



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 9TH JUNE, 2008 AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors Miss D. H. Campbell JP, Mrs. H. J. Jones, S. R. Peters, C. R. Scurrall, Mrs. C. J. Spencer and E. C. Tibby

AGENDA

1. Election of Chairman for the Ensuing Municipal Year
2. Election of Vice Chairman for the Ensuing Municipal Year
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 17th March 2008 (Pages 1 - 6)
6. Audit Commission - Annual Audit Letter (Pages 7 - 28)
7. Audit and Inspection Plan 2008/09 (Pages 29 - 58)
8. Internal Audit Performance and Workload (Pages 59 - 66)
9. Recommendation Tracker (Pages 67 - 80)
10. Risk Management Tracker (Pages 81 - 90)
11. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special

circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

29th May 2008

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 17TH MARCH 2008 AT 6.00 P.M.

PRESENT: Councillors C. J. K. Wilson (Chairman), Mrs. H. J. Jones, C. R. Scurrall (during Minute No's. 33/07 to 41/07), Mrs. C. J. Spencer and E. C. Tibby

Also in attendance: Councillor G. N. Denaro (Portfolio Holder for Finance) and Councillors Mrs. J. D. Luck and D. L. Pardoe (for item 4 - Civic Bonfire and Fireworks Event)

Officers: Mr. T. Beirne, Ms. J. Pickering and Ms. D. Parker-Jones

33/07 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors S. R. Colella (Vice-Chairman) and D. McGrath.

34/07 DECLARATIONS OF INTEREST

No declarations of interest were received.

35/07 MINUTES

The minutes of the meeting of the Audit Board held on 10th December 2007 were submitted.

RESOLVED that the minutes be approved as a correct record.

36/07 CIVIC BONFIRE AND FIREWORKS EVENT

Consideration was given to a report, originally raised as a scrutiny proposal by Councillor Pardoe, relating to the civic bonfire and fireworks event which had taken place on Sunday 4th November 2007 at Sanders Park, Bromsgrove. Two issues had been raised in connection with this, namely: that no tickets had been issued on entry, meaning it was not possible to fully audit receipts; and the lack of a record of the exact numbers of people in attendance at the event. Councillors Mrs. Luck and Pardoe were present for this item and spoke on the issues in question.

It was noted that the 2007 event was the first to have been organised as a chargeable event to the public and that there were lessons to be learnt from this. Members supported the proposals contained in the report for the introduction of a paid ticket system for each member of the public attending the event. This would enable receipts to be fully audited and reconciled and

would also produce an exact record of how many children, adults and families had attended. It was felt that colour coded tickets for different categories of attendee, together with advance ticket sales in the weeks leading up to the event would assist in the future.

Officers agreed to investigate and report back to Members after the meeting on certain operational matters raised during the course of the discussion. It was also agreed that public statements would be issued acknowledging difficulties encountered with the event and outlining changes to be put in place for 2008.

RESOLVED that, subject to the comments in the preamble above, the contents of the report and the proposed enhancements for the 2008 event be noted.

37/07 **ANNUAL EXTERNAL AUDIT REPORT 2006/07**

The Chairman welcomed Mr. A. Cardoza, Senior Manager with KPMG LLP (UK), the Council's former appointed Auditor. Mr. Cardoza presented the report which summarised the 2006/07 external audit work carried out by KPMG for their areas of audit responsibility under the Audit Commission's Code of Audit Practice.

It was noted that an unqualified opinion had been issued in relation to the Authority's accounts. Regarding use of resources, improvements had been noted in a number of areas, with the Authority also having made proper arrangements to secure economy, efficiency and effectiveness on 9 of the 12 criteria determined by the Audit Commission (compared to only 4 criteria in the previous year). Whilst the Authority had continued to strengthen its arrangements for managing and improving its value for money, and with there being a much stronger understanding of its costs and performance, further improvement was still required in this area. Significant progress had also been made with the second review of data quality.

RESOLVED:

- (i) that the Annual External Audit Report for 2006/2007 be noted and accepted;
- (ii) that the management response to the Annual External Audit Report for 2006/2007 recommendations be endorsed; and
- (iii) that the thanks of the Board be expressed to both officers and KPMG LLP (UK) for the valuable and beneficial working relationship which had taken place during the last few years.

38/07 **RISK MANAGEMENT TRACKER**

Members considered a report which presented a summary of progress to date against all of the improvement actions detailed on individual Service risk registers for the period 1st April to 31st December 2007.

The year end prediction in the report in relation to the number of actions/improvements which would be behind target was noted. Officers advised that risk management was still in its infancy and that there was a need for better reporting of updates on actions and improvements and to quantify, in future, the level of those risks which were behind target (e.g. whether they were high or low risks).

RESOLVED that the progress to date against all Service risk register actions for 2007/08 be noted.

39/07 **PROCEDURES RE CODE OF CONDUCT**

Consideration was given to a report on the procedure in place at the Authority for officers to comply with the Code of Conduct. As the Code was slightly out of date a few minor amendments were made to this and it was noted that the Code would also need to be reviewed by the Head of Human Resources for any further appropriate updates.

RESOLVED that, subject to the review of the Code by the Head of Human Resources and Organisational Development and the minor amendments raised by the Audit Board, the Code of Conduct for Council Employees be noted.

40/07 **FUTURE TRAINING PLAN**

Further to training which had previously been provided to the members of the Audit Board by the former Audit Services Manager, the Head of Financial Services asked Members whether there was any additional training which they felt was necessary in order to assist them in fulfilling their role on the Board.

The following suggestions were made in this regard:

- (a) a talk from an appropriate member of staff of internal audit at another authority to see how they approached audit board matters;
- (b) a session on value for money once benchmarking figures were in place;
- (c) a session on the role of the Finance team, to include relevant financial procedures/processes etc; and
- (d) training on how to be an effective member of an audit board - possibly bringing in the chairman of an audit board of another authority to hear their experiences.

RESOLVED that the proposals for future training for the members of the Audit Board be noted and progressed by officers.

41/07 **BUDGETARY CONTROL AUDIT PROCESS**

Members considered a report on the procedure in place to audit the budgetary control systems within the Council, which included the formulation of the Annual Budget as part of the Medium Term Financial Plan. The Head of Financial Services detailed the procedure and provided an example of the

forthcoming transfer of the payroll function from the Authority to Redditch Borough Council.

RESOLVED that the audit brief and procedures in place for audit of this area be noted.

42/07 **2008/09 INTERNAL AUDIT PLAN**

Consideration was given to the Council's Internal Audit Plan for 2008/2009.

The Head of Financial Services advised that discussions were being undertaken in relation to interim support to the Internal Audit team following the departure of the Audit Services Manager. This might involve future arrangements to include working with Redditch Borough Council in the provision of Audit Management.

RESOLVED that the Internal Audit Plan for 2008/2009, as detailed in the report, be noted and approved.

43/07 **RECOMMENDATION TRACKER**

Members considered a report which provided a summary of previously selected audit report "priority one" recommendations.

The Head of Financial Services advised that any "priority one" recommendations which were still ongoing and outside of their target dates would, in future, be referred to the Corporate Management Team for Heads of Service to consider in view of the recommendations being fundamental to improving the controls within the system and the forthcoming Comprehensive Performance Assessment.

RESOLVED:

- (a) that the "priority one" recommendations detailed in Appendix A to the report be noted; and
- (b) that these be brought back to the Audit Board following referral to the Corporate Management Team.

44/07 **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Consideration was given to a report which provided a summary of the current performance and workload of the Internal Audit Section.

Regarding delivery of the Audit Plan, the Head of Financial Services advised that although only 46% of reviews had been completed during 2007/08, work had commenced on 75% of the Audit Plan, with a number of reviews simply awaiting final responses from managers and Heads of Services on agreement in relation to recommendations arising from the reviews.

RESOLVED:

- (a) that the current status and work completed on the 2007/08 Audit Plan be noted and approved;

- (b) that the work completed by the Internal Audit Section between December 2007 and February 2008 be noted;
- (c) that the summary of investigations completed by the Internal Audit Section be noted;
- (d) that the current Internal Audit Performance Indicator statistics be noted;
and
- (e) that it be noted that there were no new or updated Internal Audit documents to report.

The meeting closed at 7.41 p.m.

Chairman

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Agenda Item 6

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

09th JUNE 2008

AUDIT COMMISSION – ANNUAL AUDIT LETTER

Responsible Portfolio Holder	Cllr Roger Hollingworth, Leader of the Council
Responsible Head of Service	Kevin Dicks, Chief Executive

1. SUMMARY

- 1.1 To formally report the Audit Commission's Annual Audit Letter to the Board.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Board:
- i) considers the report (Appendix 1);
 - ii) if appropriate, makes recommendations to Cabinet.

3. BACKGROUND

- 3.1 The Council underwent its first CPA in February 2007 and received a Poor rating (this was largely due to the use of historic 2005/2006 performance data). The Council has significantly improved its governance, management processes and performance since then. As part of its standard programme of audit work for every council, the Audit Commission provides an Annual Audit Letter, which brings together a summary of all audit work undertaken during the year. This report also include the Direction of Travel assessment, that was conducted in November 2007.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications.

6. COUNCIL OBJECTIVES

- 6.1 Improvement is a Council Objective. The Direction of Travel offers an external assessment of our rate of improvement.

7. RISK MANAGEMENT

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

- Loss of reputation.
- Not taking the last opportunity to remove the tag of Poor before we enter a new inspection regime.

7.2 These risks are being managed as follows:

- Setting up a project group and ensuring sufficient preparation.
- Requesting a CPA for later this year.

8 **CUSTOMER IMPLICATIONS**

8.1 Obtaining a better rating, gives the public an assurance that the Council has sound governance and is well managed.

9. **EQUALITIES AND DIVERSITY IMPLICATIONS**

9.1 The good work undertaken by the Council in this area should help us achieve the required rating.

10. **VALUE FOR MONEY IMPLICATIONS**

10.1 The CPA should provide further assessment of our progress in this area.

11. **OTHER IMPLICATIONS**

Procurement Issues - the CPA will assess our arrangements in this respect.
Personnel Issues - the CPA will assess our arrangements in this respect.
Governance/Performance Management – the CPA will assess our arrangements in this respect.
Community Safety including Section 17 of Crime & Disorder Act 1988 - the CPA will assess our arrangements in this respect.
Policy - the CPA will assess our arrangements in this respect.
Environmental - the CPA will assess our arrangements in this respect.

