance framework

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

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

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget. The Council is looking to move towards Strategic Purposes as part of the transformational work that is being undertaken and the purposes are to be presented to Members in the Summer 2013.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- The residents magazine "Together Bromsgrove" is sent to all households twice a year
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- The Bromsgrove Partnership provides a partnership review forum
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public

- The Community Strategy and Annual Report articulate the Council's activities and achievements
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place monthly and is reported on a quarterly basis to Cabinet, Overview and Scrutiny and Full Council
- Savings have exceeded expectations
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

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

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

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

- The Council's priorities and aims clearly demonstrate its vision and values
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committee

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

- There is an established and effective Overview and Scrutiny Board
- There is an established and effective Audit Board to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Cabinet forward plan is rolled forward and reviewed weekly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Cabinet decisions. During 2012/13 Overview and Scrutiny undertook pre-scrutiny of :
 - Homelessness Grant 2012/13
 - Longbridge Statement of Principals regarding Affordable Housing Provision
 - Enforcement and Fixed Penalty Notices of Environmental Services
 - Proposed Fly Posting policy and procedures
- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2012/13:
 - Planning Policy (from work carried out during 2011-12)
 - Youth provision – due to report early 2013-14
 - Air quality – due to report early 2013-14
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit Board have a workplan that is reviewed at each meeting for completeness
- Full risk register for corporate and shared service risks. In addition the risk management of departmental risks will be undertaken for 2013/14 by an web

based on-line system to ensure managers control and mitigate risks in a timely manner.

- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Cabinet and Overview and Scrutiny Board
- A revised and effective complaints/ compliments procedure is in place and is widely publicised – this has been revised in 2012/13 to include reporting of customer feedback to the Overview and Scrutiny Committee.
- A whistle blowing policy is in place and available on the Council's web site
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's services

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

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service and to enable them to present reports at Cabinet in relation to their portfolio area
- The shared services have continued to develop across Bromsgrove District Council and Redditch Borough Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff has the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Officers and Members

- A managers conference takes place every 2 years to develop managers understanding of new initiatives (transformation)
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services

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

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

4. Review of effectiveness

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

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also

by comments made by external auditors and other review agencies/inspectorates.

Internal Audit

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

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit Board receives a quarterly report of internal audit activity and have input and final approval of the annual audit plan for the forthcoming year.

Managers

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

External auditors and other review agencies/inspectorates

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

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit

5. Significant governance and internal control issues

During 2012/13 a total of 13 complaints made to the Standards Committee of alleged breaches of the Code of Conduct. These complaints related to 11 members.

Outcomes as follows:

- No further action without an investigation - 6
- No further action following new information coming to light during an investigation – 1
- Investigation on-going and not yet concluded – 3
- Complaint determined at final hearing – 1 [Outcome = finding of breach of the code by not declaring a personal interest. No sanction other than the member being required to undergo training].

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

The External Audit Annual Governance Statement and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include (with current actions on each issue) :

Review the shared service plans accounting arrangements in order to simplify the process

- A workshop has been undertaken with internal finance staff and external audit to review the way that we account for the shared service. The issue of ensuring that each organisation funds an accurate proportion of the costs associated with the services provided was the focus of the session. The resulting framework will ensure that the accounts can be easily verified and checked by the External Auditors as part of the year end final accounts process.

Improve risk management arrangements and reporting

- As Members are aware a significant amount of work has been undertaken to ensure Corporate and Departmental Risk registers are developed. There is a clear plan for these to be presented to the Audit Board on a regular basis.

Continue to monitor the delivery of the Internal Audit plan

- The Shared Service Internal Audit manager will continue to present quarterly reports to the Audit Board to ensure that the Audits are being completed and that the resources are adequate for the level of service to be delivered.

Review the format of the monitoring of savings as presented to officers and members

- The financial monitoring reports for 2013/14 (from April – June 2013) will have better information in relation to the savings to be delivered. This will be managed within the current system ability and will not use further resource to analyse the information.

Formally review the Housing Benefit transformation work

- The work undertaken by the Benefits team is evolving and currently the team are working with customers to ensure a comprehensive support and advice service is provided. It is not envisaged that the transformation of the service will come to an end as the changing work focus resulting from Universal Credit which will have a significant impact on the District will continue to redesign how we provide the service.

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AUDIT BOARD

4th JULY 2013

**AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2011/12 –
PROGRESS ON ACTIONS**

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

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the updates on actions relating to recommendations made by the Audit Commission in their Annual Governance Report 2011/12.

2. RECOMMENDATIONS

- 2.1 **That the Board considers and notes the updates to the actions relating to the Annual Governance 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 As part of the process for auditing the final accounts for 2011/12 the Audit Commission review our processes and procedures and make any recommendations that they feel may improve our service and accounting in the future. There are 5 recommendations proposed by the Audit Commission that were been agreed by officers and reported to members in September 2012. These recommendations as reported and the action updates are ;

- Review the shared service plans accounting arrangements in order to simplify the process

- A workshop has been undertaken with internal finance staff and external audit to review the way that we account for the shared service. The issue of ensuring that each organisation funds an accurate proportion of the costs associated with the services provided was the focus of the session. The resulting framework will ensure that the accounts can be easily verified and checked by the External Auditors as part of the year end final accounts process.
- Improve risk management arrangements and reporting
 - As Members are aware a significant amount of work has been undertaken to ensure Corporate and Departmental Risk registers are developed. There is a clear plan for these to be presented to this Board on a regular basis.
- Continue to monitor the delivery of the Internal Audit plan
 - The Shared Service Internal Audit manager will continue to present quarterly reports to this Board to ensure that the Audits are being completed and that the resources are adequate for the level of service to be delivered.
- Review the format of the monitoring of savings as presented to officers and members
 - The financial monitoring reports for 2013/14 (from April – June 2013) will have better information in relation to the savings to be delivered. This will be managed within the current system ability and will not use further resource to analyse the information. The format of these reports will show the savings generated as a separate table to ensure members can see that savings have been realised.
- Review the benefits transformation with the aim to bring to a close
 - The work undertaken by the Benefits team is evolving and currently the team are working face to face to ensure a comprehensive support and advice service is given to customers. It is not envisaged that the transformation of the service will come to an end as the changing work focus resulting from Universal Credit which will have a significant impact on the District will continue to redesign how we provide the service.

- 3.4 Officers will continue to work through the issues that are still outstanding and report to Members at the next meeting.

Customer / Equalities and Diversity Implications

- 3.5 None as a direct result of this report.

4. RISK MANAGEMENT

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

5. APPENDICES

N/A

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL**AUDIT BOARD****4TH JULY 2013****GRANT THORNTON RESPONSES TO CHALLENGE QUESTIONS**

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Resources
Wards Affected	None.

1. SUMMARY OF PROPOSALS

To enable members to consider the responses to the challenge questions raised by Grant Thornton at the last Board meeting.

2. RECOMMENDATIONS

2.1 **The Board is asked consider the responses.**

3. KEY ISSUES

3.1 The External Auditors (Grant Thornton) presented an update report to the last Board meeting which included a number of questions that they asked the Council in relation to a number of financial issues.

3.2 Members requested that officers consider the questions with the aim to provide responses to this meeting.

3.3 The responses are included in Appendix 1, in addition the original report is attached at Appendix 2 for members information as this will give context to the questions.

Financial Implications

3.4 There are no specific financial implications.

BROMSGROVE DISTRICT COUNCIL

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Legal Implications

- 3.5 The preparation and publication of the annual accounts is a statutory function of the Authority and the accounts are prepared in compliance with legislations

Service/Operational Implications

- 3.6 Officers will continue to work with Members, colleagues and External Audit to ensure the financial pressures on the Council are addressed.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

- 4.1 In ensuring controls are in place to mitigate financial risks the Council will be in a more robust position to meet any future pressures.

5. APPENDICES

- Appendix 1 - Responses to Challenge Questions
Appendix 2 - Grant Thornton Emerging Issues Report

AUTHOR OF REPORT

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GRANT THORNTON – CHALLENGE QUESTIONS

Accounting and audit issues

Implications of the Local Government Finance Act 2012

Challenge questions:

- Do you know your key risks?
 - *The Medium Term Financial Plan and other associated reports as presented to members include the key risks relating to the financial pressures of the Council. These are updated as required.*
- Have officers ensured the financial impact is fed into medium term financial plans?
 - *An assessment is made of the financial pressures to the Council and these are included in the financial plans. In addition the balances position is reviewed to ensure it is sufficient to meet estimated demand.*
- Have officers undertaken modelling of future business rates growth?
 - *The Council has agreed to join the Greater Birmingham and Solihull Business Rates Pool and financial models have been prepared to reflect growth across all partners. Business Rates will be monitored quarterly to assess the impact on the pool.*
- Have officers given due consideration to pooling?
 - *As above*
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
 - *Members approved to keep the current scheme for Council Tax entitlement for 2013/14 and therefore there should be no detrimental impact on rates. Council Tax collection is measured monthly to enable staff to liaise with customers who may fall into arrears.*
- Has your Executive Director of Finance and Resources reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?
 - *A review to be undertaken as part of the closedown preparation for 2013/14.*

Accounting and audit issues

Provisions

Challenge question:

- Has your Executive Director of Finance and Resources considered the need for additional provisions for the above matters?
 - *All provisions are established and discussed with the External Auditors. There are clear justification and explanation for each provision. There are provisions in place for redundancy costs.*

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

Challenge questions:

- Have you considered the findings of the report?
 - *Officers will review the report as part of the budget setting process for 2013/14*
- Are there any issues that relate to your authority and what action are you going to take?
 - *These will be identified and reported to members, where relevant*

Local government guidance

'Auditing the Accounts 2011/12' report

Challenge questions:

- Has your Executive Director of Finance and Corporate Resources identified the key risks for the authority in preparing the 2012/13 financial statements?
- Has your Executive Director of Finance and Corporate Resources produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?
 - *A clear and robust plan to include actions and ownership of tasks was prepared and discussed with Auditors. The team identified the legislative*

changes to the accounts and ensured that staff were fully trained to prepare the accounts in accordance with the legislation.

'Striking a balance: improving councils' decision making on reserves

In December, the Audit Commission published 'Striking a balance: improving councils' decision making on reserves.' The report covers

Challenge questions:

- Are your officers providing you with the right information about reserves?
 - *A full schedule of reserves is presented to members as part of the quarterly financial monitoring reports with the establishment and draw down from reserves approved by Cabinet and Council.*
- Have you considered the findings of the report and identified where actions are required?
 - *Officers will discuss the report with the External Auditors as part of the Accounts Audit 2012/13.*

'Tough Times: Councils' financial health in challenging times'

Challenge question:

- Have you considered the findings of the report and any actions required?
 - *The report may not have been considered in detail but officers continue to monitor the financial health of the Council through the financial monitoring process and by the finance team working in partnership with the Operational Management to ensure any pressures are identified and addressed quickly.*

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Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Executive Director of Finance and Resources reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Land restoration costs – where a local authority owns a closed landfill site and is responsible for aftercare costs, we would expect the authority to recognise a provision for total future costs. These landfill aftercare costs should also be capitalised and depreciated under IAS 16 'Property, Plant and Equipment' so there is no immediate impact on the General Fund.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has your Executive Director of Finance and Resources considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'
In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

'LG Governance Review 2013: Improving Council Governance local government Governance; a slow burner'

This report published in February 2013. This report is based on a desktop review of the annual governance statements (AGS) and explanatory forwards of 153 county councils, London Boroughs metropolitan borough councils and unitary councils in England and makes comparison against best practice. This is supplemented by a survey of 63 'council leaders'.

This report is a useful reference for the Council when preparing its 2012/13 AGS and accounts.

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published '[Auditing the Accounts 2011/12](#)'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Executive Director of Finance and Corporate Resources identified the key risks for the authority in preparing the 2012/13 financial statements?
- Has your Executive Director of Finance and Corporate Resources produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

'Striking a balance: improving councils' decision making on reserves

In December, the Audit Commission published '[Striking a balance: improving councils' decision making on reserves](#)'. The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- Are your officers providing you with the right information about reserves?
- Have you considered the findings of the report and identified where actions are required?

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published '[Tough times 2012: Councils' financial health in challenging times](#)'. This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- Have you considered the findings of the report and any actions required?

