BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 15TH DECEMBER 2008, AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors S. R. Peters (Chairman), C. R. Scurrell, D. Hancox, Ms. H. J. Jones, Mrs. C. M. McDonald, Mrs. C. J. Spencer and E. C. Tibby

AGENDA

1.   Election of Vice Chairman

2.   To receive apologies for absence

3.   Declarations of Interest

4.   To confirm the accuracy of the minutes of the meeting of the Audit Board held on 29th September 2008 (Pages 1 - 2)

5.   Use of Resources Feedback 2007/08 (Pages 3 - 26)

6.   Business at Risk Survey 2008 (Pages 27 - 54)

7.   Civic Bonfire and Firework Event (Pages 55 - 58)

8.   Corporate Risk Register 2008-09 (Pages 59 - 70)

9.   Risk Management Tracker (Pages 71 - 76)

10.   Audit Planning and the Audit Report (Pages 77 - 88)

11.   Internal Audit Performance and Workload (Pages 89 - 96)

12. 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
<u>Chief Executive</u>

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

8th December 2008

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 29TH SEPTEMBER 2008, AT 5.00 P.M.

PRESENT: Councillors S. R. Peters (Chairman), Miss D. H. Campbell JP (during Minute No's 27/08 and 28/08), Ms. H. J. Jones, Mrs. C. J. Spencer and E. C. Tibby

Observers: Councillor G. N. Denaro

Officers: Mr. T. Beirne, Ms. J. Pickering, Ms. K. Firth and Ms. P. Ross

24/08   **RESIGNATION OF COUNCILLOR C. R. SCURRELL AS VICE-CHAIRMAN OF THE AUDIT BOARD**

The Chairman informed Members of the resignation of Councillor Scurrell as Vice Chairman, due to the Council decision that the position of Chairman and Vice Chairman should be held by Members from opposition groups.

RESOLVED that the position be noted.

25/08   **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor C. R. Scurrell and Ms E. Caves, District Auditor, the Audit Commission.

26/08   **DECLARATIONS OF INTEREST**

No declarations of interest were received.

27/08   **MINUTES**

The minutes of the Audit Board held on 15th September 2008 were submitted.

RESOLVED that the minutes be approved as a correct record.

28/08   **AUDIT COMMISSION'S INTERNATIONAL STANDARD ON AUDITING (ISA 260)**

The Chairman welcomed Mr. D. Evans, Audit Manager with the Audit Commission, the Council's appointed Auditor. Mr. Evans presented the Annual Governance Report for 2007/08.

It was noted that the Auditor expected to issue an unqualified opinion in relation to the Authority's accounts. In addition it was reported that the Authority had met all 12 of the criteria in relation to economy, effectiveness and efficiency as determined by the Audit Commission which was an improvement on previous years. Regarding financial statements, the statements submitted for audit were of a good standard and although a small number of amendments had been made these were minor in nature and reflected improvements or refinements to the disclosures in the financial statements.

RESOLVED:
(a)   that the Annual Governance Report for 2007/08 be noted and approved;
(b)   that the management response to the Annual Governance Report for 2007/08 identifies that the related party transactions have been properly recorded and where appropriate, adequately disclosed in the financial statements; and
(c)   that the draft letter of representation on behalf of the Council as set out at Appendix 1 to the Annual Governance Report be approved; this includes the Councils response to the changes requested on the accounting for prepayments. This issue will be addressed as part of the accounts for 2008/09.
(d)   that the thanks of the Board be expressed to both internal officers and the Audit Commission for the valuable and beneficial working relationship which had taken place during the audit process.

The meeting closed at 5.20 p.m.

Chairman

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15 DECEMBER 2008

USE OF RESOURCES FEEDBACK 2007/08

Responsible Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance
Responsible Head of Service	Jayne Pickering, Head of Financial Services

1. **SUMMARY**

1.1 To advise Audit Board of the draft report on Use of Resources judgement 2007/08 from the Audit Commission and to consider the feedback in relation to improvements that have been identified..

2. **RECOMMENDATIONS**

2.1 Audit Board to consider the 2007/08 Use of Resources feedback and recommendations received from the Audit Commission (Appendix 1).

2.2 Audit Board to request the Head of Financial Services to prepare an action plan to address the improvements identified and to present this action plan to the next Audit Board meeting

3. **BACKGROUND**

3.1 Members will be aware that the Council received a formal scoring of 2 out of 4 in relation to the 2007 Use of Resources scoring from the Audit Commission. Within the framework of the judgement there was a score of 1 (out of 4) in relation to Value for Money and no scores for any specific criteria were higher than 2.

3.2 The judgement is made up over a number of themes:

- financial reporting – how good the council's financial accounting and reporting arrangements are
- financial management – how well the council plans and manages its finances
- financial standing – how well the council safeguards its financial standing
- internal control – how the council's internal control environment enables it to manage its significant business risks

- value for money – whether the council currently achieves good value for money and how well it manages and improves value for money

3.3 The table below shows the scoring Bromsgrove received for the individual themes :

Table 1:

Theme	Score
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4 *(2 out of 4 last year)*
Value for Money	2 out of 4 *(1 out of 4 last year)*
Overall	**2 out of 4**

3.4 The improvements in scoring for Risk Management, Internal Control and Value for Money demonstrate that the Council is improving in these areas. In addition an increase from 2 to 3 was awarded for our promotion of external accountability in financial reporting (information made available in understandable and accessible format to the public). The Scoring of 2 reflects that the Council is "performing at minimum requirements and is maintaining adequate performance". The individual scorings of 3 demonstrate "the Council consistently performs above minimum requirements in these areas – performing well".