12. **OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	At Leader's
Chief Executive	Yes (at CMT)
Executive Director (Partnerships & Projects)	Yes (at CMT)
Executive Director (Services)	Yes (at CMT)
Assistant Chief Executive	Yes
Head of Service	Yes (at CMT)
Head of Financial Services	Yes (at CMT)
Head of Legal, Equalities & Democratic Services	Yes (at CMT)
Head of Organisational Development & HR	Yes (at CMT)
Corporate Procurement Team	No

13. WARDS AFFECTED

All Wards'.

14. APPENDICES

Appendix 1 Audit Commission, Annual Audit Letter.

15. BACKGROUND PAPERS

Bromsgrove District Council, CPA Report (June 2007).

Contact officer

Name: Hugh Bennett, Assistant Chief Executive
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Annual Audit and Inspection Letter

Bromsgrove District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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Key messages

- 1 Overall, Council services are improving. The Council is improving at a faster rate than other councils over the last year but from a low base. Based on a sample of performance indicators (PIs) from the Audit Commission, 63 per cent of PIs improved in 2006/07. The first quarter performance in 2006/07 was disappointing so this good performance is due to significant improvements in the second, third and fourth quarters. However, only 6 per cent of PIs were among the best performing councils compared with the national average of 33 per cent. Overall customer satisfaction with the Council was below average and had not improved.
- 2 Until recently, the Council's focus has by need been largely internal, to rebuild itself and meet the requirements of its improvement plan. It is now shifting its attention more to external, public facing services. It is starting to take effective action to improve priority services such as on recycling, planning and housing and is increasing capacity through effective partnership work. It is delivering improvements in line with most of its plans. It has a robust improvement plan, focused on areas raised in the corporate assessment and linked to priorities. The Council has yet to sustain these improvements and embed the recent changes.

Action needed by the Council

- 3 The Council has to sustain these improvements and embed the recent changes. It needs to continue to respond positively to the recommendations set out in the corporate assessment published in June 2007. These are set out in the Inspections section below. In particular it needs to:
 - continue to improve priority services such as refuse collection to provide a value for money service;
 - embed VFM mechanisms so the Council can build and develop a value for money and efficiency culture;
 - keep focused and develop robust plans to deliver against its priorities in the Town Centre and Longbridge areas. This is challenging agenda and the Council needs to ensure it has assessed its current capacity and what it needs to deliver;
 - boost capacity through considering the business case for shared services with partners and more innovative funding such as sponsorship;
 - continue to manage the Spatial project closely;
 - embed the changes that are helping to improve member capacity and decision making to ensure the Bromsgrove agenda can be delivered effectively; and
 - respond positively to the findings of the ongoing reinspection of the Council's housing services in February 2008.

- 4 The Council should also respond to the recommendations set out in the Annual External Audit Report 2006/07 dated 29 January 2008. In particular, to further improve value for money the Council should now analyse and report on the links between costs and performance across its services. The Council should align these reports to its corporate priorities. The Council should build and develop the VFM and efficiency culture by involving the understanding and ownership of Members.

Purpose, responsibilities and scope

- 5 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to help the Council in meeting its responsibilities.
- 7 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 8 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 9 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 10 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Bromsgrove District Council performing?

- 11 Bromsgrove District Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2007. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

Housing

- 12 Performance on Housing was poor in 2006/07. There was an increasing use of poor quality temporary accommodation, putting the Council's performance among the worst 25 per cent of councils, and a lack of affordable housing for local people. Performance on housing is now improving. Following its housing inspection in 2006, the Council has made positive progress to improve housing services which needs sustaining. The Audit Commission will reinspect the Council's housing services in February 2008. This will provide an in depth assessment of progress made.

- 13 Early signs are that it is taking an improved approach on homelessness with partners, providing more support and mediation, particularly for young people and their families. This has reduced the number of homeless people needing accommodation. One hostel has closed and another two are due to close shortly, and no people are in bed and breakfast. The Council has provided 35 self-contained units throughout the community over the last year and is bringing empty homes back into use faster. Better signposting of housing services on the website and in the Customer Service Centre and faster processing of housing benefit applications has improved service. Consultation with the more vulnerable such as homeless, disabled people and hard to reach groups such as gypsies and travellers on their needs, and customer care training for staff has also improved.
- 14 However, although the Council is increasing the supply of affordable housing from a low base, there are some significant challenges in this area for the future particularly given the settlement currently set out in the draft Regional Spatial Strategy. The Council is delivering around 75 new affordable homes a year, just under target, but is constrained by its share of affordable housing over the next 20 years and a high proportion of green belt land. In an area of high house prices this may place pressure on individuals and families seeking to buy affordable houses in Bromsgrove.

A clean district

- 15 The Council has made good progress on recycling, but refuse collection and street cleanliness were not performing to an adequate standard in 2006/07. Over 40 per cent of household waste was recycled in 2006/07 which is among the top performing councils and satisfaction was high at nearly 80 per cent. Satisfaction with parks and open spaces was high and improving, but performance on street cleaning, a Council priority, was poor. The Council has recently improved street cleansing, such as providing more equipment and 'Hit squads'.
- 16 Refuse collection is high cost and satisfaction is low. Recent performance has improved with fewer missed bins, but the Council needs to continue to improve this area to provide a value for money service, including a review of the fleet of refuse collection vehicles.

Planning

- 17 Planning performance was poor in 2006/07 but has improved recently. Staff have been recruited and teams restructured to provide a better service for customers. The time taken to determine planning applications has improved and is now at 100 per cent for major applications (Council data). There is better access to planning services with surgeries held three days a week where officers are available for drop in sessions.

Customer service, reputation and performance

- 18 Access to Council services is improving but much remains to be done. The Council has made progress on the e-government agenda, with a new Customer Service Centre (CSC) and an improved website which allows payments online. There is a greater customer focus emerging across the Council with staff training, better signposting of services in the CSC and on the website and face-to-face meetings available on Planning and waste services. Processing of housing benefits has improved according to recent Council data. The Council has achieved level 2 of the Equality Standard for local government.
- 19 However, there are still weaknesses in customer service. Overall customer satisfaction with the Council was below average in 2006 at 51 per cent¹. The Council is not meeting its target for answering and handling customer calls. The Council is working to improve these areas to provide a joined-up, efficient and customer focused service. A recent customer survey showed that 71 per cent of people found accessing the Customer Service Centre easy. The Council plans to introduce a new complaints handling system, service standards and further customer care training for staff in 2008. It is also investing £6 million over the next seven years on improving systems and processes which are central to improving customer service as part of the Spatial Project.
- 20 The Council is engaging positively with the public including the vulnerable to improve services. It holds Partners and Communities Together (PACT) neighbourhood meetings, a disabled user group and an equalities forum. These all provide valuable feedback to help the Council shape its services such as on parking and regenerating the town centre. The Council has also employed an outreach worker to work with people in the disabled community to find out their needs, and centres for reporting hate crime have been set up across the district. Because of these initiatives, the Council is gaining a better understanding of the needs of local people.

Community influence and partnership working

- 21 The Council is starting to make a greater contribution to wider community outcomes. It plays an active role on the Bromsgrove partnership, such as helping to improve the health of local people and providing activities for young people. Activities for young people include a skate park, play areas, events during school holidays, and sport sessions provided by neighbourhood wardens. The work of the crime and disorder reduction partnership has contributed to reducing overall levels of crime and fear of crime over the last three years.
- 22 Community leadership is improving. The Council is providing greater leadership in the community and is using customer feedback more to deliver improved services. Following feedback from PACT meetings it has set up 'Hit Squads' to target street cleansing, and neighbourhood wardens are working more closely with the Police on reducing anti-social behaviour.

¹ based on 2006 Best Value User Satisfaction Survey.

- 23 Alongside the improvements in community leadership, political and managerial leadership are also improving. The current leadership are well thought of internally and externally. They are taking a strong lead in Bromsgrove's recovery and maintaining a good profile locally in communities and increasingly in the region.
- 24 Discussions continue to be held about shared services, primarily with Redditch, to progress various issues and while none have been delivered so far good progress is now being made on several areas. Work also continues with Worcestershire County Council on Town Centre and Asset Management and Wychavon Leisure Trust on Leisure Services.
- 25 Key areas of focus for shared working where tangible progress has been made are:
- procurement with the Council now providing procurement services to RBC and Wychavon District Council;
 - payroll – agreement as part of report on Medium Term Financial Plan (MTFP) to transfer service to Redditch;
 - elections – proposal submitted to RBC for BDC to run both authorities elections; and
 - CDRP – the merger of North Worcestershire CDRPs being progressed for completion in early 2008/09. The host authority is to be decided.

Town centre and Longbridge

- 26 The Council has a clear understanding of what it wants to achieve in the area, but detailed plans are yet to be developed. It is making positive progress on plans with partners to regenerate the town centre and Longbridge, but it is too soon to see any outcomes from this work. The Council needs to keep focused and develop robust plans to deliver against its priorities in these areas. This is challenging agenda and the Council needs to ensure it has assessed its current capacity and what it needs to deliver.

Improving value for money

- 27 The Council's approach to value for money is developing. The recent assessment of Use of Resources found the Council was not delivering adequate value for money but processes had improved. Costs were above or at average and performance was often below average, such as on refuse collection.
- 28 Processes for improving value for money in the future are in place. The Council now has a value for money strategy and action plan to improve its performance. There is a procurement steering group to help drive efficiency and reduce costs, a more robust performance management framework under a Performance Management Board (PMB), and better use of benchmarking information. Investment for 2008/09 is targeted at Council priorities and savings are being identified in non-priority areas. These mechanisms need to be fully embedded so the Council can build and develop a value for money and efficiency culture.