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BENEFITS INVESTIGATIONS October 2012 – March 2013

Relevant Portfolio Holder	Cllr Roger Hollingworth
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

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

2. RECOMMENDATIONS

**The Committee is asked to RESOLVE that
subject to any comments, the report be noted.**

3. KEY ISSUES

Financial Implications

3.1 There are no specific financial implications.

Legal Implications

3.2 There are no specific legal implications.

Service/Operational Implications

3.3 Within the Finance and Resources Service there is a dedicated counter fraud team whose purpose is to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Authority. This report gives performance information for the team from 1 October 2012 to 31 March 2013.

Background

The Benefits Service decides entitlement to Housing Benefit and Council Tax Benefit in the local area.

3.4 During the period September 2012 to February 2013 there were around 3790 live Housing Benefit claims and 5325 Council Tax Benefit

AUDIT BOARD

4th July 2013

claims at anyone time. Direct expenditure for the year ending 31 March 13 was £15,667,213 in Housing Benefit and £5,667,156 in Council Tax Benefit. 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 Benefit are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who is working. During the year ending 31 March 2013 overpayments of £343,752 in Housing Benefit and £166,321 Council Tax Benefit caused by claimant error were identified.

- 3.5 The Fraud Team comprises a manager, two investigation officers and a support officer. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.

Activity

- 3.6 During the period this report covers 76 fraud referrals were received and considered for investigation by the team.
- 3.7 27 of the referrals came from data-matching through the Housing Benefit Matching Service (HBMS) which is a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records.
- 3.8 30 of the referrals were from official sources. 5 of these were joint working invitations received from the DWP and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.9 The remaining 19 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 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.

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- 3.10 Many fraud referrals relate to benefits paid by both BDC and the DWP. In these cases, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources by preventing duplicate investigation work.
- 3.11 62 Investigations were closed during the period and fraud or error was established in 50 of these.
- 3.12 4 customers were prosecuted. The offences in 3 of these cases related to undeclared work and the other to an undeclared partner.
- 3.13 Cautions were accepted by 23 customers. The offences in 18 of these cases related to work, either undeclared totally or increases in earnings that hadn't been reported. 1 case related to an undeclared partner, 2 cases to non-dependants in the property, 1 to Tax Credits and the other to undeclared pensions.
- 3.14 An administrative penalty was accepted by 1 customer for failing to declare capital.
- 3.15 The remaining 22 cases were closed without sanctions. 18 of these were classed as claimant error or were cases where fraud had been proven but a sanction was not considered appropriate. In 3 cases where HMBS had identified that the DWP benefits that our claims were based on had ceased, there was no change to benefit entitlement after revised income details were included in the claim. Although fraud could not be proven on the final case, the claim came to an end and the investigation was considered to be the causal link to this.

Impact on other areas

- 3.16 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon overpaid Housing Benefit and excess payments of Council Tax Benefit. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments. Unfortunately the amounts identified by fraud investigations during this period are included in the figures in 3.4, they cannot be correctly identified separately for inclusion in this report but will be available for the periods of future reports.

Future plans

- 3.17 Although the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans came into force on 1 April 2013, there has been no noticeable impact upon the team. 4 Pilot

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sites have been trialling various ways of working and it is hoped that receive feedback from these. Regular updates are provided by the DWP but little detail is currently available.

The legislation to allow Local Authority Investigators working within SFIS pilots to fully investigate Tax Credit or DWP only cases has been put into place. The latest newsletter provided the following timescale for full implementation of the service.

November 2012

The SFIS Pilots go live and will remain operational in 2014/15.

April 2013 – March 2014

All work on Benefit Fraud investigation activity in HMRC, DWP and LA's will be branded as SFIS from April 2013.

Full evaluation of the pilots and sign off of the final design of SFIS

April 2014 – March 2015

Rollout of the final SFIS Design including IT solutions across the remaining LA's, areas of DWP and HMRC that were not part of the Piloting or Pathfinder activity in 2013/14.

- 3.18 The introduction of the Council Tax Reduction (CTR) scheme also has implications for the team. Many of the powers currently used are applicable only under Social Security legislation and because CTR does not fall within this, they cannot be used for investigation. Regulation and powers to allow investigation have been introduced and will need to be incorporated into the local CTR scheme.

Customer / Equalities and Diversity Implications

None specific.

4. RISK MANAGEMENT

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

5. APPENDICES

Sanctions comparison compared to other districts in the County.

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Example cases

Additional demographic information

6. BACKGROUND PAPERS

None

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APPENDIX 1

**County investigation and sanction comparison
April 2012 – March 2013**

Description	Number
No. of Investigations closed	
Bromsgrove	108
Malvern Hills	69
Redditch	294
Worcester	149
Wychavon	135
Wyre Forest	273
No. of Cautions accepted	
Bromsgrove	32
Malvern Hills	11
Redditch	47
Worcester	43
Wychavon	19
Wyre Forest	4
No. of Admin Penalties accepted	
Bromsgrove	6
Malvern Hills	4
Redditch	0
Worcester	5
Wychavon	5
Wyre Forest	10
No. of Prosecutions successful	
Bromsgrove	7
Malvern Hills	7
Redditch	10
Worcester	21
Wychavon	12
Wyre Forest	11

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APPENDIX 2

Example cases.

360070288

A 27 year old woman was prosecuted for falsely claiming Income Support, Housing Benefit and Council Tax Benefit by failing to declare that she was living with her partner who was in full time work.

This investigation was started by the DWP who invited BDC to join them after they obtained sufficient evidence to show that the allegation seemed founded. The prosecution was conducted by the Crown Prosecution Service who act on behalf of the DWP in their prosecutions.

Following investigation a decision was made that the woman was not entitled to the benefits claimed between August 2010 and November 2011 and overpayments totalling £4,160.59 were calculated.

The customer was sentenced to a 6 month supervised community order. The overpayments are being recovered by deductions from current benefit entitlement.

360044214

A 55 year old man accepted an administrative penalty as an alternative to prosecution for failing to declare capital.

This case was referred for investigation by the Benefit Team after the customer attended the Customer Service Centre to advise that he had been claiming Council Tax Benefit incorrectly along with DWP benefits. The DWP had identified the capital through informal investigations and in line with their policy gave no consideration to a sanction.

Taking all factors into consideration it was decided appropriate to offer the financial penalty as an alternative to prosecution on the overpaid Council Tax Benefit of £8,868.62.

The penalty was accepted and full payment of the penalty and repayment of the overpaid benefit was made at the time of the interview.

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4th July 2013

359160216

A 40 year old woman accepted a caution for offences of falsely claiming Housing Benefit of £1,540.41 and Council Tax Benefit of £474.77 by failing to declare increases in her earnings and Tax Credits.

This referral was received through the Housing Benefit Matching Service after a match identified that there had been no change in earnings for at least 12 months. The case was referred for review initially then passed for further investigation once the undeclared changes had been identified.

The overpayment is being recovered through deductions from current benefit entitlement.

359207153

A sanction was not considered appropriate following an investigation into a claim from a 45 year old woman who failed to declare that her non-dependant son was living in her household. An overpayment of £601.18 was calculated after the Benefit Officer was satisfied that the evidence was sufficient for him to be included in the claim. The evidence was insufficient to prove the offences beyond reasonable doubt and it was therefore inappropriate to consider a sanction in this case.

The overpayment will be recovered from future benefit after recovery of a previous overpayment has been completed.

This investigation started as a result of an exercise which was carried out on claims from single who were not receiving the single person discount on their Council Tax account.

AUDIT BOARD

4th July 2013

APPENDIX 3

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	No of dep children	Tenancy type	Area	Fraud type	Outcome
F	Single	0	CT only	Hollywood	work	CAUTION
f	Single	0	HA	Catshill	work	CAUTION
f	Single	0	CT only	Wythall	work	CAUTION
f	Single	0	CT only	Charford	work	CAUTION
f	Single	0	HA	Norton	non-dep	CAUTION
m	Single	0	P/T	Marlbrook	work	CAUTION
m	partnered	2	CT only	Clent	work	CAUTION
f	Single	3	P/T	Rubery	Undec'd partner	CAUTION
f	Single	0	P/T	Catshill	work	CAUTION
f	partnered	2	HA	Hollywood	work	CAUTION
m	partnered	2	CT only	Slideslow	work	CAUTION
m	partnered	0	HA	Charford	work	CAUTION
m	partnered	2	HA	Whitford	non-dep	CAUTION
m	partnered	1	HA	Catshill	work	CAUTION
m	Single	0	P/T	Stoke Prior	work	CAUTION
m	Single	0	P/T	Tardebigge	work	CAUTION
m	Single	0	P/T	Stoke Prior	work	CAUTION
m	partnered	1	CT only	Rednal	work	CAUTION
m	partnered	0	CT only	Rednal	pension	CAUTION
f	Single	1	P/T	Sidemoor	work	CAUTION
f	Single	1	HA	Catshill	work	CAUTION
f	partnered	2	HA	Sidemoor	tax credits	CAUTION
f	Single	2	P/T	Catshill	work	CAUTION
m	Single	0	CT only	Alvechurch	capital	AD PEN
f	Single	2	P/T	Walkers Heath	work	PROSECUTION
f	Single	0	P/T	St Johns	work	PROSECUTION
f	Single	0	HA	Sidemoor	work	PROSECUTION
f	Single	3	P/T	Rubery	Undec'd partner	PROSECUTION

AUDIT BOARD

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The latest National Statistics compiled by the Department for Work and Pensions using claim data supplied by Bromsgrove District Council show claim data to be as follows.

	No.
All Housing Benefit claims	3,809
Social sector rented Housing Benefit claims	2,808
Private sector rented Housing Benefit claims	995
All Council Tax Benefit claims	5,280
Both Housing Benefit and Council Tax Benefit claims	3,410
Council Tax Benefit only claims	2,060
Housing Benefit only claims	400

AUDIT BOARD

Date: 4th July 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	Teresa Kristunas Head of Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

1. SUMMARY OF PROPOSALS

1.1 To present:

- the monitoring report of internal audit work and performance as at 31st May 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 May 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:

Creditors

The review was a full system audit concentrating on the controls over the creditors system as operated from the point when the purchase order is raised to the point the payment is recorded in the ledger. The audit did not look at the procuring of goods and services. The review found there is a generally sound system of internal control in place but that testing identified isolated weaknesses in the design of controls and inconsistent application of controls in one particular area. Because the Creditors' system is fully automated, the controls around the raising of orders through to the invoice authorisation were adequate. The controls around the reconciliation of the Creditor's system were also tested and it can be confirmed that they were sufficient and reliable to produce a true and accurate reflection of the Creditor's position on a monthly basis. However an area where the system could be further controlled to reduce the risk to the Council was regarding new suppliers' details.

Final Report Issued: 1st March 2013

Assurance: Significant

Parks and Open Spaces

The review was a limited systems review of Sanders Park concentrating on the areas of the pavilion and café including, income collection and contractual and management information. The review found weaknesses in relation to procedures in respect of purchasing of low value items from income and regularity of bankings. Regular meetings are taking place with the Contractors who run the Café under a Service Level Agreement so that any issues identified can be addressed in a timely manner. At the time of the audit some issues regarding the supplying of information by the contractors to the Council were identified but have now been addressed and are being monitored to ensure compliance, and, new systems and procedures along with staff training was planned for the start of the season (1st April 2013).

Final Report Issued: 18th March 2013

Assurance: Moderate

ICT

The review was a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring. The review found there is generally a sound system of internal control in place for the areas of work reviewed during the audit. Testing identified isolated weaknesses in some areas of control including no risk register entry for the ICT Shared Service, no procedure documentation and no formal periodic review. The management of the inventory, and the stock replacement and disposals programmes is considered satisfactory for the needs of the organisation, although the process would be strengthened by the development of procedure documentation and the introduction of a formal periodic inventory review.