4. EXTERNAL AUDIT FEEDBACK

4.1 Attached at Appendix 1 is the full draft report received from the Audit Commission in relation to the formal assessment. It is subject to an Audi Commission formal quality checking process which may adjust the scores identified. The main areas where the auditors feel the Council should improve are :

- Improvements to working papers
- Explanation of technical terms and key financial information for the public
- Link ICT and HR strategic plans to the financial plan
- Develop indicators for material items of spend for revenue and capital
- Review financial management arrangements more regularly
- Develop financial variance systems to manage budgets more effectively
- Develop more detailed asset management records for the asset base we hold
- Develop risk assessment of fraud work and policies

- Capital Programme to be more closely monitored
- Develop cost information to link with performance to understand value for money in the delivery of services

5. FUTURE USE OF RESOURCES FRAMEWORK

5.1   From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

5.2   Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate improvements including:
- a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.

5.3   The assessment is structured into three themes:
- managing finances: sound and strategic financial management;
- governing the business: strategic commissioning and good governance; and
- managing resources: effective management of natural resources, assets and people.

5.4   The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For 2009/10 the areas of natural resources and strategic asset management will not be assessed. The Use of Resources assessment will feed into the CAA and is planned to be published in November 2009.

5.5   Officers of the Council are currently discussing the new framework with the Audit Commission to address the timeline for preparation of self assessment and new judgements.

6. FINANCIAL IMPLICATIONS

None as a direct result of this report.

7. LEGAL IMPLICATIONS
None.

8. COUNCIL OBJECTIVES

8.1 The effective use of resources underpins all the Council's objectives.

9. RISK MANAGEMENT

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

- Ineffective financial management.
- Poor Value for Money culture.
- Lack of an effective internal control environment.

9.2 These risks are being managed as follows:

- Ineffective financial management:

  Risk Register: Corporate
  Key Objective Ref No: 1
  Key Objective: Effective Financial Management

- Poor Value for Money culture:

  Risk Register: Financial Services
  Key Objective Ref No: 9
  Key Objective: Effective VFM culture and compliant procurement best practices.

- Lack of an effective internal control environment:

  Risk Register: Financial Services
  Key Objective Ref No: 3
  Key Objective: Efficient and effective Internal Audit service

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10. CUSTOMER IMPLICATIONS

10.1 None.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None.

12. OTHER IMPLICATIONS

Procurement Issues None
Personnel Implications None
Governance/Performance Management – subject of the report

Community Safety including Section 17 of Crime and Disorder Act 1998 None
Policy None
Environmental None

12. **OTHERS CONSULTED ON THE REPORT**

Please include the following table and indicate 'Yes' or 'No' as appropriate. Delete the words in italics.

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

APPENDICES
Appendix 1   Audit Commission Use of Resources Draft report 2007/08

CONTACT OFFICERS
Jayne Pickering, Head of Financial services, 01527 881207, j.pickering@bromsgrove.gov.uk

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Use of Resources

Bromsgrove District Council
Audit 2007/08

Contents

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.

Introduction

1   The Use of Resources assessment evaluates how well Bromsgrove District Council manages and uses its resources. This is the fourth assessment carried out at the Council and is the last under the Comprehensive Performance Assessment (CPA) framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment (CAA). The Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.

2   This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:

- reflect developments in professional guidance, legislative requirements and best practice; and

- signal some of the changes proposed for the new use of resources under CAA and smooth the transition to CAA.

3   The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

Table 1   Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

4   In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for 2008, which can be found on the Commission's web site. We have also taken account of the findings and conclusions from the previous years' assessment and updated these for any changes and improvements to the Council's arrangements.

5 The five theme scores for Bromsgrove District Council are outlined overleaf. These scores are subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting the theme scores. This is scheduled for 8 December 2008.

6 This summary sets out our key findings in relation to each theme and areas for improvement have been identified in italics.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
OVERALL	**2**	**2**
Financial reporting	**2**	**2**
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	3	2
Financial management	**2**	**2**
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	**2**	**2**
3.1 The Council manages its spending within the available resources.	2	2
Internal control	**3**	**2**
4.1 The Council manages its significant business risks.	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
Value for money	**2**	**1**
5.1 The Council currently achieves good value for money.	2	1
5.2 The Council manages and improves value for money.	2	2

Theme summaries

7   The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.	
Key findings and conclusions	
We have assessed the Council as achieving 'adequate performance' (2) overall.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The accounts were prepared to meet statutory deadlines and the accounts opinion was unqualified. Working papers were in general good and requests for additional information were responded to promptly. *An area for improvement is in respect of working papers for capital entries.* The statements presented for audit contained several errors which were amended for by the Council. Details of these have been reported in our Annual Governance Report which was presented to members of the Audit Board on the 29th September 2008. The accounts were subject to robust member scrutiny. *The publication of an explanation of key financial information and technical terms would aid understanding by members of the public.*

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.	
KLOE 1.2 The Council promotes external accountability.	The most recent published accounts, annual audit letter, agenda, reports and minutes for meetings of council, committees and scrutiny panels are made available to the public on the council's website in a timely manner and in accessible formats. The Council considers a range of stakeholder views in the publication of its annual report using a Financial Group following a "Snap" survey and publishes summary financial information.