Progress on implementing improvement plans to sustain future improvement

- 29 The Council is delivering improvements in line with most of its plans. It has a robust improvement plan, focused on areas raised in the corporate assessment and linked to priorities. It is detailed, SMART² and closely monitored. Most areas are on track and key milestones have been met. Positive progress is being made on the housing action plan with nearly 90 per cent of actions complete. Implementing the housing strategy is on track, although the issues around affordable housing need addressing particularly given the settlement currently set out in the draft Regional Spatial Strategy.
- 30 The Council is developing plans for the longer term to sustain future improvements, but these are not yet fully developed and embedded. It has reduced its priorities to focus on five key areas in its Council Plan for 2008-2011, and financial planning is being aligned to these areas. A new Community Strategy has been prepared with partners with which the Council Plan has been aligned. This outlines shared aspirations for the district for the next ten years. The Council is playing an active role in regenerating the town centre and Longbridge with neighbouring authorities, but detailed plans are yet to be developed.
- 31 The Council is increasing capacity through effective partnership work. For example, better partnership working on housing is improving homelessness services, and work on the Crime and Disorder Reduction Partnership has contributed to reducing crime. However, the Council can do more to boost capacity through considering the business case for shared services with partners and more innovative funding such as sponsorship.
- 32 A robust performance management framework is in place and is becoming embedded through the Council. Regular performance monitoring is well established at various levels with individual staff targets, and performance reports are clear and focused. Performance is being managed more effectively, with quarterly reports to cabinet and performance clinics have improved areas such as sickness absence and paying invoices. Benchmarking with excellent authorities has begun. The Council now has a data quality strategy in place and risk management has improved. However, there is no standard approach to managing projects, apart from ICT projects, which is a risk in delivering the Council's plans.
- 33 The Council has effective mechanisms in place for communicating progress on plans and performance. It has won an award on internal communications. Communication with staff has improved including back to the floor visits by managers. There is good coverage on performance development reviews in all departments, targets are linked to priorities and training needs identified. This is helping to engage staff in the Council's improvement agenda.

² SMART: specific, measurable, achievable, realistic and time-bound.

- 34 The Council generally has the capacity to deliver its plans but there is uncertainty in some areas. Capacity has been strengthened through restructuring the senior management team with a permanent chief executive and executive director, training for middle managers and members and reducing sickness absence. Staff morale has improved, but concerns about job security with future budget cuts and job evaluation need to be managed to avoid any impact on corporate performance. There is also some uncertainty over the deliverability of the ambitious Spatial Project, a major change programme and IT project. However the Council are managing the project closely. Although the project is four months behind, the delay is almost entirely down to a conscious decision to change supplier to ensure the project delivers the benefits the Council needs.
- 35 Member capacity and working relationships have improved. A comprehensive member training programme has helped members have a better understanding of their role and the workings of the Council. Scrutiny has been strengthened and mentors assigned for the cabinet. But although member training continues in accordance with set timescales, poor attendance issues have been raised. It has now been decided that catch up sessions would be arranged for those members who had been unable to attend earlier sessions. It is believed the inclusion of all group leaders on the board is having a positive effect on the programme and attendance.
- 36 The Council has made good progress on improving its governance arrangements, but changes need to be fully embedded. There is a new Code of Conduct and a broad member development programme. New members have brought new skills to the Council and have undergone an induction programme. The constitution has been updated with a smaller Board and more specific roles and responsibilities and the role of the Standards Committee has been strengthened. These changes are helping to improve member capacity and decision making but need to be fully embedded to ensure the Bromsgrove agenda can be delivered effectively.

Inspections

- 37 The Council's first full CPA was conducted in 2007. The CPA assessment was on site in February 2007 and was published in June 2007 and this resulted in a categorisation of 'poor'. The key strengths in the Council's performance included:
- council leadership has a clear idea about what it wants to achieve and is self aware about the scale of the task required if the Council is to achieve minimum standards;
 - some recent positive progress in addressing area of poor performance; and
 - significant improvement in financial management.

- 38 At the time of the inspection, there were some important areas for improvement in the Council's performance and there was too much complacency about the changes needed to achieve the required improvements in performance. These included:
- overall performance remained below acceptable standards - service performance is poor and recent improvements in some areas have yet to be experienced by the public;
 - there is not yet an adequate vision for the area in place and stakeholders (partners, councillors, partners and the wider public) are not clear about the Council's aims;
 - the relationship with the County Council is not effective;
 - priorities are not sufficiently specific and limited progress in using these to allocate resources;
 - many councillors have a poor understanding of their role, a lack of trust between some councillors and staff and this has had a destabilising effect and has damaged the Council's reputation;
 - over reliance on key senior individuals to provide leadership resulting in significant risks to the sustainability of capacity; and
 - performance management is not yet embedded and there are no processes in place for managing partnerships. The quality of management information is poor and the processes for ensuring value for money are not robust.
- 39 However, since the publication of the report there has been steady progress and many changes. These include:
- the improvement plan is being implemented successfully;
 - a senior management restructure to increase capacity at a senior level and the Council has set up an extensive training programme for members;
 - performance indicators for 2006/07 show that Bromsgrove is improving faster than other councils;
 - inter authority working is moving forward; and
 - the 2006/07 accounts have been closed on time with an unqualified opinion but VFM will have a qualified opinion.

The audit of the accounts and value for money

- 40 Your appointed auditors have issued an Annual External Audit Report which sets out the findings of work completed in the past year. Your auditors also issued the following opinions:
- an audit report, comprising an opinion on your accounts and a conclusion on your use of resources, issued on 24 September 2007; and
 - a report on the best value performance plan confirming that the Plan has been audited and complies with statutory requirements.
- 41 The opinion on your accounts was unqualified, but the use of resources conclusion reported that arrangements in place are adequate except in respect of three areas, as described further below.
- 42 At the same time as giving an opinion on the Authority's accounts, your auditors issued an audit certificate, which marks the conclusion of their statutory responsibilities for the year. Your auditors also reviewed the Authority's WGA submission and concluded that it was consistent with the statutory accounts.
- 43 In 2007, your auditors completed the second review of data quality at the Authority using a methodology developed by the Audit Commission. They considered the Authority's arrangements to be adequate overall. This marks significant progress over last year's assessment when the Authority's arrangements were judged inadequate overall. Their Annual External Audit Report provides further detail on the findings and recommendations arising from the audit.

Use of Resources

- 44 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

- 45 Between August and October 2007, your auditors completed the third scored judgement on the Authority's use of resources. This assesses the Authority against key lines of enquiry (KLOEs) specified by the Audit Commission, on which the Authority is scored on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed by both KPMG's local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities.
- 46 Your auditors assessed the Authority's arrangements as adequate, giving an overall score of 2. This sustains the good performance of the previous year's assessment. Your auditors noted clear improvements in a number of areas of the assessment, including the Authority's medium term financial strategy and budget monitoring arrangements. Your auditors have summarised the findings and conclusions in section 3 of their report with a summary of our recommendations included in Appendix A. They also reconsidered all recommendations made in the previous year and have reiterated those that they consider significant within this year's recommendations.
- 47 Your auditors reported their conclusion on the Authority's use of resources alongside the accounts opinion on 24 September 2007. The conclusion is based on to the extent to the Authority meets 12 criteria specified by the Audit Commission which link to the other audit work – for example, on Use of Resources scored judgement and Data Quality. It is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully addressed.
- 48 Your auditors concluded the Authority has made proper arrangements to secure economy, efficiency and effectiveness on 9 of 12 criteria determined by the Audit Commission. The Authority was not able to meet three criteria:
- setting strategic and operational objectives,
 - consultation with stakeholders, and
 - monitoring and scrutiny of performance.
- 49 This represents an improvement from last year when the Authority failed to achieve 8 of the 12 Audit Commission criteria. Your auditors reported the findings in the report to those charged with governance (ISA 260) in September 2007.

- 50 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	1 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest, 4 = highest)

Looking ahead

- 51 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 52 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 53 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 54 This letter has been discussed and agreed with officers from the Council. A copy of the letter will be presented at the performance board on 18 March 2008. Copies need to be provided to all Council members.
- 55 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Role of the Monitoring Officer	June 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual External Audit Report	January 2008
Corporate Performance Assessment Report	June 2007
Annual audit and inspection letter	March 2008

- 56 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 57 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Gary Stevens
Relationship Manager

March 2008

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

9th JUNE 2008

AUDIT & INSPECTION PLAN 2008/09

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

- 1.1 To present to members the Audit Commissions 2008/09 Audit and Inspection Plan. A copy of this document is attached to this report as Appendix A..

2. RECOMMENDATION

- 2.1 Members are asked to note and agree the 2008/09 Audit and Inspection Plan..

3. BACKGROUND

- 3.1 Attached at Appendix A is the draft 2007/08 Audit and Inspection Plan. The Plan sets out the audit and inspection work that the Audit Commission propose to undertake in 2008/09.

- 3.2 The main elements of note are:

- A review of the project management framework to include major projects being undertaken by the Council
- Use of Resources assessment including a Value for Money conclusion

4. FINANCIAL IMPLICATIONS

- 4.1 Audit fees quoted within the audit plan will be met from 2008/09 revenue budget provisions.

5. LEGAL IMPLICATIONS

- 5.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2006 to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

6. COUNCIL OBJECTIVES

- 6.1 Council Objective 02: Improvement.

7. RISK MANAGEMENT

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

- Ineffective financial management.
- Inaccurate Council data.
- Ineffective Business and Performance Management.

7.2 These risks are being managed as follows:

- Ineffective financial management:

Risk Register: Corporate

Key Objective Ref No: 1

Key Objective: Effective financial management

- Inaccurate Council data:

Risk Register: Corporate

Key Objective Ref No: 15

Key Objective: All Council data is accurate and of high quality

- Ineffective Business and Performance Management:

Risk Register: Corporate

Key Objective Ref No: 19

Key Objective: Effective Business and Performance Management

7.3 Service specific improvements and actions are also monitored as part of each individual service risk register.

8. CUSTOMER IMPLICATIONS

8.1 No customer implications.

9. EQUALITIES AND DIVERSITY IMPLICATIONS

9.1 No equalities and diversity issues.

10. VALUE FOR MONEY IMPLICATIONS

10.1 The Council has discussed the plan with the Audit Commission to ensure there will be added value to the Council in undertaking the plan to the level agreed.

11. OTHER IMPLICATIONS

Procurement Issues: None
Personnel Implications: None
Governance/Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:None
Policy: None

Environmental: None

12. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (Services)	No
Executive Director - Partnerships and Projects	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

13. WARDS AFFECTED

13.1 All Wards are affected.

14. APPENDICES

14.1 None.

15. BACKGROUND PAPERS

15.1 None.

CONTACT OFFICER

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Tel: (01527) 881207

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Audit and Inspection Plan

Bromsgrove District Council

Audit 2008/09

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

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

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Introduction

- 1 This plan sets out the audit and inspection work that we propose to undertake for the 2008/09 financial year. The plan is based on the Audit Commission's risk-based approach to audit planning and the requirements of moving towards Comprehensive Area Assessment (CAA). It reflects:
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - current national risks relevant to your local circumstances; and
 - your local risks and improvement priorities.
- 2 It does not include any work in connection with the proposal to appoint a joint chief executive for both Bromsgrove District Council and Redditch Borough Council.
- 3 During 2008/09, the role of Relationship Manager will be replaced by the post of Comprehensive Area Assessment Lead (CAAL). The CAAL will provide the focal point for the Commission's work in your local area, lead the CAA process, and ensure that the combined inspection programme across all inspectorates is tailored to the level and nature of risk for the area and its constituent public bodies. The Commission has become the statutory gatekeeper of all inspection activity involving local authorities.
- 4 As we have not yet completed our audit for 2007/08, the audit planning process for 2008/09, including the risk assessment, will continue as the year progresses, and the information and fees in this plan will be kept under review and updated as necessary.