Final Report Issued: 26th February 2013
Assurance: Significant

Asset Management

The review was a risk based systems review seeking assurance on the accuracy of the records maintained for recording Fixed Assets with regards to both the Fixed Asset Register and other service department registers. All land and property valuations are performed under a service level agreement with Worcestershire County Council. The review concentrated on areas including assets per the Fixed Asset Register are owned by Bromsgrove District Council, there are procedures in place for Acquisition and Disposal of Assets, Valuation of Assets as well as assets per the Fixed Asset Register are reconciled to other asset records held e.g. the land and property database maintained by the Property Section and there is evidence to support this. It found there is generally a sound system of internal control in place for managing assets. Processes are in place for the reconciling of the property registers and Insurance database to the main Fixed Asset Register. However, procedures for service areas to notify the Insurance Officer of vehicle changes are not formalised and although weaknesses were identified there was minimal risk found.

Final Report Issued: 21st March 2013
Assurance: Significant

Renovation Grants

The audit consisted of an independent evaluation of the new methods and approach taken by managers in processing and assessing renovation grants (including festival Housing and DFGs) as operated by Bromsgrove District Council. The new process was introduced because of the transformation process that brought about the Shared Service between Redditch Borough Council and Bromsgrove District Council being introduced from the 1st of April 2012.

Final Report Issued: 2nd April 2013
Assurance: N/a ~ Critical Friend

Cemeteries ~ Bereavement Services

The review was a full system audit concentrating on adherence with regulatory requirements including documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information. The review found although controls are working effectively improvements that can be made in the overall system of internal control particularly with regard to publication of fees & charges and the deposit of remittances. It was noted that invoices for funeral directors are raised directly via Agresso and this ensures that the automated recovery action is followed and action escalated when invoices remain unpaid. This has helped to ensure that debts in this area are kept to a minimum.

Final Report Issued: 26th April 2013
Assurance: Significant

Council Tax

The review was a full systems audit concentrating on the controls within the Council Tax system in connection with key areas such as discounts, recovery of debt, write offs and system access. The review found there is a generally sound system of internal control in place for the administration of Council Tax accounts, but testing identified isolated issues with system controls in a small number of areas. It is understood that transformation changes have resulted in delays with several elements of work, including the identification and processing of write-offs and the updating of recovery procedures. Other issues highlighted included the review of discounts and exemptions, and the monitoring of updates to system records following reviews by the Valuation Office.

Final Report Issued: 22nd May 2013
Assurance: Significant: Significant

Non Domestic Rates

The review was a full systems audit concentrating on the controls within the Non Domestic Rate system in connection with key areas such as discounts, recovery of debt, write offs and system access. The review found there is a generally sound system of internal control in place for the administration of Non-Domestic Rates accounts, but testing identified isolated issues with system controls in a small number of areas. It is understood that transformation changes have resulted in delays with several elements of work, including the identification and processing of write-offs and the updating of recovery procedures. Other issues highlighted include the monitoring and management of updates to system records following reviews by the Valuation Office.

Final Report Issued: 22nd May 2013
Assurance: Significant

Post Room ~ Processing of Documents

The review critically assessed changes implemented following a Transformation Review to ensure all incoming and outgoing post handled by the Post Room is promptly and securely distributed, confidential, valuable documents and material is handled or distributed in an appropriate manner and payments received are securely processed and receipted. The review did not include an assessment of post room staffing/resources, except where they were relevant to achieving the above objectives. The review was a critical friend appraisal which identified there is a generally sound system of internal control in place following transformation. Some small isolated weaknesses were identified which included post delivered by the Post Office early in the morning is not left in a secure place, documents for Worcestershire Regulatory Services are not scanned in per the service Level Agreement and with the exception of Freedom of Information requests; post room staff do not date stamp documents.

Final Report Issued: 22nd May 2013
Assurance: N/a ~ Critical Friend

Risk Management

The review was modified from a limited scope audit to a critical friend audit due to the stage the merging of the risk registers was at. The review was an independent evaluation of the new methods and approach taken by managers in ensuring the shared services risk management implementation is adequate and covers all risks at Bromsgrove District Council. The review found there is satisfactory evidence of regularly planned monitoring of the risk registers. This process is being led by the Head of Resources with regular updates being passed to the Risk Management Monitoring Group. Overall, good progress has been made with the implementation of the new system. There have been clear distinctions made for both corporate and operational risks with adequate monitoring from the External Risk Management Consultant and the Head of Finance & Resources. Adequate training has been provided for the Councils' Audit Board Members and staff directly involved with the Risk Register.

Final Report Issued: 22nd May 2013
Assurance: N/a ~ Critical Friend

Markets

The audit was a limited scope and covered the activities and security of revenue collection into Bromsgrove District Council. The market is managed as part of a shared service hosted by Wyre Forest District Council. An SLA is in place between the two councils for the services provided and this has been fully operational since 1st April 2012. The review found there are several weaknesses within the control environment which is exposing the Council to financial risk and possible reputational damage. Recommendations have been made below to improve controls over areas such as cash collection, documented market

procedures, reconciliations, trader's public liability insurance and management reporting. To allow security, comfort and a safe working environment for the staff, a Market Office was introduced in November 2012. During the audit it was already noted that this has given some stability to the day to day processes and should assist in rectifying the audit findings.

Final Report Issued: 21st March 2013
Assurance: Limited

Cash, Bank Reconciliations and General Ledger

The review was a full systems audit concentrating on the Cash collection system as operated by Bromsgrove District Council at the time of the audit from the point where the cash is collected, to being entered onto the main ledger, and, it being reflected in the Bank reconciliations. The review found there is a generally sound system of internal control in place but our testing has identified isolated weaknesses in the inconsistent application of controls in a small number of areas e.g. bank analysis and journal transfers. The cash handling procedures including the banking process are adequately controlled by the Cashier's team. There was sufficient evidence to show that the interfaces between Cash receipting system (CIVICA Icon) and the General ledger system (Agresso) are being monitored adequately, with sufficient contingency plans in the case of a failure of the daily interfaces. The Bank Reconciliation process was also tested and we can confirm that the controls in place are adequate to ensure information received from the Council's bank accounts match with the General Ledger entries and the Cash Receipting systems. There were no high or medium priority recommendations.

Final Report Issued: 11st March 2013
Assurance: Significant

Budgetary Control and Strategy

The audit was a risk based systems review concentrating on the Budgetary Control and Strategy. The purpose of the audit was to provide an assurance that sound controls and practices were evident in the budgetary control process as operated by Bromsgrove District Council. The review found the overall system of control is good in particular the budget monitoring arrangements. Identified improvements can be made regarding virements in particular the retention of supporting documentation to confirm adjustments made. The audit did not cover the management information provided and access to the financial management from a budget holder's perspective.

Final Report Issued: 26th April 2013
Assurance: Significant

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
Creditors 2012/13	Significant
Parks and Open Spaces 2012/13	Moderate
ICT 2012/13	Significant
Asset Management 2012/13	Significant
Renovation Grants 2012/13	N/a ~ Critical Friend
Cemetery and Crematorium 2012/13	Significant
Council Tax 2012/13	Significant
NNDR 2012/13	Significant
Post Room Processing	N/a ~ Critical Friend
Risk Management	N/a ~ Critical Friend
Markets	Limited
Cash, Bank Reconciliation and General ledger	Significant
Budgetary Control and Strategy	Significant

2012 – 2013 AUDITS NEARING COMPLETION 31st MAY 2013

Climate Change (Draft Report Stage)

The audit is a risk based systems review of limited scope. The review is to concentrate on areas including the utilisation of funding by Bromsgrove District Council, monitoring of savings and repayment of funding as per agreement. The review will assess the eligible projects have been identified to maximise the use of available grant and Salix funding, in accordance with determined criteria along with effectively monitoring of performance and promotion.

Regulatory Services ~ Licensing Income (Draft Report Stage)

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

Housing and Council Tax Benefits (Draft Report Stage)

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

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

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.

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

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

Land Charges

The review will be a full system audit. The review will concentrate on areas of the Land Charges including Fees charged are in accordance with the Council's agreed scale of fees, Income received is properly accounted for and can be easily identified in the Councils Main Ledger, all deletions and additions to the Register are properly authorised including charges on property, searches are carried out on fully completed applications and within agreed local timescales and Information and data whether electronic or hard copy are properly protected and held securely for an agreed period. This audit will not cover the setting of fees and charges.

Environmental Enforcement

The review will be a critical friend review concentrating on the Community Safety/Environmental Enforcement system as it is provided by Bromsgrove District Council including areas such as resources are effectively allocated between the different roles and responsibilities to meet the needs of the community, e.g. Community Safety and Environmental Enforcement, management Information is available on a timely basis, reported to Senior Managers and Members, and is used to improve and develop the service and Fixed Penalty Notice income is only used by the council in line with regulations.

ANTI-FRAUD AND CORRUPTION SURVEY.

The anti fraud and corruption survey was completed by Internal Audit and submitted on the 17th May 2013 in respect of financial year 2012/13. The survey examined several key anti fraud measures that exist within the Council. There were no significant weaknesses identified by the survey.

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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 May 2013 a total of 18days 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.

3.5 OTHER KEY AUDIT WORK

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

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

Recruitment

- 3.6 Due to natural turnover WIASS currently has two establishment posts vacant which it will actively be recruiting for in June 2013. 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 2013/14plan for Bromsgrove District Council andwill continue to take active steps to achieve this.

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 an example of a finalised audit report and a 'critical friend' report.

6. BACKGROUND PAPERS

Individual Internal Audit reports.

7. KEY

N/a

AUTHOR OF REPORT

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APPENDIX 1

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

Audit Area	2013/14 PLANNED DAYS	DAYS PLANNED TO THE END OF THE 1st QUARTER	DAYS USED TO 31/05/13
Core Financial Systems (*Note 1)	87	0	0
Corporate Audits	68	0	0
Other Systems Audits (*Note 2)	109	35	14
TOTAL	264	35	14
Audit Management Meetings	15	3	2
Corporate Meetings / Reading	5	1	1
Annual Plans and Reports	8	2	1
Audit Board Support	8	2	0
Other chargeable	0	0	0
TOTAL	36	8	4
TOTAL	300	43	18

***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. An explanation as to the short fall against the projected days is provided at paragraph 3.6 above and the situation is being addressed.

***Note 2**

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

KEY PERFORMANCE INDICATORS 2013/14

APPENDIX 2

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

	KPI	Target	Frequency of reporting	As at 31st May 2013
1	% Plan delivered excluding overruns	90% for year	Quarterly	6%
2	Customer satisfaction surveys	90% Good or above	Quarterly	None returned at time of publishing
3	Number of audits delivered compared to plan	Minimum 15	Quarterly	2013/14 0
4	Annual survey of Internal Audit Service	Good or above	Annually	Monitored by the client Officer Group

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

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
<p>Full Assurance</p>	<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>
<p>Significant Assurance</p>	<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>
<p>Moderate Assurance</p>	<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 it’s 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>
<p>Limited Assurance</p>	<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>
<p>No Assurance</p>	<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>

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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.