Financial management

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.
Key findings and conclusions
The Council's corporate business plan is linked to its financial planning and management. The linkages in the Medium Term financial strategy to the corporate business plan will continue to be considered as part of the Use of Resources assessment. Progress is being made in the maintenance of records of all of Council land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.

| KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities. | The Council has a three year Medium Term Financial strategy (MTFS) which is updated annually through the budget setting process based on realistic assumptions. Equality impact assessments of its strategies are undertaken and there is an equality and diversity forum. Budgetary control was satisfactory as were arrangements for management of its physical assets.

Business planning is integrated with financial planning with the Corporate business plan driving the MTFS identifying key priorities and how these are to be achieved.

The linkages with other internal strategies and plans for example Human Resources and IT, and financial contingency plans together with the use of sensitivity analysis would improve the current business planning arrangements.

The development of operational activity indicators which are lead indicators of spend together with risk assessments of material items of revenue and capital would enhance the budget process. |

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.	
	The Financial management arrangements are adequate. *A regular review of these would ensure that there was adequate capacity to meet the Council's requirements.*
KLOE 2.2 The Council manages performance against budgets.	Budgets are approved, input onto the main accounting system and appropriately delegated. Budget holders receive appropriate guidance and support from Finance staff. The monitoring of financial information against budget is reported and subject to scrutiny by members. There are adequate financial information systems but these have limited flexible reporting facilities and to meet current needs require the use of spreadsheets outside of the main accounting system. Progress is being made in developing financial and performance reports and action plans to achieve planned savings and efficiency gains. *The use of improved financial variance management systems would reduce departmental overspends.*
KLOE 2.3 The Council manages its asset base.	The council has a three year capital strategy linked to its corporate objectives and medium-term financial strategy. The council makes investment and disposal decisions based on thorough option appraisals and whole life costing. *The embedding of the process of ensuring members' awareness of the level of backlog maintenance with an action plan should continue.*

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.	
	Progress should continue to be made in the maintenance of records of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.

Financial standing

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.	
Key findings and conclusions	
The council has set a balanced budget and maintains its overall spending within budget.	
KLOE 3.1 The Council manages its spending within the available resources.	There is a policy on the level and nature of reserves and balances which is approved by members and reflected in the budget and medium-term financial strategy. Levels of reserves and balances are then monitored and maintained in accordance with this policy. *As the Council's circumstances change this policy should be updated to take into account current needs and risks.* The council keeps its treasury management strategy under review and monitors performance against it. The strategy reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services. Targets are set and performance monitored for all material categories of income collection and recovery of arrears, based on age profile of debt. Progress should continue to be made in the evaluation of the effectiveness of recovery actions, associated costs and the cost of not recovering debt promptly for material categories of income.

Internal control

Theme score: we assessed the Council as 'performing well' (3) which is an improvement on the previous year's assessment of 'adequate performance ' (2).	
Key findings and conclusions	
Progress has continued to be made in improving internal control within the Council. The Council has in place a risk management process which continues to be embedded in business processes.	
KLOE 4.1 The Council manages its significant business risks.	The Council has adopted a risk management strategy which is subjected to an annual review and update. A register of corporate business risks is maintained and reviewed linked to strategic business plans assigned to individuals with supporting service business plans and registers. The registers are reviewed monthly by departmental management teams who have identified risk champions to support development. Reports are made quarterly to members. All committee reports include risk implications for consideration. Training is provided to staff and members. *The embedding of risk management in business processes should continue to develop.*
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	There are procedures notes/manuals in place for key financial systems and these are reviewed and updated when changes occur. The Council conducted an annual review of the effectiveness of its governance framework. The Annual Governance Statement for 2007-8 was considered and approved by the Audit Board on the 25th June 2008. The core functions of the Audit Board are laid down in its terms of reference and are in accordance with CIPFA guidelines.

Theme score: we assessed the Council as 'performing well' (3) which is an improvement on the previous year's assessment of 'adequate performance ' (2).	
	A Business Continuity plan is in place which is reviewed and tested. The Council operates an Internal Audit section which operates in accordance with the CIPFA Code of Practice. The operation of an effective internal audit section is a significant element of the Council's assurance framework. *The council should ensure that the arrangements of internal audit are kept under review to maintain its contribution to the assurance framework.*
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	There are in place the relevant codes of conduct for members and staff and there are the relevant systems in place to ensure these are complied with. There is a counter fraud and corruption policy which has been communicated throughout the council via the intranet. *There is some proactive Counter Fraud work and the development of a more informed risk assessment would ensure that this is properly focussed.* The council has approved a "whistle-blowing" (confidential reporting policy) which is publicised internally. *To demonstrate the Council's commitment to supporting whistle-blowers this policy should also be externally available.* The standards committee is preparing for its role in local investigations.