Responsibilities

- 5 We comply with the statutory requirements governing our audit and inspection work, in particular:
 - the Audit Commission Act 1998;
 - the Local Government Act 1999; and
 - the Code of Audit Practice.
- 6 The Code of Audit Practice (the Code) defines auditors' responsibilities in relation to:
 - the financial statements (including the annual governance statement); and
 - the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 7 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies (from April 2008) sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body.
- 8 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and our audit work is undertaken in the context of these responsibilities.

Fees

- 9 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales 2008/09. Scale fees are based on a number of variables, including the type, size and location of the audited body.
- 10 The total indicative fee for the audit and inspection work included in this audit and inspection plan for 2008/09 is for £119,600, which compares to the planned fee of £108,000 for 2007/08.
- 11 A significant proportion of the increase arises due to the planned audit work on the major projects the Council has in progress.
- 12 A summary of this is shown in the table below. The fee is determined by audit risks identified, mandated work and basic assumptions. A detailed breakdown of the audit and inspection fee is included in Appendix 2.

Table 1 Audit fee

Audit area	Planned fee 2008/09 (£)	Planned/actual fee 2007/08 (£)
Total audit fee	107,600	89,000
Total inspection fee	12,000	19,000
Total audit and inspection fee	119,600	108,000

- 13 The Audit Commission scale fee for Bromsgrove District Council is £89,500. The audit fee proposed for 2008/09 of £107,600 is + 21 per cent above this scale fee and is within the normal level of variation specified by the Commission.
- 14 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different to that identified for 2007/08; and
 - internal audit undertakes appropriate work on all systems; and
 - good quality working papers and records will be provided to support the financial statements by.

Further details of the initial risk assessment are outlined in Appendix 2.

- 15 The plan has been prepared on the basis that there is no change in the role of Chief Executive. If the current proposal to appoint a joint chief executive for both Bromsgrove District Council and Redditch Borough Council is agreed then the audit risks would be reassessed and any additional audit work would be discussed with the Chief Executive.

- 16 The Audit Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work is required than envisaged by the scale fee. The Audit Commission may, therefore, adjust the scale fee to reflect the actual work that needs to be carried out to meet the auditor's statutory responsibilities, on the basis of the auditor's assessment of risk and complexity at a particular body.
- 17 It is a matter for the auditor to determine the work necessary to complete the audit and, subject to approval by the Audit Commission, to seek to agree an appropriate variation to the scale fee with the Council. The Audit Commission expects normally to vary the scale fee by no more than 30 per cent (upwards or downwards). This fee then becomes payable.
- 18 Although no service inspection is planned this year there is a planned review of project management as it affects all the major corporate projects the Council is involved with. This increases the charge for our Use of Resources work for this year.
- 19 We will also charge for our certification of certain grants and claims. An estimate of the total cost for 2008/09 will be communicated to the Council after we have completed our certification work for 2007/08.

Process for agreeing any changes in audit fees

- 20 As set out in paragraph 4, we expect that the initial risk assessment may change as the year progress. Where this is the case, we will discuss this in the first instance with the Chief Executive. Supplements to the plan will be issued to record any revisions to the risk and the impact on the fee.

Auditor's report on the financial statements

- 21 We are required to issue an audit report giving our:
- opinion on whether the financial statements present fairly the financial position of the Council as at 31 March 2009; and
 - conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial statements

- 22 We have not undertaken a risk assessment for our audit of the financial statements as many of the specific risks which may become apparent after we have completed our 2007/08 audit. A separate opinion plan for the audit of the financial statements will be issued in February 2009.

VFM conclusion

- 23 In reaching our conclusion, we will review evidence that is relevant to the Council's performance management and financial management arrangements.
- 24 The key risks highlighted from the planning are summarised in the table below with details of planned work to mitigate the risks. Full details of the risk assessment are outlined in Appendix 3.

Table 2 Key risks identified

Key risks identified	Planned work to address the risk
Project management	Review of project management as it affects all the major authority projects.

Use of resources 2008/09

- 25 The Audit Commission has specified that auditors will complete a use of resources assessment for 2008/09. This will be a new assessment forming part of the CAA framework for 2009.
- 26 The Commission proposes that the approach to the new use of resources assessment will be focussed on three themes with the detailed Key Lines of Enquiries to be confirmed. For each of the significant risks identified in relation to the use of resources work, we consider the arrangements put in place by the Council to mitigate the risk, and plan the work accordingly.
- 27 The initial risk assessment for use of resources work is shown in Appendix 3. This will be updated through the continuous planning process as the year progresses.

Mandated work

28 As part of the audit, the mandated work programme comprises:

- data quality for 2007/08; and
- whole of government accounts.

Appendix 1 highlights the work to be undertaken.

CPA and inspection

- 29 From April 2009, the Audit Commission, jointly with the other public service inspectorates, will be implementing Comprehensive Area Assessment (CAA). Therefore, 2008/09 is the last year in which corporate assessments and programme service inspections will be undertaken as part of the CPA framework.
- 30 The Audit Commission's CPA and inspection activity is underpinned by the principle of targeting our work where it will have the greatest effect, based upon assessments of risk and performance.
- 31 The Council's CPA category is, therefore, a key driver in the Commission's inspection planning process. For CPA 2007, the Council was categorised as zero stars.
- 32 I have applied the principles set out in the CPA framework, '*CPA – District Council Framework From 2006*', recognising the key strengths and areas for improvement in the Council's performance.
- 33 Strengths in the Council's performance include:
- council services are improving at a faster rate than other councils but from a low base; and
 - the Council has successfully focussed on meeting the requirements of its improvement plan.
- 34 Areas for improvement in the Council's performance include:
- overall customer satisfaction with the Council was below average and had not improved; and
 - although it is starting to take effective action to improve priority services such as on recycling, planning and housing and is increasing capacity through effective partnership work, the Council has yet to sustain these improvements and embed the recent changes.

- 35 On the basis of the planning process, I have identified where inspection activity will be focused for 2008/09 as follows.

Table 3 Summary of inspection activity

Inspection activity	Reason/impact
Relationship Manager (RM) role	To act as the Commission's primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Direction of Travel (DoT) assessment	An annual assessment, carried out by the RM, of how well the Council is securing continuous improvement. The DoT statement will be reported in the Annual Audit and Inspection Letter. The DoT assessment summary will be published on the Commission's website.

Advice and assistance

- 36 Under paragraph 9 of Schedule 2A of the Audit Commission Act 1998 we have powers to provide 'advice and assistance' (A&A) to another public body where this is requested.
- 37 If you wish the Commission to provide additional services under these powers, please contact Dorothy Welsh.

The audit and inspection team

- 38 The key members of the audit and inspection team for the 2008/09 audit are shown in the table below.

Table 4 Audit and inspection team

Name	Contact details	Responsibilities
Gary Stephens Relationship Manager	g-stevens@audit-commission.gov.uk 0844 798 3954	The primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
Mary-Ann Bruce CAAL	ma-bruce@audit-commission.gov.uk 0844 798 3554	
Liz Cave District Auditor	l-cave@audit-commission.gov.uk 0844 798 7552	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and [audit] committee.
David Evans Audit Manager	d-evans@audit-commission.gov.uk 0844 798 7580	Manages and co-ordinates the different elements of the audit work. Key point of contact for the Director of Finance.

Quality of service

- 39 We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the West Midlands Head of Operations, Phil Jones.
- 40 If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet *'Something to Complain About'*, which is available from the Commission's website or on request.

Planned outputs

- 41 Reports will be discussed and agreed with the appropriate officers before being issued to the [audit] committee.

Table 5 Planned outputs

Planned output	Indicative date
Opinion Audit Plan	February 2009
Annual governance report	September 2009
Auditor's report giving an opinion on the financial statements	September 2009
Final accounts memorandum	October/November 2009
Use of resources report	October 2009
Project management report	December 2008
Annual Audit and Inspection Letter	TBC

Appendix 1 – Elements of our work

Financial statements

- 1 We will carry out our audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 2 We are required to issue an opinion on whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year.
- 3 We are also required to review whether the Annual Governance Statement has been presented in accordance with relevant requirements, and to report if it does not meet these requirements or if the Annual Governance Statement is misleading or inconsistent with our knowledge of the Council.

Value for money conclusion

- 4 The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion. The Code also requires the auditor to have regard to a standard set of relevant criteria, issued by the Audit Commission, in arriving at our conclusion.
- 5 In meeting this responsibility, we will review evidence that is relevant to the Council's corporate performance management and financial management arrangements. Where relevant work has been undertaken by other regulators, we will normally place reliance on their reported results to inform our work.
- 6 We will also follow up our work from previous years to assess progress in implementing agreed recommendations.

Use of resources assessment 2008/09

- 7 The Commission has now consulted on its proposals for the 2008/09 Use of Resources assessment. It proposes that the work required to arrive at the 2008/09 use of resources assessment is fully aligned with that required to arrive at the auditor's 2008/09 value for money conclusion.

- 8 The Commission proposes that the assessment will be based upon the evidence from three themes:
 - managing money;
 - managing the business; and
 - managing other resources.
- 9 The Commission proposes that Data Quality will become an element of the Use of Resources framework from 2008/09.

Whole of government accounts

- 10 We will be required to review and report on your WGA consolidation pack in accordance with the approach agreed with HM Treasury and the National Audit Office.

National Fraud Initiative

- 11 From 2008/09 work relating to the National Fraud Initiative will be carried out directly by the Commission under its new data matching powers under the Serious Crime Act 2007. The Commission will be consulting audited bodies on the work programme and fee scales for the National Fraud Initiative later this year.