‘High’ & ‘Medium’ Priority Recommendations Summary

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Parks and Open Spaces (Sanders Park)					
The review was a limited systems review of Sanders Park concentrating on the areas of the pavilion and café including, income collection and contractual and management information.					
Overall Assurance: Moderate					
New matters arising					
1	M	<p><u>Internal Check - Banking</u></p> <p>The banking of income is not always occurring as per agreed procedures.</p> <p>Procedures state that banking of income should be undertaken weekly as a minimum and twice weekly during the peak season.</p> <p>However some weeks the takings are nominal.</p>	<p>In efficient working practises leading to unnecessary resource pressures on the Service.</p>	<p>Procedures for bankings to be reviewed to ensure that they are adequate.</p> <p>The insurance levels for cash and cheques held at SandersPark to be reviewed in line with the above to ensure that it has been set at a level that is efficient for the service while protecting the interests of the Council.</p>	<p>Responsible Manager: The banking procedure has been reinforced with operational staff and the requirements for banking practice reaffirmed by line manager. Weekly banking procedure has now been reviewed in line with audit recommendations and will commence at the beginning of the new season – March 2013. Advice has been sought as to the threshold of insurance levels and process for ‘end of day’ records and ‘weekly banking’.</p> <p>Implementation date: Staff training completed with new systems and procedures implemented and on-going meeting with the team planned throughout the season.</p>

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2	M	<p><u>Incomplete Banking Records</u></p> <p>Deductions have been made from income to make sundry purchases at the Park Pavilion Site.</p> <p>These were for low value items.</p>	<p>Unaccounted income in the financial records.</p>	<p>Procedures to be introduced for the purchasing of low value items for example a petty cash float.</p>	<p>Responsible Manager: Deductions were made for emergency repairs during the event season, a new procedure in line with the audit recommendation will be implemented in the new season commencing March 2013 with the use of a GPC card allowing for emergency purchases, reviewed and recorded within weekly banking procedure and audit.</p> <p>Implementation date: Staff training completed with new systems and procedures implemented and on-going meeting with the team planned throughout the season..</p>
3	M	<p><u>Contractor Check.</u></p> <p>The Operating Agreement states that the contractor will not:-</p> <p>'allow any employee to</p>	<p>Reputation damage from unclear requirement of contractors.</p>	<p>The requirement for CRB checks is to be clarified and if they are not required then this should be noted along with the reasons and</p>	<p>Responsible Manager: To safeguard any liability to the council this requirement remains on the agreement with the contractor.</p>

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		<p>commence work at the Premises until a clear Criminal Records Bureau report in respect of such employee have been supplied to the Council's Parks and Recreations Officer'</p> <p>Although Bromsgrove District Council has requested copies of CRB checks these have as yet not been received. Clarification is being sought as to whether CRB checks are required in these situations.</p>		<p>retained with the Service Level Agreement.</p>	<p>The contractor has been made aware of the requirement and certificates are pending prior to the commencement of the main parks season March to September.</p> <p>Certificates will be kept on file by the contract manager.</p> <p>Implementation date: On-going through the length of current agreement with certificates supplied as required by March 2013.</p>
Creditors					
The review was a full system audit concentrating on the controls over the creditors system as operated from the point when the purchase order is raised to the point the payment is recorded in the ledger. The audit did not look at the procuring of goods and services.					
Overall Assurance: Significant					
New Matters Arising					
1	M	<p><u>Exception Reports</u></p> <p>Reports which detail new suppliers, amendments and deletions are not currently produced for management review.</p> <p>In addition, the audit carried out</p>	<p>There is a risk of financial loss to the Council by paying to the wrong supplier.</p>	<ul style="list-style-type: none"> • Exception reports that detail new suppliers, amendments and deletions are produced on a quarterly basis. • The reports are subject to management review 	<p>This exception had not been completed due to essential high priority work required during the year, which included transformation work in the Shared Services. It has been confirmed that the same</p>

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		in November/December 2012 found insufficient evidence to show that an independent member of staff is verifying the raising of a new supplier to the Creditors system.		for content and reasonableness prior to the payment run. <ul style="list-style-type: none"> Raising of new suppliers and/or deletion of existing creditor requests must be appropriately documented and authorised. 	response from the previous year would be carried forward, i.e.: <ul style="list-style-type: none"> A 'pilot' exercise will be carried out for a trial period of 3 months. Reports will be produced and be subject to risk based reasonableness checks. At the end of the trial period to become either a 'business as usual activity' or be discontinued. If discontinued, the reason will be recorded. <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: April 2013</p>
Asset Management					
The review was a risk based systems review seeking assurance on the accuracy of the records maintained for recording Fixed Assets with regards to both the Fixed Asset Register and other service department registers. All land and property valuations are performed under a service level agreement with Worcestershire County Council.					
Overall Assurance: Significant					
New matter Arising					
1	M	Vehicle Insurance Details			
		During a comparison	Waste of resources	A process to be	Management Action:

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		of vehicle insurance records and the asset register it was found that there was at times a substantial delay in adding or removing vehicles on the Council's insurance policy. Although this is not deemed to be a significant risk as all vehicles would be covered under the blanket policy there is an opportunity for vehicles not to be removed and therefore potentially cause higher premiums at renewal. It is evident that the process of notifying Finance is not working correctly.	chasing acquisitions and disposals. Potential overpayment of insurance premium.	introduced that ensures vehicles acquired or disposed of are timely reflected on the insurance application.	The process for updating insurance records is being moved to the depot that controls the purchase/disposal of vehicles. Work has commenced but awaiting input from Zurich to set up new users. Responsible Manager: Financial Services Manager Implementation date: 30 th August 2013
Cemeteries ~ Bereavement Services					
The review was a full system audit concentrating on adherence with regulatory requirements including documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information.					
Overall Assurance: Significant					
New Matters Arising					
1	H	<u>Fees & charges</u> Incorrect fees & charges (i.e. as at April 2011) are displayed on the web site.	Incorrect information to the public/ potential for incorrect charging leading to reputational damage	Procedures ensure that the web site is updated when fees & charges are approved by Council.	Agreed. Responsible Manager: Bereavement Services Manager Implementation date: 31 st May 2013
2	M	<u>Paying in of Remittances</u>			Agreed.

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		<p>Proforma paying in slips are not always adequately completed (e.g. dated) & are not always accompanied by evidence of receipt (i.e. cashiers receipt).</p> <p>In addition income received at the cemetery office is paid in to the Bromsgrove cashiers using unnumbered paying in slips.</p>	<p>Reputational Damage and loss of income</p>	<p>Staff to be reminded that Proforma paying in slips must be properly completed and cashiers receipts attached to provide a complete audit trail of transactions. Consideration to be given to Proforma paying in slips being sequentially numbered for control purposes.</p>	<p>Responsible Manager: Bereavement Services Manager</p> <p>Implementation date: Immediately</p>
<p>ICT The review was a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring. The review found there is a generally a sound system of internal control in place for the areas of work reviewed during the audit</p>					
<p>Overall Assurance: Significant</p>					
<p>New Matters Arising</p>					
1	M	<p>There is no formal process for periodically reviewing the ICT inventory, to ensure all equipment can be accounted for.</p>	<p>Inadequate monitoring leading to unnoticed theft, potentially leading to financial loss or reputational damage.</p>	<p>ICT equipment records should be checked on an annual basis, to ensure information held is correct.</p> <p>Instances of missing equipment should be investigated and reported to management.</p>	<p>Management Response: Process to be in place to annually check ICT inventory to ensure information is correct.</p> <p>Responsible Manager: ICT Operations Manager</p> <p>Implementation Date: 31.03.2013</p>
2	M	<p>There is currently no procedure document stating the process for disposing of computer and other electronic equipment.</p>	<p>Mismanagement of disposals resulting in loss of business information leading to reputational damage and financial loss,</p>	<p>There should be a procedure document which clearly states the process for disposing of equipment.</p>	<p>Management Response: Procedure document to be written.</p> <p>Responsible Manager:</p>

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			and possible contravention of current electronic disposal legislation.	This disposal procedure should indicate the need to identify when each inventory item has been disposed, to ensure approval for all disposals has been received, and also to obtain appropriate destruction certificates for each collection by an approved third party.	ICT Operations Manager Implementation Date: 31.03.2013
3	M	There is currently no risk register entry for the ICT Shared Service. There is a corporate 4Risk review process underway for the organisation, which aims to address this issue.	Lack of corporate understanding and mitigation of the risks associated with the ICT Shared Service, leading to potential financial loss or reputational damage, & service interruption.	The work underway to address the Risk Register should be completed to ensure appropriate measures have been considered to address the inherent risks associated with ICT. The risk register entries should be reviewed on a continual basis.	Management Response: Awaiting corporate decision meeting rearranged by 4risk. Responsible Manager: ICT Operations Manager Implementation Date: 01.04.2013
Markets					
The audit was a limited scope and covered the activities and security of revenue collection into Bromsgrove District Council. The market is managed as part of a shared service hosted by Wyre Forest District Council. An SLA is in place between the two councils for the services provided and this has been fully operational since 1st April 2012.					
Overall Assurance: Limited					
New Matters Arising					
1	H	Insurance Documents			
		All traders on the Market are	The Council could be	It is recommended that:	Management Response:

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		<p>required to hold current insurance that includes public liability of £5m. Only 4 copies of an insurance certificate were found out of a sample of 10.</p>	<p>subject to litigation claims should a stallholder not present the required insurance.</p>	<ul style="list-style-type: none"> • Traders are only allowed to trade on the markets after production of a current and valid certificate of public liability insurance, in accordance with market regulations. • The Market Operative to regularly review insurance documentation to ensure there is no lapse of current certification. Stallholders must be advised that they will not be allowed to continue trading after insurance cover expires. 	<p>The Market Operatives, who allow traders onto the market, have been reminded of their responsibility to ensure traders produce a current and valid PLI certificate prior to trading. Also a reminder system will be set up to ensure certificates which are approaching expiry date are renewed as required.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p> <p>Implementation date: 16th August 2013</p>
2	H	<p>Cash Collection</p> <p>Out of a sample of 20 daily cash collections reviewed the following were noted:</p> <ul style="list-style-type: none"> • There were 4 instances where the amount banked was higher than the physical written receipts. 	<p>The inconsistency in the written receipts and the banking of the daily cash may cause a financial and reputational risk.</p>	<p>All stallholders must have a written receipt. The office copies to be filed for review and audit purposes with the used banking books.</p> <p>Cash must always be</p>	<p>Management Response: The Senior Market Operative and Market Operatives, who allow traders onto the market, have been reminded of their responsibility to give all stall holders/traders a written receipt and to file the office</p>

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		<ul style="list-style-type: none"> Written receipts could not be located for one sampled date. On a further date the Farmers Markets receipts could not be located 3 instances of gaps in the receipt numbers were found that could not be explained One instance where the daily takings on a Saturday had not been banked until the following Tuesday <p>It was noted that many of the above inconsistencies were prior to the new market office being introduced. As such it is noted that the ability to maintain a filing system and paperwork flow has increased with the new facility.</p>		<p>placed in the night safe and not kept in an office or taken off premises overnight. There is no safe facility to ensure security in the market office so there must be clear instruction for the safe keeping of the cash.</p>	<p>copy.</p> <p>Any previous irregularities with this process should be avoided following the opening of the market office in November 2012.</p> <p>A process for the safe keeping of cash will be worked up, approved by Internal Audit, put in writing and imparted to the Senior Market Operative and Market Operatives.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p> <p>Implementation date: 16th August 2013</p>
3	H	<p>Market Procedures and relative paperwork</p> <p>There are no documented Bromsgrove Market procedures for use by the</p>	<p>Risk of litigation for non-compliance with legal requirements.</p>	<p>Full relevant procedural documentation to be produced and agreed</p>	<p>Management Response: Whilst there are established procedures in place for</p>

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		<p>staff. This includes but is not limited to the following:</p> <ul style="list-style-type: none"> • Current stallholder details including current insurance certificates. • Expected daily allocation sheets including stallholder absences and back fills • Cash collection and banking procedures including appropriate completed paperwork. • Dealing with poor stallholder behaviour and/or limiting trading. • Setting up and removal of the market stalls. • Health and Safety training records and appropriate risk assessments. • Appropriate Record Retention periods. 	<p>Staff changes leading to an inconsistent approach in customer service and loss of revenue.</p>	<p>covering all legal requirements, day to day running of the market and record control. This should be in an appropriate format for use by the staff, e.g. a bullet point approach with screen pictures and copied documents rather than a manual. All relevant paperwork should be securely held for future reference</p>	<p>running the market, it is accepted that not all of these are currently documented.</p> <p>Management are aware of this situation and were proposing to address the same in the run up to the planned refurbishment of the High Street which is to include a new layout for the Market.</p> <p>Indeed elements of implementing the procedures – including the completion of a 2013 Risk Assessment and dealing with poor stallholder behaviour within a re drafted set of Market Regulations, have taken place. Management will work with the Operatives to develop a set of written procedures in accordance with the recommendations of this audit.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p>
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					Implementation date: 16 th August 2013
4	M	<p>Management Information</p> <p>No management information has been located surrounding the performance of the market that would assist in the correct decisions to be made to ensure the market is maintained for future years.</p>	<p>Inability to manage the market process and plan for the future potentially leading to poor decision making and financial loss.</p>	<p>Appropriate management information and controls to be introduced such as:</p> <ul style="list-style-type: none"> • Stallholder payment performance. • Monthly market revenue and stall allocation in conjunction with trends for the year and against seasons for the previous years • Performance analysis against other open air markets to show value for money is being achieved for the Council. 	<p>Management Response:</p> <p>When the Shared Service took over the running of the Market, the current Management was not advised of the existence of “management information” or of any requirement to introduce the same.</p> <p>Whilst Management is prepared to consider introducing “management information”, some guidance is required from the Shared Service Client Management Group as to a) whether management information is required and b) what this might include.</p> <p>Recording data and analysing trends could be undertaken.</p>