Value for money

Theme score: we assessed the Council as 'adequate performance' (2) which is an improvement on the previous year's assessment of 'inadequate performance' (1).	
Key findings and conclusions	
The Council has demonstrated that it is committed to improving value for money. The improvement in processes to deliver value for money is ensuring that value for money is becoming embedded throughout the Council.	
KLOE 5.1 The Council currently achieves good value for money.	The council's spend is relatively high compared to others and satisfaction is average or lower than average. The Council has improved its understanding of the reasons behind this and how this may impact on spend. Action is being taken to improve value for money by changing the shape of future service delivery. There is some correlation between priorities and expenditure where higher costs are in line with council decisions.
KLOE 5.2 The Council manages and improves value for money.	Information on costs is improving and being used to redesign service provision. Improved processes are in place to deliver value for money which are being embedded throughout the council. *The embedding and delivering of value for money should continue to be monitored to realise efficiency gains.* The ambitious spatial project is in place which aims to use IT to deliver value for money gains for the council and improve access to services. The risk of delivery failure of this project is being monitored.

Theme score: we assessed the Council as 'adequate performance' (2) which is an improvement on the previous year's assessment of 'inadequate performance' (1).	
	The capital program should continue to be closely monitored to achieve delivery of approved projects. There have been improvements in procurement processes which take into account whole life costs and sustainable outcomes. Partnership work is developing and external funding is being successfully achieved.

Conclusion

8   In keeping with the Audit Commission's aim of being a driver for continuous improvement, this 2007/2008 assessment has been more challenging than the previous assessment.

9   Our overall assessment of performance is level 2 which remains unchanged from the previous year. The Council's performance demonstrates that it has been able to make improvements in two KLOEs, those of Internal Control and Value for Money whilst maintaining its scores for the other three.

Use of resources 2008/09

10 From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

11 Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.

12 The assessment is structured into three themes:

- managing finances: sound and strategic financial management;

- governing the business: strategic commissioning and good governance; and

- managing resources: effective management of natural resources, assets and people.

13 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. The table following includes the areas that will be assessed in 2008/09. The Use of Resources assessment will feed into the CAA and is planned to be published in November 2009. We will therefore be undertaking our review slightly earlier than in previous years and we are currently discussing arrangements with your officers.

14 The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

Specified KLOE for 2008/09 Value for Money (VFM) conclusion and Use of Resources assessment

Table 1   Use of Resources 2008/09 - Areas for Review

Managing Finances	
1.1 Planning for financial health	√
1.2 Understanding costs & achieving efficiencies	√
1.3 Financial reporting	√
Governing the business	
2.1 Commissioning & procurement	√
2.2 Use of information	√
2.3 Good governance	√
2.4 Risk management & internal control	√
Managing resources	
3.1 Natural resources	X
3.2 Strategic asset management	X
3.3 Workforce	√

Audit Commission May 2008

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15 DECEMBER 2008

BUSINESS AT RISK SURVEY 2008

Responsible Portfolio Holder	Councillor Geoff Denaro Portfolio Holder for Finance
Responsible Head of Service	Jayne Pickering, Head of Financial Services

1. **SUMMARY**

1.1 To advise Audit Board of the Business at Risk Survey that was undertaken in 2008 by the Audit Commission as part of the Use of Resources assessment.

2. **RECOMMENDATIONS**

2.1 Audit Board to consider the Business at Risk Survey and to note the Councils response to the improvements identified.

3. **BACKGROUND**

3.1 The Business at Risk (YB@R) is a web-based survey that helps auditors and public sector organisations to focus on the business risks associated with information and communications technology (ICT). The survey is part of a portfolio of tools developed by the Audit Commission's Good Conduct and Counter Fraud and IT Knowledge Networks.

3.2 The Graham Committee report on the Standards of Conduct in Public Life endorsed these tools and recommended that they be used throughout the whole of the public sector.

3.3 Despite improvements in the percentages of organisations which have developed ICT security policies (for example), recent national studies have shown that as few as 20 per cent of staff have actually been provided with a copy and only 33 per cent have been informed about the policy and its implications for them. This has been accompanied by a significant increase in the inappropriate use of the internet and email, virus infections continuing to pose a huge risk and widespread ICT fraud still being committed resulting in financial loss and reputational damage.

3.4 The existence of policies and procedures is not enough. Examining how well policies and procedures are embedded is necessary to gain assurance that they are effective.

3.5 The YB@R web based survey helps organisations and auditors to focus on business risks such as major business disruption, reputational damage, financial loss and the erosion of user confidence in technology.

3.6 Using the assessment tool has a number of benefits in terms of; gauging the levels of IT awareness among staff; providing the ability to measure improvement over time; and highlight areas where you may need to improve governance and reduce risk.

3.7 The survey was undertaken on-line and was open to all staff for a period of 4 weeks. The survey findings and formal report is attached at Appendix 1.