Certification of grant claims and returns

- 12 We will continue to certify the Council's claims and returns on the following basis:
 - claims below £100,000 will not be subject to certification;
 - claims between £100,000 and £500,000 will be subject to a reduced, light-touch certification; and
 - claims over £500,000 will be subject to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment would lead to a reduced certification approach for these claims.

Appendix 2 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees. It also means making sure that our work is coordinated with the work of other regulators, and that our work helps you to improve.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying at the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers;
 - liaison with internal audit; and
 - the results of other review agencies' work where relevant.

Assumptions

- 3 In setting the fee, we have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2007/08;
 - you will inform us of significant developments impacting on our audit;
 - internal audit meets the appropriate professional standards;
 - [internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit];
 - good quality working papers and records will be provided to support the financial statements by 7 July 2009;
 - requested information will be provided within agreed timescales; and
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.

- 5 Changes to the plan will be agreed with you. These may be required if:
 - new residual audit risks emerge;
 - additional work is required by the Audit Commission or other regulators; or
 - additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.
- 6 Below is a detailed breakdown of the audit and inspection fee for 2008/09.
- 7 The fee (plus VAT) will be charged in 12 equal instalments from April 2008 to March 2009.

Table 6 Detailed audit and inspection fee

Audit area	Planned fee 2008/09 (£)	Planned/Actual fee 2007/08 (£)	Page
Audit			
Financial statements	61,800	60,100	
Use of Resources	42,700	27,100	
Whole of government accounts	2,900	1,800	
Total audit fee	107,600	89,000	
Inspection			
Relationship management	3,000	2,950	
Direction of Travel	3,000	2,950	
Service inspection		7,200	
Recovery support	6,000	5,900	
Corporate inspection			
Total inspection fee	12,000	19,000	
Total audit and inspection fee	119,600	108,000	

Appendix 3 – Initial risk assessment – Use of resources and VFM conclusion

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities
<p>Voluntary engagement</p> <p>Risk of continuing in engagement. The Council is planning to apply for re-categorisation in 2008.</p>	<p>The authority has requested re-categorisation. The re-categorisation request demonstrates the improvements delivered.</p>	<p>Yes</p>	<p>We will monitor progress of re-categorisation request.</p>	<p>UoR/VFM</p>
<p>Financial pressures</p> <p>Significant future savings are required. Risk of not achieving balanced budget and efficiency targets without reducing services.</p>	<p>There are robust budgetary control monitoring and reporting controls in place, including consideration of savings by members.</p>	<p>Yes</p>	<p>We will monitor the financial position throughout the year.</p>	<p>UoR/VFM</p>

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>Town centre redevelopment</p> <p>Risk that project is not cost effective or in line stakeholder expectations.</p>	<p>A project manager is in place. Joint project meetings are held with county council partners.</p>	<p>Yes</p>	<p>We will carry out a review of corporate project management.</p>	<p>UoR/VFM</p>
<p>Longbridge redevelopment</p> <p>Risk that the Council does not achieve all potential benefits planned.</p>	<p>Joint project team in place with other stakeholder councils and organisations. Detailed project plan with delivery milestones utilised.</p>	<p>Yes</p>	<p>We will carry out a review of corporate project management.</p>	<p>UoR/VFM</p>
<p>Spatial project</p> <p>Risk that project does not deliver expecting service improvements or cost savings.</p>	<p>Project managers in place with cross departmental senior officer project board monitoring delivery. Project and risk management procedures in place.</p>	<p>Yes</p>	<p>We will carry out a review of corporate project management.</p>	<p>UoR/VFM</p>

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor’s responsibilities
<p>Job evaluation</p> <p>Risk of unplanned, high cost increases in costs. Danger of poor staff morale from the project.</p>	<p>Senior officer and union representative steering group set up.</p> <p>National scheme utilised with specialist support used for modelling of pay.</p>	<p>Yes</p>	<p>We will review final costs as part of UoR/VFM work</p>	<p>VFM</p>
<p>Leisure centre</p> <p>Refurbishment of premises and subsequent transfer of management to independent management company. Risk that cost savings are not realised or service quality is not maintained/improved.</p>	<p>Project group and plan in place. Savings identified together with outcomes monitored by project group.</p> <p>External support from Wychavon Council obtained to gain advice and support from similar transfer.</p>	<p>Yes</p>	<p>We will carry out a review of corporate project management.</p> <p>We will also review business case and monitoring procedures as part of our UoR/VFM work.</p>	<p>UoR/VFM</p>

Appendix 3 – Independence and objectivity

- 1 We are not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 2 We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.
- 3 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 4 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 5 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
 - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.
- 6 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the [audit committee]. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 7 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 8 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor’s opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being ‘additional work’ and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
 - The District Auditor and members of the audit team must abide by the Commission’s policy on gifts, hospitality and entertainment.

Appendix 4 – Working together

Meetings

- 1 The audit and inspection team will maintain knowledge of your issues to inform audit and inspection through regular liaison with key officers.
- 2 Our proposal for meetings is as follows.

Table 7 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive Director of Resources	District Auditor (DA) and/or Audit Manager (AM)	Quarterly: April, August, November, February	General update plus: <ul style="list-style-type: none"> • April - Audit and Inspection Plan • June - accounts progress and VFM
Directors			General update
Head of Corporate Policy and Performance	AM	Quarterly	Update
Head of Finance	AM and Team Leader (TL)	Quarterly	Update on audit and opinion issues
Chief Internal Auditor	AM and TL	Quarterly	Update on audit progress and issues
Audit Committee	DA and AM, with TL as appropriate	Quarterly	Formal reporting of: <ul style="list-style-type: none"> • Audit and Inspection Plan; • Annual governance report; • Annual Audit and Inspection Letter; and • other issues as appropriate.

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to submit documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as appropriate; and
 - reducing travel.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

9th JUNE 2008

INTERNAL AUDIT PERFORMANCE AND WORKLOAD

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

- 1.1 To present a summary of the current performance and workload of the Internal Audit Section.

2. RECOMENDATION

- 2.1 The Audit Board is recommended to note and approve the:

- Current status and work completed on the 2007/08 Audit Plan.
- Work completed by the Internal Audit Section between March and May 2008.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

3. BACKGROUND

- 3.1 Following the Audit Board meeting on the 25th April 2006, a number of standard agenda items and topics were agreed. This report includes information on the following areas:

- 2007/08 Audit Plan – Current Status.
- Audit Work Completed since the previous Audit Board meeting.
- Summary of Investigations.
- Performance Indicator statistics.
- New or updated audit documents.

4. 2007/08 AUDIT PLAN – CURRENT STATUS

4.1 The 2007/08 Audit Plan came into effect on the 1st April 2007. Detailed below is the work completed to date on the audit reviews detailed in the plan.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Audit Reviews						
Project Management Methodology	E-Gov. & CS	Qtr 1			✓	Audit completed.
Street Cleansing	St. Scene & Waste Mngmnt	Qtr 1			✓	Audit completed.
Web Development / Updates	E-Gov. & CS	Qtr 1			✓	Audit completed.
Stores & Garage (incl. Business Support)	St. Scene & Waste Mngmnt	Qtr 1	N/A	N/A	N/A	Removed – as approved by the Audit Board.
Members' Expenses	Legal & Demo.	Qtr 1			✓	Audit completed.
Enforcement	Plan. & Env.	Qtr 1			✓	Audit completed.
Council Risk Registers	Corporate	Qtr 2			✓	Audit completed.
Equality and Diversity	Legal & Demo.	Qtr 2	N/A	N/A	N/A	Audit transferred to 2008/09
Refuse Collection & Recycling	St. Scene & Waste Mngmnt	Qtr 2	N/A	N/A	N/A	Removed – as approved by the Audit Board.
Health & Safety	HR & OD	Qtr 2			✓	Audit completed
CCTV - Lifeline System	Cult. & Comm.	Qtr 2			✓	Audit completed.
Asset Management	Legal & Demo.	Qtr 2			✓	Audit completed.
Performance Indicators & Data Quality	Policy & Perf.	Qtr 2			✓	Audit completed.
E-mail policy & Internet Usage	E-Gov. & CS	Qtr 2	N/A	N/A	N/A	Audit transferred to 2008/09.
Licensing & Taxi Licensing	Plan. & Env.	Qtr 2	N/A	N/A	N/A	Removed – as approved by the Audit Board.
Budgetary Control & Strategy	Financial Svcs	Qtr 3			✓	Audit completed.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Procurement (incl. E-Procurement & Best Value)	Financial Srvs	Qrtr 3			✓	Audit completed.
Benefits	Financial Srvs	Qrtr 3	✓			Audit yet to start.
Dolphin Centre	Cult. & Comm.	Qrtr 3	N/A	N/A	N/A	Removed – as approved by the Audit Board.
Debtors	Financial Srvs	Qrtr 3			✓	Audit completed.
Customer Service Centre	E-Gov. & CS	Qrtr 3	N/A	N/A	N/A	Audit transferred to 2008/09.and includes cash, reconciliations and General Ledger
Payroll	HR & OD	Qrtr 4		✓		Testing ongoing.
Creditors	Financial Srvs	Qrtr 4			✓	Audit completed
General Ledger & Bank Reconciliations	Financial Srvs	Qrtr 4	N/A	N/A	N/A	See above
Treasury Management	Financial Srvs	Qrtr 4			✓	Audit completed
Council Tax	Financial Srvs	Qrtr 4			✓	Audit completed
Disabled Facilities & Improvement Grants	Plan. & Env.	Qrtr 4			✓	Audit completed.
NNDR	Financial Srvs	Qrtr 4		✓		Testing ongoing.
Projects						
Amphlett Hall	Legal & Demo.	Qrtr 1		✓		Completed.
Leadership Development Programme	N/A	Qrtr 1			✓	Work completed.
Equalities Champion	Legal & Demo.	Qrtr 1		✓		Finance now covers this.
Information Management	E-Gov. & CS	Qrtr 1			✓	Work completed.
POP Project	Financial Srvs	Qrtr 1		✓		Project support provided.
PPlus System	Policy & Perf.	Qrtr 1			✓	Work completed.
Local Code of Corporate Governance	Corporate	Qrtr 1			✓	Work completed.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Risk Management	Corporate	Qtr 1		✓		Ongoing facilitation and support.
Spatial Project	E-Gov. & CS	Qtr 1		✓		Project support provided.
Wyre Forest Risk Management	Corporate	Qtr 3			✓	Work completed.