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					<p>However, <i>Stallholder payment performance</i>, for example, is considered irrelevant as all traders pay for their stall either on the day or at least weekly which results in a consistent 100% payment performance.</p> <p>Similarly, given that all outdoor markets operate under different circumstances and are subject to a host of variants, it is considered unrealistic to benchmark this Market against other operations.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p> <p>Implementation date: 16th August 2013</p>
5	M	<p>Terms & Conditions</p> <p>It was found that the Bromsgrove High Street Market Terms & Conditions were not dated or contained</p>	<p>Out of date Terms & Conditions used causing reduced customer service and reputation</p>	<p>Terms & Conditions to be dated and with version control to ensure that superseded</p>	<p>Management Response: The current Market Terms and Conditions have now been dated as at April 2012.</p>

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		valid version control.	risk.	versions are removed from circulation and there is no confusion as to which version is current.	<p>If any changes are made to the current Conditions, prior to the introduction of the brand new Regulations following the forthcoming High Street refurbishment and subsequent relocation of the Market, then these will be dated accordingly.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p> <p>Implementation date: 16th August 2013</p>
6	M	<p>Reconciliation</p> <p>During the audit it was found that there was no reconciliation between the takings from the stallholders and the amounts received in the bank account. Daily receipts showed inconsistencies in the written receipts and the value banked. Performing a reconciliation would identify</p>	Potential for fraudulent activity leading to reputation damage and loss of income.	It is recommended that a stallholder receipt to bank receipt reconciliation is undertaken on a monthly basis and any reconciling items be investigated and resolved.	<p>Management Response: A procedure for undertaking a reconciliation as per the Recommendation will be implemented.</p> <p>Responsible Manager: Economic Development Manager North Worcestershire</p>

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		these inconsistencies that could then be eradicated.			Implementation date: 16 th August 2013
Council Tax					
The review was a full systems audit concentrating on the controls within the Council Tax system in connection with key areas such as discounts, recovery of debt, write offs and system access.					
Assurance: Significant					
New Matters Arising					
1	M	Officers undertaking reviews of discounts and exemptions on occasions are accepting a low level of evidence to support the continued application of a reduction; for example repeatedly accepting the word of neighbours.	Inappropriate discounts and exemptions applied to accounts.	Officers need to seek and record an appropriate level of evidence prior to applying account discounts and exemptions. The level of acceptable evidence to be defined.	Management Response: Levels of acceptable evidence will be defined and communicated to all staff Responsible Manager: Revenue Services Manager Implementation date: November 2013
2	M	Requests sent to the Valuation Office for property additions, deletions and amendments were not being monitored to ensure they were being actioned timely.	Potential for incorrect/untimely billing resulting in higher arrears o/s balances leading to over-stated position and reputation damage.	A system of monitoring and referring cases reported to the Valuation Office needs to be introduced.	Management Response: Noted comments – procedure for reviewing outstanding Valuation Office Notifications to be implemented.

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					<p>Responsible Manager: Revenue Services Manager</p> <p>Implementation date: August 2013.</p>
<p>NNDR The review was a full systems audit concentrating on the controls within the Non Domestic Rate system in connection with key areas such as discounts, recovery of debt, write offs and system access.</p>					
<p>Assurance: Significant</p>					
<p>New matters Arising</p>					
1	M	Although system Rateable Value totals agree to Valuation Office reports, there has been a difference between property totals since 20/06/2012.	Inconsistencies could lead to incorrect billing	An explanation should be sought for the differences in the property totals in the VO reports and Academy system.	<p>Management Response: Full list reconciliation will be run during 2013 to identify any discrepancies in the contents of the rating list and our records.</p> <p>Timetable for reconciliation of VOA list to system will be agreed.</p> <p>Responsible Manager: Revenue Services Manager</p> <p>Implementation date: 30 April 2013</p>
2	M	System outputs used to	Failure to timely pursue	Reports to monitor	Management Response:

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		monitor 'indicators' applied to accounts by Revenues Officers for suppressing further recovery action, have not been run or actioned for some time, e.g. October for 'Circumstances' indicators and December for 'Arrangement' indicators.	arrears leading to increase in arrears/ worsening collection rates.	'system indicators' which suppress recovery action to be produced and actioned timely throughout the financial year.	Will agree timetable for production of inhibits Responsible Manager: Revenue Services Manager Implementation date: 30 November 2013
3	M	Requests sent to the Valuation Office for property additions, deletions and amendments are not being monitored to ensure they are being actioned timely. Audit testing indicated that Revenues Officers were not 'closing' cases actioned correctly as a Academy system listing shows that there are 453 outstanding.	Incorrect billing resulting in higher arrears o/s balances.	System of monitoring/ re referring cases reported to the Valuation Office to be introduced.	Management Response: To be addressed as part of point 1. Responsible Manager: Revenue Services Manager Implementation date: 30 April 2013
<p>Budgetary Control and Strategy The audit was a risk based systems review concentrating on the Budgetary Control and Strategy. The purpose of the audit was to provide an assurance that sound controls and practices were evident in the budgetary control process as operated by Bromsgrove District Council.</p>					

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Date: 4th July 2013

Assurance: Significant					
New matter arising					
1	H	Not all supporting documents for virements processed during 2012/13 could be found. (e.g. virements 1001206 – 8)	Unauthorised transactions	All supporting documentation to be retained on file.	Agreed. Responsible Manager: Financial Services Manager Implementation date: 31 October 2013
2	M	System access for Agresso has not been reviewed for some time.	Inappropriate system access provided	Agresso system access to be reviewed as soon as possible.	Agreed. Responsible Manager: Financial Services Manager / Systems &Control Accountant Implementation date: 31 October 2013
3	M	Excessive number of users assigned to high level access profile.	Unnecessary high level access	Review the number of users assigned to high level system access.	Agreed. Responsible Manager: Financial Services Manager / Systems &Control Accountant Implementation date: 31 October 2013
end					

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report
Creditors 2012/13
1st March 2013

Distribution:

Kevin Dicks : Chief Executive
Jayne Pickering : Executive Director, Finance and Corporate Resources
Teresa Kristunas : Head of Finance and Resources
Sam Morgan : Financial Services Manager

1. Introduction

The audit of the Creditors system will be carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2011/12 as approved by the Audit Board on 29th March 2012. The audit will be a risk based systems review

In April 2012, the Authority merged the Bromsgrove payments team with the Redditch payments team. The Bromsgrove District Council payments team still use the fully automated system (Agresso) to run their Creditors. The management of the team has been transferred to the Redditch Borough Council Senior Payments Officer.

This review was undertaken by Fiona Ziro during November and December 2012

2. Audit Scope and Objectives

The review assessed whether the following control objectives of the Creditors were being achieved:

- Audit findings from 2011/12 have been implemented
- User access and profile to Agresso systems are appropriately controlled;
- Orders are appropriately authorised in accordance with delegated authority and are raised prior to the receipt of goods/services
- New suppliers and amendments to the creditor database are controlled effectively;
- Payments are made correctly in accordance with the Council's Financial Regulations and agreed procedures and invoices are chargeable to Bromsgrove District Council and are only paid once;
- Payments are recorded accurately and timely in the general ledger and there is a regular reconciliation between the creditor day book and the general ledger and this is done in a timely manner.
- There are adequate controls over cheques and BACS payment and a reconciliation between the creditors' day book and the BACS report and cheque run is carried out.

The review was a full systems audit. The review concentrated on the controls over the creditors system as operated by Bromsgrove District Council at the time of the audit from the point when the purchase order is raised to the point the payment is recorded in the ledger and the period from 1st April 2012 to the 31st October 2012:

The audit did not look at the procuring of goods and services

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** in this area because there is a generally sound system of internal control in place but that our testing has identified isolated weaknesses in the design of controls and inconsistent application of controls in one particular area. Because the Creditors’ system is fully automated, the controls around the raising of orders through to the invoice authorisation were adequate. The controls around the reconciliation of the Creditor’s system were also tested and it can be confirmed that they were sufficient and reliable to produce a true and accurate reflection of the Creditor’s position on a monthly basis. There are however areas where the system could be further controlled to reduce the risk to the Council regarding new suppliers’ details.

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	1
Low	0

BROMSGROVE DISTRICT COUNCIL

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Date: 4th July 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					
1	M	<p><u>Exception Reports</u></p> <p>Reports which detail new suppliers, amendments and deletions are not currently produced for management review.</p> <p>In addition, the audit carried out in November/December 2012 found insufficient evidence to show that an independent member of staff is verifying the raising of a new supplier to the Creditors system.</p>	<p>There is a risk of financial loss to the Council by paying to the wrong supplier.</p>	<ul style="list-style-type: none"> • Exception reports that detail new suppliers, amendments and deletions are produced on a quarterly basis. • The reports are subject to management review for content and reasonableness prior to the payment run. • Raising of new suppliers and/or deletion of existing creditor requests must be appropriately documented and authorised. 	<p>This exception had not been completed due to essential high priority work required during the year, which included transformation work in the Shared Services. It has been confirmed that the same response from the previous year would be carried forward, i.e.:</p> <ul style="list-style-type: none"> • A 'pilot' exercise will be carried out for a trial period of 3 months. • Reports will be produced and be subject to risk based reasonableness checks. • At the end of the trial period to become either a 'business as usual activity' or be discontinued. • If discontinued, the reason

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Date: 4th July 2013

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					will be recorded. Responsible Manager: Financial Services Manager Implementation date: April 2013

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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 it's 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>

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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.

AUDIT BOARD

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report Renovation Grants 2012/13 2nd April 2013

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Distribution:

Kevin Dicks	:	Chief Executive
Jayne Pickering	:	Director Finance and Resources
Sue Hanley	:	Deputy Chief Executive & Executive Director for Leisure, Environment & Community Services
Angie Heighway	:	Head of Community
Derek Allen	:	Strategic Housing Manager
Steve Shammon	:	Private Sector Housing Team Leader



AUDIT BOARD

1. Introduction

The audit of Renovation Grants was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13 as approved by the Audit Board on Audit Board on 29th March 2012.

From the 1st of April 2012, Bromsgrove District Council became part of the Shared Service with Redditch Borough Council in relation to all Renovation Grants processing. Prior to the shared service, the system used to approve grants (*UNI-form*) was handled by the BDC housing team. This system is no longer in use as details of applicants are recorded on a excel spreadsheet.

Bromsgrove District Council was responsible for performing the administrative duties for all applications received until June 2010. This service was then fully contracted to the Housing Improvement Agency for a three year period (31 March 2013). In 2012, this contract was extended to 31st March 2014 to ensure that there is sufficient time to cover the tendering process. This agency is one of the services provided by Festival Housing Group.

The Housing Improvement Agency charges a 10% administration charge on each closed case that they handle on behalf of the applicant and Bromsgrove District Council.

The total budget allocation for the Bromsgrove District Council Disabled Fund Grants (DFG) was £601,000 and the Home repair assistance budget allocation was £63,000 for the financial year of 2012/13

2. Audit Scope and Objectives

The audit consisted of an independent evaluation of the new methods and approach taken by managers in processing and assessing renovation grants (including festival Housing and DFGs) as operated by Bromsgrove District Council. The new process was introduced because of the transformation process that brought about the Shared Service between Redditch Borough Council and Bromsgrove District Council being introduced from the 1st of April 2012.

The review assessed whether the following control objectives of Renovation Grants are being achieved:

- To review, critically appraise and challenge workings, recording medium, assumptions, logical reasoning etcetera for each stage of the Renovation Grants (including Festival Housing Contracts and DFGs) process;
- To ensure that grants are appropriately awarded to eligible applicants in a timely manner
- To ensure that the terms of the Festival Housing contract are monitored;
- To assess the logic applied from the above process to the approval of payments to ensure consistency.