4.0 FINDINGS FROM SURVEY

4.1 The survey found that generally the processes and policies were available in the Council to prevent risk to the business but these may not be that widely known by the staff. The main areas are as follows:

4.1.1 **Risk of Business Disruption**
- Ensure staff are aware of the threat of virus infection and how they should deal with this
- Raise awareness of the importance of password use and access to computer rooms
- Clarify roles and responsibilities in relation to Business Continuity

4.1.2 **Risk of Financial Loss through Fraud**
- Raise awareness of the Councils anti fraud strategy
- Identify and assess systems that are at risk from fraud and ensure these are adequately protected

4.1.3 **Risk of Reputational Damage**
- Raise awareness of auditing software installation and the integrity of access to systems
- Raise the profile of the Councils data protection arrangements

4.1.4 **Risk of loss of confidence**
- Raise awareness of data security and access arrangements

4.2 Officers will undertake the actions in relation to raising awareness on the issues identified via Core Brief and Connect communications.

5. FINANCIAL IMPLICATIONS

None as a direct result of this report.

6. LEGAL IMPLICATIONS
None.

7. COUNCIL OBJECTIVES

7.1 The effective use of resources underpins all the Council's objectives.

8. RISK MANAGEMENT

8.1 The main risks associated with the details included in this report are:
.
- Lack of an effective ICT and fraud control environment.

8.2 These risks are being managed as follows:

8.2.1 Ineffective communication with staff in relation to polices and procedures to safeguard the business of the Council.

8.2.2 These risks are mitigated through the communications department together with financial services advice and support on fraud awareness.

10. CUSTOMER IMPLICATIONS

10.1 None.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None.

12. OTHER IMPLICATIONS

Procurement Issues None
Personnel Implications None
Governance/Performance Management – subject of the report
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
Acting Joint Chief Executive	Yes
Corporate Director (Services)	Yes
Assistant Chief Executive	Yes
Head of Service	Yes
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	Yes
Head of Organisational Development & HR	Yes
Corporate Procurement Team	No

APPENDICES
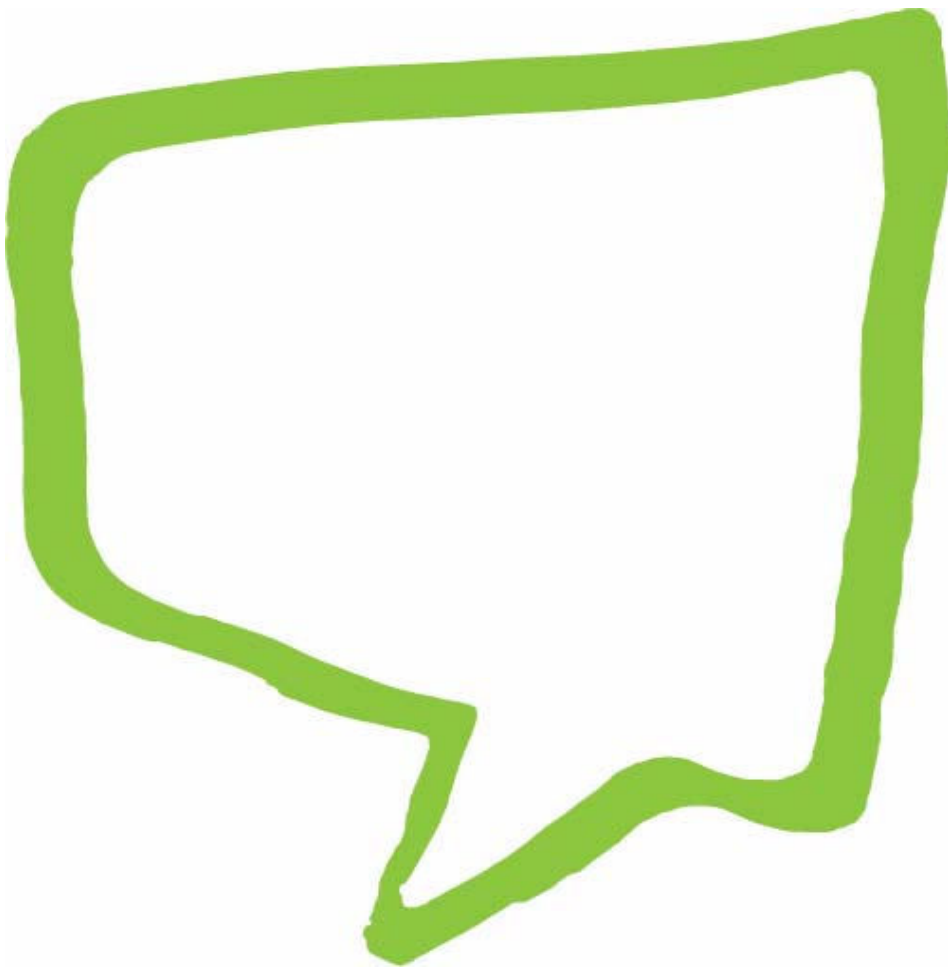 Appendix 1   Audit Commission Business at Risk Survey

CONTACT OFFICERS
 Jayne Pickering, Head of Financial services, 01527 881207,
 j.pickering@bromsgrove.gov.uk

Your Business @ Risk

Bromsgrove District Council

Audit 2008-2009

auditcommission

Contents

Introduction

1 Your Business at Risk (YB@R) is a web-based survey that helps auditors and public sector organisations to focus on the business risks associated with information and communications technology (ICT). The survey is part of a portfolio of tools developed by the Audit Commission's Good Conduct and Counter Fraud and IT Knowledge Networks.