5. AUDIT WORK COMPLETED

- 5.1 Due to vacancies and changes in the Audit Team resources the Audit Plan for 2007/08 was not completed within the financial year and therefore has been extended into 2008/09 to cover the necessary audits to give the necessary assurances for final accounts. This means that work on 2008/09 planned audits has not commenced.
- 5.2 In addition to the delivery of the 2007/08 Audit Plan, as detailed in section 4, the following work has been completed by the Internal Audit section between March and May 2008.
- Ongoing communication with the Council's new external auditors.
 - The Internal Audit Section has a representative on the Risk Management Steering Group and has provided ongoing support and facilitation in implementing the Council's Risk Management Strategy.
 - Monthly monitoring of the Internal Audit Section's 2007/08 Performance Indicators. Further information has been provided in section 7.

6. SUMMARY OF INVESTIGATIONS

- 6.1 Internal Audit has been involved in five investigations since 1st April 2007. Three of the investigations were completed and reported to the Audit Board on the 17th September 2007 (FR303, FR304 and FR305). Internal Audit's involvement in the other two investigations can be summarised by the following:
- Investigation Code FR301: Internal Audit was contacted to provide resources, guidance and support in completing the investigation. The review has been completed and the outcome was reported to Standards Committee on 9th November 2007.
 - Investigation Code F302: Internal Audit was contacted regarding a contract monitoring issue. The review has been completed and procedures amended but no further action taken.
- 6.2 None of the completed investigations detailed above have resulted in any major risks to the Council and its assets. Additionally, where possible, the issues detailed above and Internal Audit's subsequent involvement resulted in improved systems, processes and a more robust system of internal control within the Council.

7. 2007/08 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1 At the Audit Board meeting on the 19th February 2007, the new 2007/08 Performance Targets were agreed. Detailed below is the performance against the agreed targets.

No	Description	2007/08 Target	2007/08 Actual	Comments
1	Delivery of Audit Plan (Jobs Finished)	75%	80%	80% of reviews have been completed during 2007/08. (4 Audits deleted as agreed by Audit Board and 4 transferred to 2008/09)
2	Delivery of Audit Plan (Resources)	95%	83%	83% of planned resources have been available during 2007/08 due to one secondment and one vacancy.
3	Productive audit time	69%	65%	65% of 2007/08 audit time has been classed as productive.
4	Assignments completed within budget	85%	83%	83% of completed reviews for 2007/08 have been delivered within the days allocated.
5	Response time to fraud/allegations	5 days	3 days	All allegations and investigations have been responded to within 5 days for 2007/08.
6	Pre-audit meetings held for each audit	100%	100%	Pre-audit meetings have been held for all 2007/08 audit reviews.
7	Post audit meetings held for each audit	100%	91%	Post audit meetings have been held for 91% of 2007/08 audit reviews.
8	Draft report turnaround	5 days	3 days	All draft reports have been issued within 5 days for 2007/08.
9	Final report turnaround	10 days	12 days	Final reports have been issued within 12 days for 2007/08. This is subject to ongoing consultation with managers and Heads of Service and performance is improving.
10	Number of recommendations accepted	95%	99%	99% of audit recommendations have been accepted for 2007/08.
11	Post Audit Questionnaires returned	85%	100%	100% of quality questionnaires have been returned for 2007/08.
12	Customer feedback rating	92%	98%	98% positive feedback has been received from post audit questionnaires returned during 2006//07.
13	Attendance	6.6 days	3.0 days	An average of 3.0 days sickness per team member has been taken during 2007/08.

7.2 Following each final report, the Head of Service and/or Service Manager are issued with a Quality Questionnaire. This enables them to rate the service they received and detail any areas that require improving

8. NEW OR UPDATED AUDIT DOCUMENTS

8.1 There are no new or updated Internal Audit documents to report.

9. FINANCIAL IMPLICATIONS

9.1 None outside existing budgets.

10. LEGAL IMPLICATIONS

10.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2006 to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

11. COUNCIL OBJECTIVES

11.1 Council Objective 02: Improvement.

12. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

12.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:
Risk Register: Financial Services
Key Objective Ref No: 3
Key Objective: Efficient and effective Internal Audit service
- Ineffective Internal Audit service:
Risk Register: Financial Services
Key Objective Ref No: 3
Key Objective: Efficient and effective Internal Audit service
- Lack of an effective internal control environment:
Risk Register: Financial Services
Key Objective Ref No: 3
Key Objective: Efficient and effective Internal Audit service

13. CUSTOMER IMPLICATIONS

13.1 No customer implications.

14. EQUALITIES AND DIVERSITY IMPLICATIONS

14.1 No equalities and diversity issues.

15. VALUE FOR MONEY IMPLICATIONS

15.1 Whilst undertaking the Audits the section ensures that all contract and procedure rules are complied with to ensure financial regulations are met..

16. OTHER IMPLICATIONS

Procurement Issues: None
Personnel Implications: None
Governance/Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:None
Policy: None
Environmental: None

17. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (Services)	No
Executive Director - Partnerships and Projects	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

18. WARDS AFFECTED

18.1 All Wards are affected.

19. APPENDICES

19.1 None.

20. BACKGROUND PAPERS

20.1 None.

CONTACT OFFICER

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

9th June 2008

RECOMMENDATION TRACKER

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

- 1.1 To present a summary of progress to date against the previously selected audit report “priority one” recommendations.

2. RECOMMENDATION

- 2.1 The Audit Board is recommended to:

- Review the “priority one” recommendations detailed in Appendix A.
- Agree any necessary action and reporting process.

3. BACKGROUND

- 3.1 Following completion of an audit review, recommendations are made to assist Heads of Service and Managers to improve their operational effectiveness. Each recommendation is included in a final report and is prioritised based on the following matrix:

Priority 1: Recommendations that are **fundamental** to improving the controls within the system.

Priority 2: Recommendations that are **important** to improving the controls within the system.

Priority 3: Recommendations that are **desirable** to improving the controls within the system.

Prioritising recommendations enables Heads of Service and Managers to implement recommendations based on importance, in order to improve control within their systems and processes.

- 3.2 Heads of Service and Managers are contacted on a quarterly basis and an update is requested on each key “priority one” recommendation included on their audit reports. Progress is monitored along with any action completed.

4. RECOMMENDATION TRACKER REPORT SUMMARY

4.1 Attached in Appendix A is a summary of 16 key “priority one” recommendations that have been reported since 1st April 2006. The summary report includes the following information:

- Audit Review Title;
- Service Area;
- Final Report Date;
- Recommendation;
- Due Date; and
- Current Position.

4.2 From the 16 recommendations:

- Seven have been implemented;
- Six are ongoing and within the target date originally agreed or rescheduled; and
- Three are ongoing but are outside the target date.

For the three recommendations that are outside target but ongoing, progress is being regularly monitored.

5. FINANCIAL IMPLICATIONS

5.1 None outside existing budgets.

6. LEGAL IMPLICATIONS

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2006 to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

7. COUNCIL OBJECTIVES

7.1 Council Objective 02: Improvement.

8. RISK MANAGEMENT

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

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

8.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:
 Risk Register: Financial Services
 Key Objective Ref No: 3
 Key Objective: Efficient and effective Internal Audit service
- Lack of an effective internal control environment:
 Risk Register: Financial Services
 Key Objective Ref No: 3
 Key Objective: Efficient and effective Internal Audit service

8.3 Service specific improvements and actions are also monitored as part of each individual service risk register.

9. CUSTOMER IMPLICATIONS

9.1 No customer implications.

10. EQUALITIES AND DIVERSITY IMPLICATIONS

10.1 No equalities and diversity issues.

11. VALUE FOR MONEY IMPLICATIONS

11.1 Although there are no obvious value for money implications, implementing recommendations should improve the Council’s overall control environment.

12. OTHER IMPLICATIONS

Procurement Issues: None
Personnel Implications: None
Governance/Performance Management: Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

13. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (Services)	No

Executive Director - Partnerships and Projects	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

14. WARDS AFFECTED

14.1 All Wards are affected.

15. APPENDICES

15.1 Appendix A: Recommendation Tracker Report.

16. BACKGROUND PAPERS

16.1 None.

CONTACT OFFICER

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Recommendation Tracker Report

Priority 1 Audit Recommendations – Current Status

Current Position Key:

GREEN	Recommendation implemented
AMBER	Work currently ongoing
RED	Work yet to start

No.	Audit Title	Recommendation	Due Date	Current Position
1	CCTV System (Culture and Community Services) Final Report Issued: 14 th September 2006	<u>CCTV Code of Practice</u> We recommend that the CCTV Code of Conduct be formally approved and adopted.	Nov. '06	<u>GREEN</u> The Council's RIPA Policy has been and adopted and all staff have received the appropriate training / refresher sessions. The annual review is currently being completed. No further Action required.

No.	Audit Title	Recommendation	Due Date	Current Position
2	Data Protection (Legal and Democratic Services) Final Report Issued: 3 rd October 2006	<p><u>Retention of Documents</u></p> <p>We recommend that staff be reminded to ensure regular housekeeping is carried out in all areas to ensure data is not held for longer than is necessary and is disposed of in a secure manner.</p>	Jan 07	<p><u>GREEN</u></p> <p>Information Management audit has been completed and the report is with the Head of E-Government and Customer Services. A document Retention schedule has been created and can be found on the Intranet (Corporate > Making Information Manageable > Documentation Retention schedule)</p>
3	Development Control (Planning and Environment Services) Final Report Issued: 30 th November 2006	<p><u>Planning Enforcement Procedures</u></p> <p>We recommend that workable procedures should be agreed and written which conform to the Enforcement Concordat Good Practice Guide.</p> <p>We also recommend that when agreed the Policy should be publicised where appropriate as per the above guide.</p>	Mar 07	<p><u>AMBER</u></p> <p>The draft policy and procedure document has been written and reviewed by the Head of P & E and the Legal Department.</p> <p>Comments have been received back but no further work has been allocated</p> <p>New date; N/A – ongoing</p>