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3. Audit Opinion and Executive Summary

A number of issues resulting from audit testing and evaluation were satisfactorily addressed by the Private Sector Housing Team Leader. The majority of these related to seeking confirmation that the Strategic Housing Manager and the Private Sector Housing Team Leader were aware of the consequences of specific changes to the process of approval straight to the payments of grants, and were comfortable that decisions made could be defended.

The new process has brought about the removal of the waiting list in Bromsgrove District Council. This allows all grant applications to be dealt with as soon as the Worcestershire County Council Social Services department have reviewed the application to see what services/materials they can provide after having received a recommendation from the Occupational Therapists team (NHS Trust). It was also noted that these recommendations are now sent straight to the Housing Improvement Agency for them to start the administrative work to cut down on the time taken for the work to be commenced. Prior to this, the Worcestershire County Council Social Services used to send them to Bromsgrove District Council for them to forward onto to the Housing Improvement Agency.

Bromsgrove District Council is currently involved in a process mapping exercise that is working in partnerships with all the organisations involved in the grants process. These meetings are being held to try and implement new and eliminate unnecessary processes in the current procedure. We are aware that this will be a long process but also beneficial to the way the Council works with the other parties involved.

From the work undertaken and responses received from the Private Sector Housing Team Leader, assurance can be given that the new process in place from the 1st of April 2012 has made the grants process run more efficiently. The new process has cut down on time consuming procedures at the payment stage and ensures that the figures that are forwarded to Payments are as accurate as possible.

4. Detailed Findings and Recommendations

At present the Service Level Agreement states the time frames that should be taken by both the Housing Improvement Agency and Bromsgrove District Council at different stages of the work being done. Although Bromsgrove District Council is not currently open to any additional risk they need to take consideration in relation to having an input in improving the time taken by the Housing Improvement Agency in administering the applications passed to them by the Worcestershire County Council Social Services department.

There is no evidence of timeframes showing the time taken for applications being received from Worcestershire Council County by the Home Improvement Agency to the point of handing them over as being complete to Bromsgrove District Council for payment, being reported in detail by the Housing Improvement Agency's quarterly performance reports. The performance reports are an overview of the cases they are working on. There are also insufficient details of cases that have been left idle with or without reason for the delay.

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There is no evidence to show that regular updates of the process mapping being led by the Housing Improvement Agency are being shared or communicated with Senior Management or the Housing team members in Bromsgrove District Council. Regular updates of the Housing Improvement Agency process mapping to the Housing team will ensure that Bromsgrove District Council's working procedures are as efficient as possible in line with the proposed changes at every stage.

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AUDIT BOARD

Date: 4th July 2013

2012/13 INTERNAL AUDIT ANNUAL REPORT

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- The 2012/13 Internal Audit Annual Report for the period 1st April 2012 to 31st March 2013.

2. RECOMMENDATION

2.1 **The Board is asked to RESOLVE that the 2012/13 Internal Audit Annual Report is noted.**

3. KEY ISSUES

Financial Implications

3.1 None as a direct result 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”.

3.3 To aid compliance with the Regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that “Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources”.

Service / Operational Implications

- 3.4 As can be seen in Appendix 1 during 2012/2013 there were 284 chargeable audit days delivered. This equates to a delivery of 94.7% against a target for the year of 90%.
- 3.5 **Appendix 2** provides a breakdown of the audits completed and the overall assurance.
- 3.6 The Worcestershire Internal Audit Shared Service has achieved and delivered the full 2012/2013 internal audit plan.
- 3.7 The Internal Audit Plan for 2012/2013 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example parks and open spaces, markets and cemeteries, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.8 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.9 The purpose of the 2012/13 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports issued on a regular basis,
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit,
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.10 2012/13 was a demanding year for the Internal Audit team with the loss of a Lead Auditor early in the year, the departure of an Auditor in November 2012 who had not been in post long, the uncertainty over

the permanent appointment of the Service Manager post and a couple of office moves. There was a need to vacancy manage posts for a significant proportion of the year in order to ensure correct resourcing was available to deliver the risk based internal audit plan. In addition there was 'managed' long term sickness as well as significant unforeseen long term sickness absence within the Service which placed further pressure on the service and its ability to deliver the internal audit programme. Internal Audit has carefully managed its resource and worked with partners to deliver the full audit programme for Bromsgrove District Council for 2012/13.

Quality Measures

- 3.11 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 3.12 To further assist the Board with their assurance of the overall delivery the Worcestershire Internal Audit Shared Service conform to the Public Sector Internal Audit Standards and use the CIPFA Self Assessment questionnaire to self assess the Service on an annual basis. The outcome has indicated that there is a sound basis from which the shared service will work and which will be enhanced as certain key developments are implemented, for example the audit management software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance with the Standards or Code would be reported as exceptions to the Client Officer Group and Audit Committee. There are no known exceptions to report.

3.13 Anti-Fraud and Corruption Survey.

The anti fraud and corruption survey was completed by Internal Audit and submitted on the 17th May 2013 in respect of financial year 2012/13. The survey examined several key anti fraud measures that exist within the Council. There were no significant weaknesses identified by the survey.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.

5. APPENDICES

Appendix 1 ~ Delivery against plan 2012/13

Appendix 2 ~ Audits completed with assurance for 2012/13

6. BACKGROUND PAPERS

None.

7. Key

N/a

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 4th July 2013

APPENDIX 1

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

Audit Area	DAYS USED TO 31/03/13	2012/13 PLANNED DAYS	TARGET DAYS FOR THE YEAR
Core Financial Systems	74	88	88
Corporate Audits	67	69	69
Other Systems Audits	102	109	109
TOTAL	243*	266	266
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	5	5	5
Annual Plans and Reports	7	8	8
Audit Committee support	6	6	6
Other chargeable	8	0	0
TOTAL	41	34	34
TOTAL	284	300	300

Note 1

*Full number of budgeted days not used due to some a small 'call off' budgets e.g. consultancy, investigations, which was not fully used as well as the finalisation of a couple of audits which fell into the 2013/14.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 4th July 2013

APPENDIX 1

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

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

	KPI	Progress at Year End (1/4/12 to 31/03/13)	Target	Frequency of Reporting
1	% Plan delivered excluding overruns	94.7%	90% for year ~ exceeded	Quarterly
2	Customer satisfaction surveys	2x received as excellent 1x received as good 7x issued in total at time of publishing	90% Good or above ~ achieved	Quarterly
3	Number of audits delivered compared to plan	2012/13 17x Final Reports 4x Draft Reports	18 ~ exceeded	Quarterly
4	Annual survey of Internal Audit Service	To be monitored by the Client Officer Group throughout the year. Performance confirmation provided 25th April 2013.	Good or above ~ achieved	Annually

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

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 4th July 2013

Appendix 2

**Audit Opinion Analysis ~
Audits completed during financial year 2012/2013:**

Audit Report / Title	Final Report issued	Assurance
Cash, General ledger and Bank Reconciliation	11 th March 2013	Significant
Budgetary Control & Strategy	26 th April 2013	Significant
Treasury Management	13 th November 2013	Significant
Debtors	3 rd January 2013	Significant
Creditors	1 st March 2013	Significant
Asset Management	21 st March 2013	Significant
ICT incl. Project Auditing	26 th February 2013	Significant
Street Scene incl. abandoned vehicles, fly tipping, etc	7 th January 2013	Significant
Cemeteries	26 th April 2013	Significant
NDR	22 nd May 2013	Significant
Council Tax	22 nd May 2013	Significant
Governance incl. Procurement	20 th May 2013	Significant
Parks and Open Spaces (Sanders Park)	8 th March 2013	Moderate
Markets	21 st March 2013	Limited
Risk Management	22 nd May 2013	N/a ~ critical friend
Data Management Post Room	22 nd May 2013	N/a ~ critical friend
Renovation Grants (including Festival Housing Contract and DFGs)	2 nd April 2013	N/a ~ critical friend
Climate Change	Draft Report 26/04/2013	Draft ~ Significant
Benefits	Draft Report 20/05/2013	Draft ~ Moderate
Shared Services (Shared Service/Transformation Savings And Clarity Of Reporting To The Members)	Draft Report 16/05/2013	Draft ~ Moderate
Regulatory Services	Draft Report	Draft ~ Limited

AUDIT BOARD

Date 4th July 2013

Summary of 2012/13 Audits Assurance Levels.

2012/13	Number of BDC Audits	Assurance	Overall %
From 21 audits	0	Full	0
	12	Significant	57
	1	Moderate	5
	1	Limited	5
	0	No	0
	4	To be confirmed	19
	3	N/a	14

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2012/13 financial year has been limited but that which has been received indicated that:

- auditee was more than happy with the process and format of the audits. This continues to be further developed.
- Recommendations made would help to support and give assurance on recently implemented changes.
- There is a high satisfaction rate with the audit product from the data received.

Overall Conclusions:

- 76% of the audits undertaken for 2012/13 which have received an assurance allocated returned an assurance of 'moderate' or above. This figure is inclusive of the critical friend audits i.e. 'N/A'.
- Clients are satisfied with the audit process and service from the data received.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 4th July 2013

THE WORCESTERSHIRE INTERNAL AUDIT MANAGER'S DRAFT 2012/13 AUDIT OPINION FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT.

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

1. SUMMARY OF PROPOSALS

1.1 To present:

- A draft of the 2012/13 Worcestershire Internal Audit Shared Services Manager's Opinion.

2. RECOMMENDATION

- 2.1 **The Board is asked to RESOLVE that the report for the Internal Audit Opinion for inclusion in the Annual Governance Statement is noted.**

3. KEY ISSUES

Financial Implications

- 3.1 There are no direct financial implications arising from 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 To provide Members with a copy of the proposed Worcestershire Internal Audit Services Manager's opinion, which is to be included as part of the Annual Governance Statement and included with the Statement of Accounts for 2012/13. The Opinion forms part of the Annual Report and should be considered along with the 2012/13 Annual Report which is under a separate cover for consideration by the Audit Board.
- 3.4 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Under the Local Government Act 1999 the Council also has a duty to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council also has a responsibility for ensuring a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.
- 3.5 The Audit Board has a responsibility to consider the effectiveness of the Council's internal control environment.
- 3.6 A key element of the Council's Annual Review and Statement of Accounts is the formal Annual Governance Statement, which is certified by the Chief Executive and the Leader of the Council.
- 3.7 An element of the overall statement is the Worcestershire Internal Audit Shared Services Manager's opinion a draft of which is contained at Appendix 1.

Customer / Equalities and Diversity Implications

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

4. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.

AUDIT BOARD

Date 4th July 2013

5. **APPENDICES**

Appendix 1 ~ Worcestershire Internal Audit Shared Services Managers' Opinion

6. **BACKGROUND PAPERS**

None

7. **KEY**

N/a

AUTHOR OF REPORT

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Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council (the Council) for the Year Ended 31st March 2013

1. Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2012/13 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit Board on 29th March 2012.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates in accordance with the Institute of Internal Auditors Public Sector Internal Audit Standards and the CIPFA Code of Practice 2006 and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2012/2013 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' other corporate systems for example governance and
 - a number of operational systems, for example parks and open spaces, markets and cemeteries, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 The 2012/13 internal audit plan was delivered in full providing sufficient coverage for the Service Manager to form an overall opinion.
- 1.5 Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2012/13

effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.

- 1.6 In relation to the twenty one reviews that have been undertaken, seventeen audits have been finalised and four are nearing completion at draft report stage. Risk management has been re-launched during 2012/13 with a Corporate Risk Register being formulated and training being provided. Further work is required to embed this throughout the organisation with the outcomes being monitored by the Risk Management Group.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.
- 1.8 The majority of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of continuing significant transformation and change.

Andy Bromage
Worcestershire Internal Audit Shared Services Manager
June 2013

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Bromsgrove District Council



AUDIT BOARD ANNUAL REPORT

2012 / 2013



Bromsgrove
District Council
www.bromsgrove.gov.uk

AUDIT BOARD ANNUAL REPORT 2012 / 2013

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FOREWORD BY THE CHAIRMAN

Chairman of the Audit Board



Welcome to this, the first annual report, produced by Bromsgrove District Council Audit Board.

The Board has been very active this year and has worked to develop a solid work programme and ensure the effectiveness of its challenge function.

The levels of activity have been significant this year with a growing work programme, specific member identified priorities around corporate risk and fraud, and the continuing focus of the Board in ensuring efficiency, best value for local residents and transparency for members at a time of savings and business transformation.