2 The Graham Committee report on the Standards of Conduct in Public Life endorsed these tools and recommended that they be used throughout the whole of the public sector.

3 Despite improvements in the percentages of organisations which have developed ICT security policies (for example), recent national studies have shown that as few as 20 per cent of staff have actually been provided with a copy and only 33 per cent have been informed about the policy and its implications for them. This has been accompanied by a significant increase in the inappropriate use of the internet and email, virus infections continuing to pose a huge risk and widespread ICT fraud still being committed resulting in financial loss and reputational damage.

4 The existence of policies and procedures is not enough. Examining how well policies and procedures are embedded is necessary to gain assurance that they are effective.

5 The YB@R web based survey helps organisations and auditors to focus on business risks such as major business disruption, reputational damage, financial loss and the erosion of user confidence in technology.

6 Using the assessment tool has a number of benefits in terms of; gauging the levels of IT awareness among staff; providing the ability to measure improvement over time; and highlight areas where you may need to improve governance and reduce risk.

Audit approach

7 This audit takes the form of two web based surveys. One is aimed at users of ICT, and the other at ICT staff. These are issued to authorities and Trusts for internal circulation to relevant groups of staff, for them to complete within an agreed timeframe.

8 The results are then collated and a summary report issued. Recommendations are made as appropriate and presented in the relevant sections of the main conclusions and in an action plan as an appendix.

Main conclusions

9   Following examination and collation of the survey results, the main conclusions which can be drawn are set out below.

10   Overall the response to each survey was good. For the ICT users survey there were 67 responses (from a total of 287 active users) - representing 23 per cent of users. For the ICT staff survey there were 6 responses from a total of 11 IT department members, representing 54 per cent of ICT staff. The surveys were carried out between 26 July and 8 August 2008 inclusive, but it was necessary to extend this period until the 12 September 2008 due to a relatively low initial response.

The risk of business disruption

11   All ICT users responding said that they were forced to enter a user name and password to log on, and that their passwords were compulsorily changed every month. Ninety per cent of ICT users reported that Virus protection software is installed on their machines. Forty-six per cent did not know whether it was regularly updated. Only 3 per cent reported that they had actually suffered a virus infection on their machine.

12   Twenty-two per cent of ICT users said that they did not know whether the organisation takes the threat of a virus infection very seriously.

13   Twenty-seven per cent said they had not been given clear instructions about dealing with emailed files from external sources, and this was compounded by 14 per cent who responded that they didn't know, indicating that they too were unaware of how to deal with files from external sources. Only half of the respondents to the ICT staff survey said that users had been given clear instructions about dealing with emailed files from external sources.

14   Forty-two per cent of users said that they were not sent an alert when new viruses are discovered and are not told what to do and what not to do, with only 35 per cent saying that they were alerted and told what to do. Only 50 per cent of ICT staff responding said that users are alerted when new viruses are discovered and are advised as to what they must do.

15   An overwhelming 82 per cent of ICT user respondents said that they had to remember more than two passwords to access the systems needed for them to do their jobs. Under these circumstances there is a high risk that passwords will be written down and left next to terminals, and 36 per cent of users reported that this was the case. ICT staff appear either unaware or in denial over this because all of them who responded said that user registration and sign-on procedures prevent unauthorised access to networks. This suggests that the risk highlighted by the numbers of users reporting that they write their passwords down has not yet been accepted by ICT staff.

16   In terms of physical security, there are further issues of awareness in that there were 27 per cent of ICT user survey respondents who said that they did not know that they were not authorised to enter computer rooms.

17 Amongst IT staff, there were issues of awareness around the organisations arrangements for Business Continuity Planning (BCP). Only a third of responding IT staff said that there was a clear BCP, that there was awareness amongst staff named within it of its existence and their role in it, or that it is based upon a robust risk analysis process.

Recommendation

R1 The Council should take action to ensure that the risk of business disruption due to IT failure is minimise by:

- conducting an awareness raising exercise highlighting the threats associated with computer virus infection;

- issue clear instructions to all staff about dealing with emailed files from external sources;

- issue clear guidance to staff on what to do in the event of a computer virus outbreak;

- issue password good practice guidance to reinforce with staff that they should not be writing passwords down;

- reduce wherever possible, the number of passwords required for staff to log in to their systems;

- raise awareness of physical access controls covering computer rooms; and

- conduct an awareness raising exercise covering the Councils' BCP, clarifying roles and responsibilities.

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18 The expected benefit of this recommendation is:

- minimisation of the risk of business disruption due to IT failure.

The implementation of this recommendation will have a high impact with low cost. It should be implemented by [TBA].

The risk of financial loss

19 Information access controls appear appropriately set, with 85 per cent of ICT user respondents reporting that they only have access to the information needed to do their jobs. Eight-eight per cent also reported that they were prevented from installing software on their machines, and 75 per cent that they were prevented from copying software from their machines. There was also a good degree of awareness (at 87 per cent) of the organisation's rules covering private use of IT facilities.