No.	Audit Title	Recommendation	Due Date	Current Position
4	<p>Section 106 (Corporate)</p> <p>Final Report Issued: 15th January 2007</p>	<p><u>Procedures</u></p> <p>We recommend that a clear procedure for dealing with and managing Section 106 Agreements is written.</p> <p>The procedures should clearly document all stages of the process including the implementation and monitoring of agreements.</p> <p>You should refer to the Planning Obligations: 'Practice Guide and research other local authority' procedures for further guidance.</p>	Apr. '07	<p><u>AMBER</u></p> <p>Due to a vacancy within the Accountancy section, there has been a delay in producing the procedure. This role has since been reallocated</p> <p>New date: June 08</p>
5	<p>Housing Enabling Service (Planning and Environment Services)</p> <p>Final Report Issued: 2nd October 2006</p>	<p><u>Procedures</u></p> <p>We recommend that the action plan arising from the Audit Commission Strategic Housing Services July 2006 inspection report is implemented as soon as possible.</p> <p>As most homelessness related activities have been outsourced to BDHT, it is imperative that the action plan includes procedures for processes that are the responsibility of BDHT. Officers from BDC should consult with representatives of BDHT when compiling procedures for those activities undertaken by BDHT.</p>	Apr. '07	<p><u>AMBER</u></p> <p>Implementation of procedures is in progress but will take a few weeks to be fully operational.</p> <p>New date: July 08</p>

No.	Audit Title	Recommendation	Due Date	Current Position
6	NNDR (Financial Services) Final Report Issued: 22 nd February 2007	<p><u>Billing Procedures</u></p> <p>We recommend that a clear documented procedure for billing is established which should not just focus on the input of data into academy.</p>	Jun. '07	<p><u>AMBER</u></p> <p>An online procedure manual has been made available. However, a full internal procedure manual still needs to be collated.</p> <p>Work has commenced in Nov 07 on the internal procedure manual and is ongoing.</p> <p>New date: July 08</p>
7	NNDR (Financial Services) Final Report Issued: 22 nd February 2007	<p><u>Bill Suppressions</u></p> <p>We recommend that an adequate documented process for dealing with suppressed accounts is established.</p> <p>The process should include:</p> <ul style="list-style-type: none"> - the level of detail to be recorded on the NNDR system to support the suppressed bill; - adequate review process to ensure suppressed accounts are subject to a regular review; - the process for monitoring suppressed accounts, including the use of report 6100e; and - authorisation levels where necessary. 	Jun. '07	<p><u>AMBER</u></p> <p>Authorisation levels to suppress accounts has been reviewed and updated.</p> <p>Work is ongoing to clear bill suppressions.</p> <p>New date: July 08</p>

No.	Audit Title	Recommendation	Due Date	Current Position
8	CCTV – Lifeline System (Culture and Community Services) Final Report Issued: 18 th June 2007	<p><u>Lifeline Procedures</u></p> <p>We commend the work that has been completed in collating the new procedure manuals.</p> <p>However, we recommend that the new procedure manuals are agreed and adopted as soon as possible to ensure a consistent and high level of service delivery.</p>	Jul. '07	<p><u>GREEN</u></p> <p>Procedure manuals have been agreed, adopted and all members of staff have received appropriate training.</p>
9	Council Tax System (Financial Services) Final Report Issued: 16 th May 2007	<p><u>Arrears Reports</u></p> <p>We recommend that problems regarding the arrears reporting are investigated. Appropriate action should be taken to obtain adequate monitoring reports.</p>	Aug.'07	<p><u>GREEN</u></p> <p>Training has been completed by the Senior Revenues and Recovery Officer who is now able to produce ad-hoc reports using Academy Decision Support (ADS)</p>

No.	Audit Title	Recommendation	Due Date	Current Position
10	<p>Benefits (Financial Services)</p> <p>Final Report Issued: 5th April 2007</p>	<p><u>BACS Transmission</u></p> <p>We recommend that a separate BACS authorisation card be obtained for Revenue and Benefits.</p> <p>This card should be:</p> <ul style="list-style-type: none"> - specific to one member of staff with a deputy; - only allow access to the Revenue and Benefits BACS files; and - stored securely. 	Sep.07	<p><u>GREEN</u></p> <p>Separate cards have been obtained for Accountancy, Revenues & Benefits and Payroll.</p> <p>Accountancy and Revenues & Benefits cards were registered with BACs 28th December 2007 and are in use.</p> <p>Payroll is moving over to Redditch in April 2008 – therefore the card has not been registered.</p>
11	<p>CCTV – Lifeline System (Culture and Community Services)</p> <p>Final Report Issued: 18th June 2007</p>	<p><u>Lifeline Training</u></p> <p>We recommend that once the new procedures are adopted, staff are fully trained on the new processes.</p> <p>Refresher training should also be completed as and when required.</p>	Sep. 07	<p><u>GREEN</u></p> <p>As point 8, new procedures have been created and implemented and all staff have received appropriate training.</p> <p>CCTV and Lifeline Manager spends a lot of time in the CCTV room providing refresher training on a 1-2-1 basis.</p>

No.	Audit Title	Recommendation	Due Date	Current Position
12	<p>Disabled Facilities & Improvement Grants (Planning and Environment Services)</p> <p>Final Report Issued: 25th October 2007</p>	<p><u>Work Not Undertaken by Original Contractor</u></p> <p>We recommend procedures to be followed when original contractors are unable to undertake the work are clearly documented. The procedures should detail:</p> <ul style="list-style-type: none"> - accepted circumstances for being unable to carryout the work i.e. workload, bankruptcy, etc.; - confirmation in writing required on the contractor's official paperwork; and - agreements with the new contractor made official and the change recorded. <p>We further recommend that when written the policy should be made available to all applicants, agents and contractors as appropriate.</p>	Nov. '07	<p><u>GREEN</u></p> <p>This recommendation is confirmed as completed</p>

No.	Audit Title	Recommendation	Due Date	Current Position
13	<p>Disabled Facilities & Improvement Grants (Planning and Environment Services)</p> <p>Final Report Issued: 25th October 2007</p>	<p><u>System Reports</u></p> <p>We recommend that a review of the M3 system be completed that identifies a full list of potential reports that can be used to aid the section and inform management decision. Examples of reports include:</p> <ul style="list-style-type: none"> - new grant applications; - approval decision dates; - approved grant amounts; - work commenced dates; - work completed dates; - payments made or outstanding; and - payments over approved amounts. <p>Once a list of reports has been identified, we recommend that a timetable be created that details:</p> <ul style="list-style-type: none"> - who produced the report; - when and how often the report is produced; - who received the report; and - any action required. 	Nov. '07	<p><u>AMBER</u></p> <p>The information on the M£ system is identified by codes ie;</p> <ul style="list-style-type: none"> - 0000 procedure started - L20 Application received - 414 Grant approvals <p>The codes have been identified by the Acting Private Sector Housing Team Leader which will provide meaningful reports for both monthly monitoring and PI information.</p> <p>However due to computer system enhancements currently taking place reports are not being run regularly but have been produced from the test system.</p> <p>New date: September 08.</p>

No.	Audit Title	Recommendation	Due Date	Current Position
14	Web Development / Updates (E-Government and Customer Services) Final Report Issued: 24 th August 2007	<p><u>Policies and Procedures</u></p> <p>We recommend that you develop clear policies and procedures which effectively govern the management and operation of the Internet and Intranet site.</p>	Nov. '07	<p><u>AMBER</u></p> <p>Compilation of policies and procedures is on-going. The delay in completing the action is due to a vacancy within the department.</p> <p>New date: June 08</p>
15	Enforcement (Planning and Environment Services) Final Report Issued: 17 th August 2007	<p><u>Planning Enforcement Policy</u></p> <p>We recommend that a policy is written and adopted that sets out, in line with the Concordat Principles, the service standards that will be applied.</p> <p>We further recommend that once the policy has been adopted, all officers in the enforcement section should be made aware of its existence and purpose.</p>	Dec. '07	<p><u>AMBER</u></p> <p>A Draft Policy has been written by the Senior Enforcement Officer and was submitted to Head of P & E Services and the Legal Department for comments at the end of October.</p> <p>Comments have been received back but no further work has been allocated.</p> <p>New date: N/A – ongoing.</p>

No.	Audit Title	Recommendation	Due Date	Current Position
16	Budgetary Control System (Financial Services) Final Report Issued: 9 th May 2007	<p><u>Accountancy Procedures</u></p> <p>We recommend that an Accountancy Procedure Manual be created and distributed to all staff.</p> <p>The manual should include:</p> <ul style="list-style-type: none"> - aspects of the budget setting and monitoring process; and - all relevant operations fulfilled by the section. 	Mar. '08	<p><u>AMBER</u></p> <p>Work has been completed on collating a full task list of Accountancy roles and responsibilities.</p> <p>Work has started on allocating tasks and preparing procedure manuals for the relevant areas.</p> <p>New date: N/A – ongoing</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

9th June 2008

RISK MANAGEMENT TRACKER

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services

1. SUMMARY

- 1.1 To present an end of year overview of Actions/Improvements as detailed in business area Risk Registers for the period 1st April 2007 to 31st March 2008.

2. RECOMMENDATION

- 2.1 The Audit Board is recommended to note progress to date against all business area risk register actions for 2007/08.

3. BACKGROUND

- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7th March 2007.

- 3.2 As part of the new approach, each business area is required to collate a risk register that details:

- Key Objectives;
- Risk Score;
- Current controls;
- Actions and improvements;
- Responsible officers and target dates for each action and improvement; and
- Progress against each action and improvement.

- 3.3 Business areas update their risk registers on a regular basis to ensure that actions and improvements are being monitored and implemented. The actions

and improvements are designed to reduce risks, improve controls and aid individual sections to achieve their objectives.

- 3.4 The departmental and corporate registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis.
- 3.5 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

4. **ACTIONS / IMPROVEMENTS SUMMARY**

Departmental Risk Registers

- 4.1 Each business area has submitted to Internal Audit the end of year position for each Action/Improvement detailed on their Risk Register.
- 4.2 We have carried out a detailed review of each Action/Improvement, target date, end of year position rating and commentary. Our overall opinion has identified some differences in the end of year position ratings.

The above information is summarised in the table below.

Current Position Rating	Business submitted figures	IA Detailed Review	IA End of Year Prediction as at February 2008
Behind target (Red)	58	53	71
On target (Green)	174		
08-09 Target (Purple)		48	50
Target Beyond 08-09 (Pale Blue)		6	7
No Colour	2		
Completed (Blue)	144	271	247
*TOTAL	378	378	375

* The reason for the increased total is that 3 Actions/Improvements have been added during quarter 4.

- 4.3 Attached in Appendix A is the information in the above table shown as charts.

Corporate Risk Register

- 4.4 The Executive Team and Heads of Service were requested to submit to Internal Audit the end of year position for each Action/Improvement detailed on the Corporate Risk Register.
- 4.5 For explanation of Internal Audits detailed review, see 4.2 above.