The Board has worked with Internal Audit to seek to focus and enhance internal audit work and to ensure that the actions identified through audits are satisfied within a timely manner by the relevant service areas.

I would like to thank all the members of the Board, the Vice Chairman, Councillor James Brogan and those officers who have supported its work and provided insights over the past year, for their respective contributions. I am hugely grateful to Pauline Ross and the Democratic Services Team for their commitment and dedicated contribution to the impact of the Board this year.

Councillor Luke Mallett

INTRODUCTION

Audit Board Members are pleased to introduce the first Audit Board Annual Report. The report provides an overview of the Audit Board's activity during the municipal year 2012 / 2013.

The Audit Board works in partnership with the Cabinet and officers to ensure good stewardship of the Council's resources and delivery outcomes for the people of the District.

The Audit Board has a responsibility to consider the effectiveness of the Council's internal control environment. The ultimate responsibility for audit rests with the Portfolio Holder with responsibility for finance and the Council's Section 151 Officer.

The Audit Board continuously reviews Internal Audit's progress against the audit plan and considers Internal Audit performance measures.

The Audit Board receives and considers:

- A summary of work undertaken by Internal Audit.
- financial process/procedures
- Value For Money reports
- any special investigations undertaken by Internal Audit
- Risk Management
- Corporate Fraud

AUDIT BOARD MEMBERS 2012 / 2013



Councillor Mrs. H. J. Jones



Councillor J. S. Brogan



Councillor Ms. P. A. Harrison



Councillor S. J. Dudley



Councillor Dr. B. T. Cooper



Councillor Ms. M. T. Buxton

THE ROLE OF THE AUDIT BOARD

Scope and Responsibility

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

The Audit Board's Terms of Reference are detailed at Appendix 1.

Meetings of the Board

The Council's constitution requires the Audit Board to hold quarterly meetings. During the municipal year 2012 / 2013 meetings were held in June, September, December 2012 and March 2013. At the first meeting of the municipal year Audit Board Members considered and agreed a comprehensive Work Programme for 2012 / 2013, as detailed at Appendix 2. The Work Programme was a working document that was reviewed at every meeting and items included as and when considered and agreed by the Board. Members agreed that the 'End of Year Review' should be changed to an 'End of Year Report'. This is the first end of year report produced by Audit Board Members.

It was agreed at Full Council on 14th March 2012 that the Audit Board procedure rules be amended to permit the use of trained substitutes. It was hoped that by introducing trained substitutes there would be a greater degree of flexibility around meetings which would allow the Board to carry out its role more effectively. Each Board Member was able to appoint a trained substitute to attend on their behalf, limited to no more than two meetings in any municipal year. No trained substitute Members attended Audit Board meetings during the 2012 / 2013 municipal year.

MEMBER TRAINING

The Executive Director (Finance & Corporate Resources) and the Acting Service Manager, Worcestershire Internal Audit Shared Service, provided Members with Audit Board training. The Member Development Steering Group have made it mandatory, that all Audit Board Members and named substitutes attend appropriate training prior to attending Audit Board meetings, to allow them to discharge their responsibilities.

The training highlights the role of a functional internal audit service, with key findings and progress reported to the Audit Board:

- Service to management.
- Continuous examination of the day to day risks, transactions, systems and methods.
- Provision of independent verification, assurance of risk mitigation, accuracy of records as an indicator of effective management and governance.
- 'Managed audit' agreement: reliance placed by External Audit (EA) on Internal Audit (IA) testing of core financial systems.
- Value for Money (VFM): economy, efficiency and effectiveness.
- Fraud Prevention and Detection.
- Consultancy and advice.

ANNUAL GOVERNANCE STATEMENT 2011 / 2012

The Annual Governance Statement was presented to the Board in June 2012. The Annual Governance Statement is a statutory document, which provides an overview of the governance arrangements within the Council.

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

DRAFT

INTERNAL AUDIT

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.
- advise upon the control and risk implications on new systems or other organisational changes e.g. transformation.

The Audit Board works to support Internal Audit in ensuring audit actions are followed through and delivered by the relevant service areas.

Internal Audit Monitoring Report

The Service Manager, Worcestershire Internal Audit Shared Service provided the Audit Board with quarterly reports detailing internal audit work and performance. The involvement of Members in progress monitoring was considered to be an important facet of good corporate governance, which contributed to the internal control assurance given in the Council's Annual Governance Statement. At the Audit Board meeting held on 21st June 2012, Members requested that individual reports for completed audits be presented to future meetings of the Board and that Heads of Service be invited to attend Audit Board meetings to discuss the completed audits for their service area.

At the Audit Board meeting held on 20th September 2012, Members discussed in detail and expressed concerns in respect of the delivery of the Internal Audit Plan 2012 / 2013, highlighting that a total of 78 days had been delivered against a target of 300 days.

Members agreed the following recommendation:

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

The recommendation was considered by Cabinet on 7th November 2012, where ***“The Leader stated that the Chairman of the Audit Board had in fact discussed the reason for the recommendation with him and whilst he had also had some concerns, following a discussion with the Director for Finance and Resources these had been alleviated to some extent. It was recognised that this issue would need to be kept under review”***.

Internal Audit Manager’s Draft Audit Opinion 2011 / 2012

The Acting Worcestershire Internal Audit Shared Services Manager presented this report to Members on 21st June 2012. The report provided Members with the proposed opinion, which would be included as part of the formal Annual Governance Statement; which was certified by the Chief Executive and the Leader of the Council, and included in the Statement of Accounts for 2011/2012.

The report highlighted that the Audit Board had a responsibility to consider the effectiveness of the Council’s internal control environment. In order to ascertain management’s view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist, all Heads of Service and Fourth Tier Managers were asked to complete an internal control checklist which covered:-

- Human Resources
- Corporate Procedure Documents
- Service Specific Procedures
- Risk Management
- Performance Indicators
- Independent Recommendations
- Inventories

Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they were responsible and confirming that those controls were operating effectively except where reported otherwise.

An element of the overall statement was the Acting Worcestershire Internal Audit Shared Services Manager’s opinion; a brief extract is detailed below:

“Based on the audits performed in accordance with the approved revised plan, the Acting Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2011/12 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council’s corporate objectives have been met.

In relation to the thirteen reviews that have been undertaken, ten audits have been completed and three are to be finalised. A further audit where Internal Audit has been able to take assurance from has been in respect of ICT and the work performed by the Audit Commission. In addition to the audit work undertaken during the year a lengthy investigation was also undertaken. Little work has been undertaken on risk during 2011/12 due to the Risk Management Steering Group being postponed or cancelled on a number of occasions.

As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authority's Corporate Management Team.

All of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change".

Internal Audit Annual Report 2011 / 2012

The Internal Audit Annual Report 2011 / 2012 was presented to Members on 21st June 2012. To aid compliance with the Regulation, the CIPFA Code of Practice for Internal Audit in Local Governance in the United Kingdom 2006 details that "Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure that effective and efficient use of audit resources".

The report highlighted that 2011 / 2012 was a demanding year for Worcestershire Internal Audit Shared Service (WIASS) team, with the implementation of a new methodology (1st April 2012), the implementation of a new structure (1st April 2011), the procurement of new internal audit management software, a significant proportion of the year with the Service Manager on maternity leave, vacancy managed posts for the first six months and the departure of staff as part of the efficiency gains. In addition there was unforeseen long term sickness absence which placed further pressure on the service and its ability to deliver the internal audit programme. Internal Audit also took a risk based approach and concentrated on "pure" audit work, minimising the amount of time allowed for in the plan for activity such as team meetings, technical reading and training. As part of the monitoring of the delivery of the audit plan throughout the year it became apparent that small changes were required due to the changing environment in Bromsgrove District Council. Discussions with the Executive Director (Finance and Corporate Resource), saw some agreed minor changes to the plan delivery but the overall coverage remained focused on 'high' and 'medium' risk areas as well as core financials.

There were 207 productive audit days. This equates to productivity of 53% against a productivity target for the year of 64%. The lower than expected productivity was accounted for by a number of influencing factors as indicated earlier.

The Internal Audit section achieved the majority of what was required according to the 2011/2012 audit plan. Due to the impact of long-term sickness within the Internal Audit team and the need to share financial and operational impact of this between the participating Councils within the Internal Audit Shared Service, a small number of the audits were not delivered in 2011/12 but were either brought forward to the 2012/13 audit plan or as part of the risk based assessment were classified as 'low' priority. This decision was taken with the agreement of the Council's section 151 officer.

Managers were asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire was sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product. To further assist the Audit Board with their assurance of the overall internal audit standards applied, the CIPFA Self-Assessment questionnaire had been considered and applied to the shared service. The outcome indicated that there was a sound basis from which the shared service would work and which would be enhanced as certain key developments were implemented, for example the audit management software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance with the Code would be reported as exceptions to the Client Officer Group and Audit Committee. There were no exceptions to report.

Internal Audit Plan 2013 / 2014 – provisional plan of work

At the Audit Board meeting held on 13th December 2012, Members received a report detailing a provisional plan of work; therefore allowing Members to have a positive input into the audit work programme for 2013 / 2014, and to make suggestions as to where Members felt audit resources should be directed. Quarterly reports will be presented to the Board, with Members closely monitoring the operational progress against the Internal Audit Plan 2013 / 2014.

Following on from discussions held during Audit Board meetings and at the request of the Board, the following enhanced audit requirements had been included within the plan:

- Management of Data
- Shared Service Delivery
- Transformation & Value for Money (VFM)

On the 14th March 2013, Members were presented with and approved the Internal Audit Plan 2013 / 2014.

CORPORATE RISK REGISTER / **RISK MANAGEMENT**

The Corporate Risk Register recognises the need to monitor the budget to ensure that the Council are able to deliver services within the budget allocated. A robust risk management framework supports the Council in delivering its services in a compliant way and therefore reducing the opportunity of legal challenge.

At the Audit Board meeting held on 20th September 2012, Members received a report detailing the Corporate Risk Register, which had been developed and agreed by the Corporate Management Team. Officers were also developing Departmental Risk Registers. Key issues on the Corporate Risk Register and Departmental Risk Registers would be reported back to the Board on a quarterly basis.

After consideration of the report, Members had expressed significant concerns with the report presented. As a result Audit Board Members requested that:

- The following items should be included within the Corporate Risk Register –
 - Safeguarding the Council's reputation (reputational risk, treasury management, ombudsman and complaints)
 - Fraud
 - Further reduced funding from government
- Once developed, the high level actions on Departmental Risk Registers reported back to the Board to include a front line service and a support service register.
- Detailed Departmental Risk Registers to be presented to the Board, periodically, for information.

In response to the significant concerns raised by the Board, the Executive Director, Finance and Corporate Resources agreed to take the comments of the Board and the additional risks identified, to be included within the Corporate Risk Register, back to the Corporate Management Team.

At the Audit Board meeting held on 13th December 2012, the Head of Finance and Resources provided Members with a verbal update on the changes to the Risk Management arrangements following the changes in the processes arising from shared services and the transformation of services.

A joint shared approach had been taken with regard to risk identification, recording and monitoring.

A new risk management framework document had been produced in draft and was currently in the process of being reviewed by the Corporate Management Team. Key risks had been identified across each service and these would be managed on an on-going basis using a web based system. The Risk Management Group would monitor the operational risks and where appropriate escalate these for discussion and inclusion in the Corporate Risk Register.

The Head of Finance and Resources highlighted some of the key risks identified:

- The need to deliver “business as usual” whilst transformation was on-going.
- Failure to deliver a Local Plan could result in increased challenge over planning decisions or unwanted developments.
- Failing to work closely with the new Police and Crime Commissioner in respect of community safety.
- Failure to secure County Council funding for Lifeline services from April 2013.

Actions would be put in place to mitigate the risks identified. The new risk management tool would enable risks to be monitored and addressed on a more effective and timely basis.

On the 14th March 2013, the Board received a presentation 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 were best used.

A Risk Management Monitoring Group was in the process of being set up. This group would ensure on-going corporate monitoring and would challenge risks. At the suggestion of the Chairman, Audit Board Members agreed that a nominated Audit Board Member should be invited to attend meetings of the Risk Management Monitoring Group as a representative of the Audit Board.