20 Twenty-two per cent of ICT user respondents said that they didn't know whether the Council has an anti-fraud strategy. Only 17 per cent of IT staff responding said that the systems most at risk from fraud have been identified.

21 Whilst 78 per cent of respondents were aware that there is an anti fraud strategy, 52 per cent were unaware of what the key elements of the strategy were.

Recommendation
R2 Reduce the risk of financial loss due to fraud by: • conducting an awareness raising exercise covering the Councils anti fraud strategy; and   • identify which systems are most at risk form fraud, ensuring that these are adequately protected.

22 The expected benefit of this recommendation is:

• the reduction of the Councils' exposure to risk due to IT related fraud.

The implementation of this recommendation will have a high impact with low cost. It should be implemented by [TBA].

The risk of reputational damage

23 There are appropriate levels of control covering access to the Internet with 92 per cent of ICT users reporting that access to the internet is only available via connections provided by the Council. Users are also made aware that access to the internet is be monitored with 82 per cent reporting that this is the case. Eighty-eight per cent of users are also aware that the Councils' policy is that accessing or storing unsuitable material is a disciplinary matter. However, only 16 per cent of IT staff responding said that Internet activity logs are reviewed by managers.

24 The majority of users (75 per cent) were aware that emails from outside the Council that contain very large files or executable programs are prevented from reaching them. General awareness of protocols covering email usage was good with 76 per cent of respondents reporting that they had access to written protocols covering email usage and language.

25 Use of unlicensed software and controls on the users' ability to install their own software are also well in place.

26 There was poor awareness as to whether software installations are audited or checked (45 per cent of responding users and 16 per cent of IT staff), and of whether there is an appointed data protection officer (65 per cent). However, the majority of users said that they had had responsibilities under the Data Protection Act explained to them, and that they had been informed that the misuse of personal data will be treated as a disciplinary offence.

27 Eighty-three per cent of responding IT staff said that they did not know whether systems containing personal data are registered with the Information Commissioner.

Recommendation	
R3	The Council should reduce the risk of reputational damage due to IT systems abuse by:
	• implementing periodic reviews of Internet access logs by managers;
	• conducting and awareness raising exercise highlighting arrangements for auditing software installations; and
	• raising the profile of the Councils' data protection arrangements, and the responsibilities of all staff in this area.

28 The expected benefit of this recommendation is:

• the reduction of the Councils' exposure to the risk of reputational damage resulting from the abuse of its IT systems.

The implementation of this recommendation will have a high impact with low cost. It should be implemented by [TBA].

Awareness of Legislation

29 Reported levels of awareness of the Freedom on information Act (86 per cent) and the Data Protection Acts (97 per cent) were good. However, there is work to be done in raising awareness of the following legislation.

• The Computer Misuse Act (35 per cent awareness).

• The Human Rights Act (59 per cent awareness).

• The Public Interest Disclosure Act (29 per cent awareness)

Recommendation	
R4	The Council should raise awareness of key legislation, specifically:
	• The Computer Misuse Act;
	• The Human Rights Act; and
	• The Public Interest Disclosure Act.

30 The expected benefit of this recommendation is:

• the raised awareness amongst Council staff of their responsibilities under the above acts, and the subsequent reduction of risk of non compliance.

The implementation of this recommendation will have a high impact with low cost. It should be implemented by [TBA].

Main conclusions

Risk of Loss of public or user confidence

31 Forty-five per cent of ICT users reported that they were aware of an Information Security policy, with only 29 per cent saying that they had been provided with a copy. Only a third said that they had been informed about the policy and what they must and must not do. Only 32 per cent of ICT user respondents felt that senior management is committed to the policy and its observance, and only 34 per cent said that they were aware of where to find written procedures for reporting a security incident. To compound this, only half of responding IT staff said that there is an up to date Information Security policy.

32 Only 47 per cent of ICT users expressed awareness of someone within the Council with specific responsibility for IT security. Amongst IT staff, there was also a lack of awareness of IT security arrangements with only 17 per cent expressing awareness of who manages the implementation of information security, zero awareness of information security reviews, low (17 per cent) awareness of compliance with IT security standards and written procedures for reporting and following up all security incidents.

Recommendation
R5 The Council should reduce the risk of loss of public or user confidence by: • conducting an awareness raising exercise covering staff responsibilities under the Councils' information security policy; and • raising appropriate awareness of IT security standards, management arrangements, and reviews amongst all Council staff.

33 The expected benefit of this recommendation is:

- reduction of risk exposure relating to loss of public or user confidence in the Councils ability to control access to information and IT systems.

The implementation of this recommendation will have a high impact with low cost. It should be implemented by [TBA].

Appendix 1 – Survey Responses

The full results of the surveys are set out below in terms of percentages of respondents.