The below table summarises Internal Audit's detailed review.

Current Position Rating	Business submitted figures	IA Detailed Review	IA End of Year Prediction
Behind target (Red)	25	25	19
On target (Green)	40		
08-09 Target (Purple)		14	13
Target Beyond 08-09 (Pale Blue)		1	1
Completed (Blue)	57	87	81
No Colour allocated	5		
No update provided			*13
TOTAL	127	*127	*127

* In order to carry out an accurate comparison of Internal Audit's prediction with the actual end of year position ratings, for the 13 Actions/Improvements where an update was not previously provided, we have taken the quarter 3 position rating to be the same as that provided for quarter 4.

- 4.6 Attached in Appendix B is the information in the above table shown as charts.
- 4.7 Attached in Appendix C is a table that details Internal Audit's end of year position rating for each Risk Register based on the percentage of Actions/Improvements completed during the period 1st April 2007 to 31st March 2008.

OVERALL SUMMARY

- 4.8 Improved commentary has enabled Internal Audit to more easily verify that the correct end of year position rating has been allocated.
- 4.9 Although there has been significant improvement, definitive target dates are not always recorded. This makes it difficult to monitor progress and ascertain whether Actions/Improvements are on target for completion.
- 4.10 Risk Registers are not always being utilised as designed. The inclusion of a high percentage (that is, greater than 20%) of extended target dates (that is, beyond the 2007/08 financial year) distorts the end of year position.
- 4.11 The majority of Risk Registers were submitted by the business areas before the required deadline. This has assisted Internal Audit in carrying out the end of year analysis and was very much appreciated.

5. FINANCIAL IMPLICATIONS

- 5.1 None outside of existing budgets. The continued development of the risk management culture within the Council will aim to achieve improved assessment under the Use of Resources scoring.

6. LEGAL IMPLICATIONS

6.1 None except specific legislation associated with any of the risk registers key objectives.

8. COUNCIL OBJECTIVES

8.1 Council Objective 02: Improvement.

9. RISK MANAGEMENT

9.1 Developing and maintaining Service risk registers will assist the Council to achieve its objectives, priorities, vision and values. The development and continual review of the registers will also support the Councils achievement of the Use of Resources framework.

9.2 Improvements and actions are monitored as part of each individual Service risk register.

10. CUSTOMER IMPLICATIONS

10.1 In addressing the risks associated with the delivery of the Councils services the customers will receive a consistent and controlled quality of service provision.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 The specific issue of improving equality and diversity is included within the Legal and Democratic services departmental register.

12. OTHER IMPLICATIONS

Procurement Issues:None
Personnel Implications:None
Governance/Performance Management:Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998:None
Policy:None
Environmental:None

13. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes

Corporate Director (Services)	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

14. APPENDICES

- 14.1 Appendix A – Departmental registers position statement
Appendix B - Corporate Register position statement
Appendix C - Position rating

15. BACKGROUND PAPERS

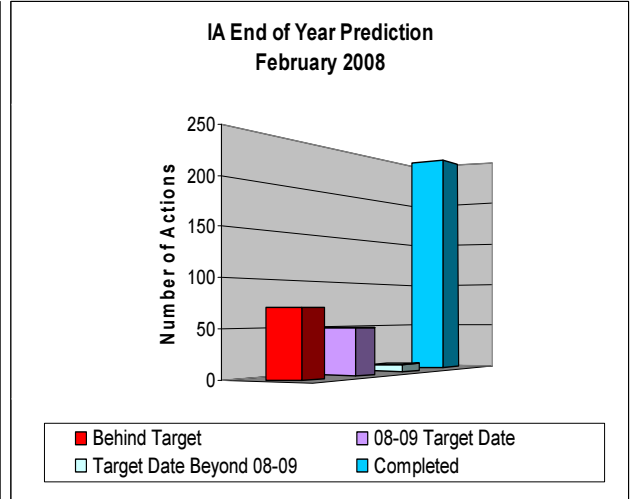
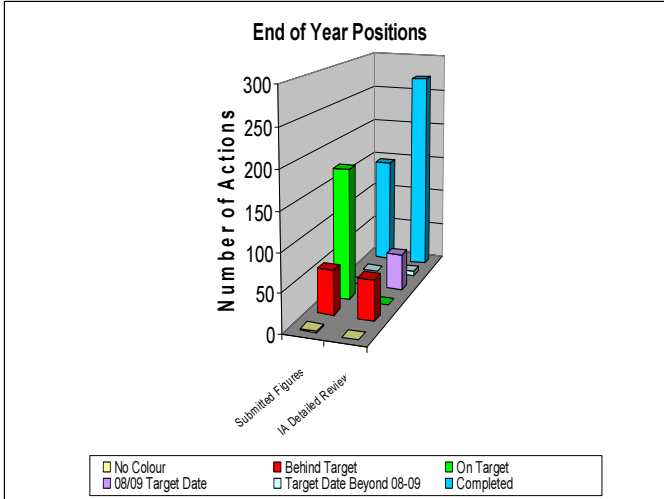
- 15.1 Detailed risk register action schedules

CONTACT OFFICER

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APPENDIX A

Departmental Risk Registers

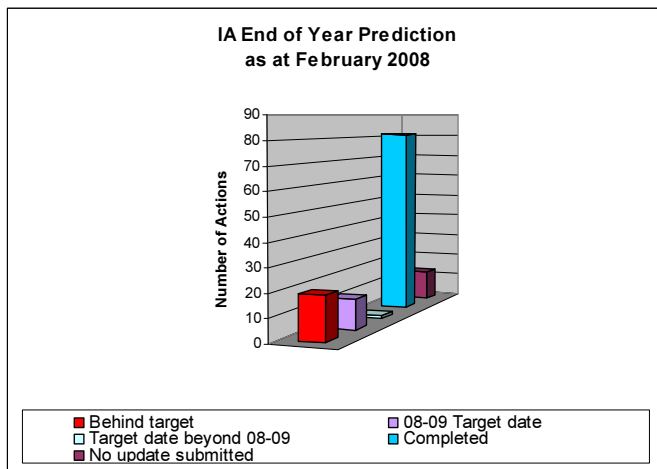
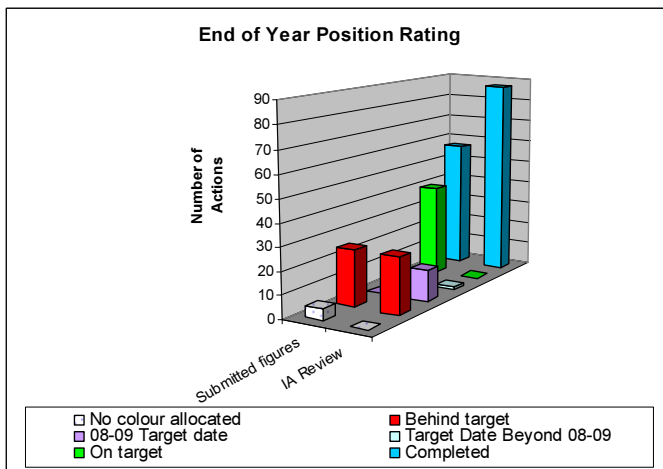


In February 2008, Internal Audit predicted a total of 18.9% of Actions/Improvements would be behind target at the end of the 2007/08 financial year. Our detailed review has verified that a total of 14% of Actions/Improvements were behind target at year end, that is, 4.9% better than predicted.

It should be noted that the inclusion of a high percentage (that is, greater than 20%) of extended target dates distorts the end of year position rating. Internal Audit’s detailed analysis has identified 16.3%, that is, 54 Actions/Improvements that have a target date beyond the 2007/08 financial year. If Risk Registers only included Actions/Improvements for the 2007/08 financial year, the percentage of Actions/Improvements behind target is 16.4%, that is, 2.5% better than we predicted in February 2008.

APPENDIX B

Corporate Risk Register



As per paragraph 4.5, the percentage of Actions/Improvements behind target for February has been calculated as 21.3%. Our review of the end of year position has verified that a total of 19.7% of Actions/Improvements were behind target, that is 1.6% better than predicted.

APPENDIX C

The table below details Internal Audit’s end of year position rating based on the percentage of Actions/Improvements completed.

Percentage of Actions/Improvements Completed	Internal Audit Rating
0% - 30%	Weak
31% - 60%	Fair
61% - 90%	Good
91% - 100%	Excellent

Risk Register	Nov. '07 Rating	Feb. '08 Rating	End of Year Rating	Comments
Corporate	N/A	Good	Good	Although the position rating has remained the same; the rate of completion has increased from 6.8 to 7.3 per month.
Corporate Communications, Policy and Performance	Good	Good	Excellent	Improved rating due to the rate of completion increasing from 2.9 to 3.3 per month.
Culture & Community	Good	Good	Good	Although the position rating has remained the same; the rate of completion has increased from 2.4 to 3.1 per month.
Customer Services	Excellent	Good	Excellent	Improved rating due to the rate of completion increasing from 1.9 to 2.1 per month.
ICT	Weak	Fair	Fair	It should be noted that 39% of all Actions/Improvements within the Risk Register have a target date of 08/09 and are associated with the Spatial Project. If the 39% of Actions/Improvements are excluded from the results, the end of year position rating would be Good.
Financial Services	Good	Excellent	Good	The rate of completion has decreased from 3.6 to 2.5 per month.

Risk Register	Nov. '07 Rating	Feb. '08 Rating	End of Year Rating	Comments
HR & OD	Weak	Weak	Good	Improved rating due to the rate of completion increasing from 1.1 to 2.5 per month. There has been a significant improvement in relation to the commentary and target dates provided.
Legal, Equalities & Democratic Services	Fair	Good	Fair	The rate of completion has decreased from 2.1 to 1.8 per month. It should be noted that 23% of all Actions/Improvements within the Risk Register have a target date beyond the 07/08 financial year. If the 23% of Actions/Improvements are excluded from the results, the end of year position rating would be Good.
Planning & Environment	Weak	Fair	Good	The rate of completion has increased from 2.8 to 3.8 per month. It should be noted that 26% of all Actions/Improvements within the Risk Register have a target date beyond the 07/08 financial year. If the 26% of Actions/Improvements are excluded from the results, the end of year position rating would be Excellent.
Street Scene & Waste Management	Weak	Good	Good	It should be noted that 21% of all Actions/Improvements within the Risk Register have a target date beyond the 07/08 financial year. If the 21% of Actions/Improvements are excluded from the results, the end of year position rating would be Excellent.

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