Departmental Risk Registers

In March 2013 Members received a presentation from the Head of Service, Leisure and Cultural Services. The presentation detailed the risk management for his service area. Members were informed that the risk register was a live document and was reviewed on a day to day basis. Risk management would become a standard item at all team meetings and the Business Manager, for his service area, would review their departmental risk registers monthly to ensure performance was being monitored.

FRAUD PREVENTION & DETECTION

Fraud Investigation and Prevention

At the Audit Board meetings held on 21st June and 20th September 2012, Members received verbal updates from the Executive Director, Finance and Corporate Resources with regards to the specific case as detailed in the Corporate Anti-Fraud Performance Report 2010/2011.

Significant discussions took place during both meetings, with Members questioning the level of officer involvement and the procedures followed. In order to ensure that lessons were learnt by the service areas involved and the processes used in order to reduce the risk of such a fraud being handled in the same way in the future. It was RESOLVED:

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

The Audit Board have worked to drive fraud prevention and to enhance the reporting around this area to enable Members to better scrutinise and understand both fraud risk and the preventative steps that could and should be taken.

Benefits Investigations

It was agreed that in order for Members to obtain an understanding of the processes and procedures in respect of the Overpayment Recovery policy and Write off procedures, detailed information would be presented to Board Members.

At the Audit Board meetings held on 21st June 2012 and 13th December 2012, Members were presented with reports detailing the performance of the Benefits Services Fraud Investigation service. The reports highlighted that within the Finance and Resources Service there was a dedicated counter fraud team whose purpose was to prevent and deter fraud as well as investigate any suspicions of fraudulent activity against the Council. The reports detailed the number of fraud referrals received by the team and the percentage of referrals from data-matching. The reports detailed the actions taken: number of cautions accepted, number of administrative penalties accepted and the number of successful prosecutions.

The reports also provided example cases, which Members found very informative.

In March 2013 Members were provided with a detailed demographic profile of cases of benefit fraud within the District and detailed sanctions. Members were made aware that individual circumstances were taken into account prior to a decision being made on the most appropriate sanction.

Audit Commission publication 'Protecting the Public Purse 2011: Fighting Fraud against Local Government'

Central Government recommended that Councils should ensure they kept the capability to investigate fraud that was not related to housing benefit, by maintaining a culture that supported action against fraud and had the facility to undertake such investigations. This could be achieved by developing focussed plans and strategies for tackling fraud and targeting resources on areas where prevention and detection could have the most impact.

Members had not been satisfied with the initial level of detail contained within the checklist when initially presented to the Board and had requested that Internal Audit examined the questions to ensure that the Council had a response in place for each section of the checklist questionnaire.

The completed 'Protecting the Public Purse' self- assessment checklist was presented to Members on 20th September 2012. This special consultancy based work linked to the hand- over of elements of anti-fraud activity that the Corporate Anti-Fraud Team (CAFT) used to undertake to Internal Audit.

The checklist had been completed and had identified certain aspects that would be addressed as part of the overall good governance being adopted as transformation took place.

Corporate Fraud (How the Authority pro-actively responds)

On the 14th March 2013, The Head of Finance and Resources provided the Board 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 discussed and questioned staff awareness or willingness to report instances of suspected fraud using the Council's whistleblowing procedure.

Staff were made aware of the Council's whistleblowing procedure, but officers 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, with the results being presented to a future meeting of the Board.

EXTERNAL AUDITORS - GRANT THORNTON **REPORTS**

At the Audit Board meeting held on 13th December 2012, the Engagement Lead and Engagement Manager, Grant Thornton attended and brief introductions were given to Members.

Audit Commission Annual Governance Report - 2011 / 2012

As part of the process for auditing the final accounts for 2011 / 2012 the Audit Commission review the Council's processes and procedures and make any recommendations that they feel may improve the Council's service and accounting in the future. The following five recommendations were proposed by the Audit Commission and agreed by officers:-

- Review the shared service plans accounting arrangements in order to simplify the process.
- Improve risk management arrangements and reporting.
- Continue to monitor the delivery of the Internal Audit Plan.
- Review the format of the monitoring of savings as presented to officers and Members.
- Review the benefits transformation with the aim to bring to a close.

Members agreed the following Recommendation:

“that the Cabinet be requested to ensure that processes are put into place to enable savings achieved through the transformation process to be effectively monitored”.

The recommendation was approved by Cabinet on 9th January 2013.

Members also requested that officers reported back to the Board on a quarterly basis in respect of the progress made on the five actions, as detailed above, in order to enable them to be monitored effectively.

At the Audit Board meeting held on 14th March 2013, the Executive Director, Finance and Corporate Resources provided Members with a verbal update on the progress made on the five actions, as detailed above:

- Shared Services - a meeting had taken place with the Council's external auditor who was now comfortable with the accounting process.
- Risk Management Arrangements - Risk Management arrangements were now in place.

- Internal Audit – Quarterly meetings were 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 had now been improved with revised quarterly monitoring to be presented to future meetings of the Audit Board.
- Housing benefits transformation – It had now been agreed that this review would continue to develop to support the residents.

Certification Report 2011 / 2012

This report was considered in March 2013. The report summarised the external auditor's overall assessment of the Council's management arrangements in respect of certification process and drew attention to significant matters in relation to individual claims. The report also detailed the following key messages from the Audits:

- All claims were submitted on time to audit and all claims were certified within the required deadline.
- Overall the Council is performing well and there are no significant matters arising from our 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.

Audit Board Update

In March 2013 Members received a report which provided details in relation to work undertaken at the Council by the external audit team; the report highlighted that no concerns had been raised by Grant Thornton in the aspects of work to date.

Auditing Standards

This report was considered in March 2013. Grant Thornton has a responsibility to ensure that robust systems are in place together with proactive communications with 'Those Charged with Governance'. The purpose of this report was to ensure there was effective two-way communications between 'Those Charged with Governance' and the Engagement Lead, the Council's external auditor.

In most Councils the Audit Committee undertakes the role of 'Those Charged with Governance' therefore the external auditors' communication is with the Audit Committee. At Bromsgrove District Council the Cabinet retain the role of 'Those Charged with Governance' and the Audit Board receives reports on internal control and fraud. The Audit Board provides assurance on the operation of internal controls to Cabinet.

As our external auditors, Grant Thornton has a responsibility under professional auditing standards to ensure there is effective communication with both the Audit Board and the Cabinet. In planning and performing their audit of the financial statements they need to understand how Cabinet, supported by the Council's management, and the Audit Board meets its responsibilities in the following areas:

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

The Audit Plan March 2013

The Audit Plan set out the work Grant Thornton proposed to undertake in relation to the Audit of the financial accounts for 2012 / 2013 an audit focussed on risks. Members were informed that in planning their audit, Grant Thornton needed to understand the challenges and opportunities the Council was facing:

- Financial Pressures
- Business Rate pooling
- Transformation
- Housing Benefits / Council Tax changes
- Town Centre regeneration

The plan detailed that in respect of Transformation, as part of their Value for Money (VFM) conclusion they would:-

- 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.

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices.

The Council is responsible for hosting Worcestershire Regulatory Services under a contractual arrangement which is defined as a Jointly Controlled Operation (Jointly Controlled Operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity). Under this arrangement, each participant accounts separately for its own transactions arising within the agreement including the assets, liabilities, income expenditure and cash flows. As host to the Regulatory Shared Service, the Council accounts for the expenditure incurred for Redditch Borough, Wyre Forest District, Worcester City, Wychavon District, Malvern Hills District and Worcestershire County Councils, its partners in the arrangement.

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough and Wyre Forest District Councils.

Each arrangement is accounted for within the records of Bromsgrove District Council with a monitoring report prepared for partner authorities on a monthly basis. This includes operational costs together with an annual statement of assets and liabilities extracted from the account of Bromsgrove District Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts.

The Audit Board approved the Statement of Accounting Policies on 14th March 2013.

CONFIDENTIAL REPORTS

Due to the confidential nature of some of the reports presented to Audit Board Members, the following reports, which contained exempt information, were presented to the Audit Board during 2012 / 2013:

- Internal Audit Monitoring Reports
- Internal Audit – completed audits
- Marlbrook Tip
- Fraud Investigation – (as referred to in the Corporate Anti-Fraud Performance Report 2010 / 2011)

Audit Board Members when asked to considered whether or not to exclude the public from meetings for the consideration of agenda items containing exempt information, have after consideration and discussion on two separate occasions, agreed that the public not be excluded from the meeting and have placed all or part of the reports into the public domain.

Wherever possible the Audit Board should seek for information to be brought in open session in accordance with the principals of best practice in local government and in accordance with the Local Government Act. This year the Board considered whether Internal Audit Monitoring Reports should be heard in their entirety within closed session as had been the past practice. It was agreed that this should not be the case as a blanket position and that only where there was specific exempt information should this be presented as such in the future.

FUTURE WORK OF THE BOARD - to monitor

- Efficiencies and savings identified through shared services delivery
- Transformation
- Delivery of the Internal Audit Plan 2013 / 2014
- Corporate Risk Register
- Fraud
- Benefits Investigations

DRAFT

TERMS OF REFERENCE

APPENDIX 1

- a. The Audit Board is charged with monitoring the good stewardship of the Authority's resources through the work of the Internal Audit function.
- b. The Audit Board will support the profile, status and authority of the Internal Audit function and will demonstrate its independence.
- c. The Audit Board will contribute towards making the Authority, its committees and departments more responsive to the Internal Audit function.
- d. The Audit Board is charged with the responsibility for promoting internal control by the systematic appraisal of the Authority's internal control mechanisms, by the development of an anti-fraud culture and by the review of financial procedures.
- e. The Audit Board is charged with the responsibility for focusing audit resources, by agreeing the audit plans and monitoring delivery of the Internal Audit function.
- f. The Audit Board will monitor both internal and external audit performance by ensuring auditor/officer collaboration within the agreed timescales, by securing the timely preparation and response to audit reports, by ensuring the implementation of audit recommendations and by monitoring the finalisation of the annual accounts.
- g. The Audit Board will receive and consider a summary of internal audit work undertaken since the last meeting, plus the current status of this work.
- h. The Audit Board will monitor compliance with the Authority's standards, codes of practice and policies through the work of the Internal Audit function.
- i. The Audit Board will monitor compliance with relevant legislative requirements through the work of the Internal Audit function.
- j. The Audit Board will ensure that it acts within the policies and strategies of the Authority.

June 2012

AUDIT BOARD WORK PROGRAMME 2012/13

APPENDIX 2

21st June 2012

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

20th September 2012

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

13th December 2012

- Internal Audit Monitoring Report
- Internal Audit Performance and Workload

14th March 2013

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

To Be Allocated To Suitable Dates

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

AUDIT BOARD

20th June 2013

WORK PROGRAMME 2013/14**20th June 2013**

- Annual Governance Statement 2012/2013
- Audit Commission Annual Governance Report 2011/2012 – quarterly written report in respect of progress made on the actions.
- Financial Reporting – revised quarterly monitoring report, detailing savings.
- Grant Thornton Audit Update - responses to the Challenge questions, as detailed in their report and presented to the Audit Board on **14th March 2013**.
- Further Information on - Closed Landfill Sites Reserves
- Internal Audit Monitoring Report (to include full reports of completed audits)
- Internal Audit Annual Report & DRAFT Audit Opinion 2012/2013 (for inclusion in the Annual Governance Statement)
- Departmental Risk Registers – Customer Services Presentation
- Risk Management Monitoring Group – Bi-monthly meetings. Nominated Audit Board Member to attend the July 2013 meeting in Bromsgrove.
- Audit Board Draft End of Year Report 2012/2013
- Benefits Investigations

19th September 2013

- Internal Audit Monitoring Report
- Statement of Accounts 2012/2013 (pre-audit)
- Financial Reporting – revised quarterly monitoring report, detailing savings.

AUDIT BOARD

20th June 2013

12th December 2013

- 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
- Grant Thornton Audit Opinion Recommendations

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)

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
- Corporate Fraud – staff survey results with regard to the questions asked on the Council’s whistleblowing procedure.
- Best practice – speaker from another authority on operation of their member Audit review and monitoring arrangements