User Survey				
The risk of business disruption				
My organisation takes the threat of a virus infection very seriously	Yes 77%	No 0%	Don't know 22%	Not Applicable 2%
Virus protection software is installed on my machine	Yes 90%	No 0%	Don't know 10%	Not Applicable 0%
Virus protection software is regularly updated on my machine	Yes 54%	No 0%	Don't know 46%	Not Applicable 0%
I have been given clear instructions about dealing with emailed files from external sources	Yes 58%	No 27%	Don't know 14%	Not Applicable 2%
I am sent an alert when new viruses are discovered and am told what to do and what not to do	Yes 35%	No 42%	Don't know 20%	Not Applicable 3%
I know how to report a virus infection if I suffer an infection on my machine	Yes 78%	No 17%	Don't know 3%	Not Applicable 2%
I have suffered a virus infection on my machine	Yes 3%	No 78%	Don't know 13%	Not Applicable 5%
Whenever I have suffered a virus infection, my machine was cleansed and restored quickly	Yes 5%	No 2%	Don't know 16%	Not Applicable 78%
To log on to my machine I must enter a user name and password	Yes 100%	No 0%	Don't know 0%	Not Applicable 0%
To log on to my organisation's network I must enter a user name and password	Yes 75%	No 22%	Don't know 3%	Not Applicable 0%

Appendix 1 – Survey Responses

The risk of business disruption

I am forced to change my password by the system on a regular basis eg. every month	Yes 100%	No 0%	Don't know 0%	Not Applicable 0%
To access the computers and systems I use to do my job I must remember more than 2 passwords	Yes 82%	No 18%	Don't know 0%	Not Applicable 0%
I have not written my password(s) down	Yes 64%	No 36%	Don't know 0%	Not Applicable 0%
I am not authorised to enter our computer rooms	Yes 34%	No 31%	Don't know 27%	Not Applicable 8%

The risk of financial loss

My organisation has an anti-fraud strategy.	Yes 78%	No 0%	Don't know 22%	Not Applicable 0%
I know what the key elements of the strategy are.	Yes 45%	No 30%	Don't know 22%	Not Applicable 3%
I only have access to the information I need to do my job	Yes 85%	No 10%	Don't know 3%	Not Applicable 2%
I am prevented from installing any software on my machine	Yes 88%	No 2%	Don't know 10%	Not Applicable 0%
I am prevented from copying software from my machine	Yes 75%	No 0%	Don't know 25%	Not Applicable 0%
My computer is clearly security-marked.	Yes 83%	No 0%	Don't know 17%	Not Applicable 0%
I know what are my organisation's rules are covering private use of IT facilities and in particular what is and what isn't acceptable	Yes 87%	No 5%	Don't know 8%	Not Applicable 0%

The risk of reputational damage				
I am allowed access to the internet only by connections provided by my organisation.	Yes 92%	No 3%	Don't know 5%	Not Applicable 0%
I have been informed that my access to the internet will be monitored.	Yes 82%	No 10%	Don't know 8%	Not Applicable 0%
It has been made clear to me that my organisation's policy is that accessing or storing unsuitable material is a disciplinary matter	Yes 88%	No 10%	Don't know 2%	Not Applicable 0%
Emails sent to me from outside my organisation that contain very large files or executable programs etc. are prevented from reaching me	Yes 75%	No 5%	Don't know 20%	Not Applicable 0%
I have access to written protocols covering email usage and language.	Yes 76%	No 8%	Don't know 15%	Not Applicable 0%
I have been informed by my organisation that the use of unlicensed software is prohibited.	Yes 80%	No 10%	Don't know 8%	Not Applicable 2%
I am prevented from installing software on my machine.	Yes 88%	No 0%	Don't know 12%	Not Applicable 0%
Internal Auditors or IT staff in my organisation have checked the software on my machine.	Yes 45%	No 2%	Don't know 53%	Not Applicable 0%
My organisation has a documented data protection policy	Yes 81%	No 0%	Don't know 19%	Not Applicable 0%
My organisation has appointed a data protection officer	Yes 65%	No 0%	Don't know 35%	Not Applicable 0%

The risk of reputational damage				
I have been required to sign a confidentiality undertaking as part of my conditions of service	Yes 40%	No 28%	Don't know 27%	Not Applicable 5%
My responsibilities under the Data Protection Act have been explained to me.	Yes 75%	No 18%	Don't know 7%	Not Applicable 0%
I have been informed that the misuse of personal data will be treated as a disciplinary offence by my organisation.	Yes 83%	No 13%	Don't know 3%	Not Applicable 0%
My PC is automatically timed out after a short period of inactivity and my password and user name must be entered to resume the session.	Yes 42%	No 45%	Don't know 13%	Not Applicable 0%

I am aware of the main implications of the following legislation:	
. The Computer Misuse Act	35%
. The Freedom of Information Act	90%
. The Human Rights Act	59%
. The Public Interest Disclosure Act	29%
. The Data Protection Act	98%

Loss of public or user confidence				
My organisation has an Information Security policy	Yes 45%	No 0%	Don't know 55%	Not Applicable 0%
I have been provided with a copy of the policy.	Yes 25%	No 40%	Don't know 30%	Not Applicable 5%
I have been informed about the policy and what I must and must not do.	Yes 33%	No 32%	Don't know 32%	Not Applicable 3%
Senior management in my organisation is committed to the policy and its observance.	Yes 32%	No 0%	Don't know 67%	Not Applicable 2%

Loss of public or user confidence				
	Yes	No	Don't know	Not Applicable
I know where to find written procedures for reporting a security incident.	34%	37%	29%	0%
	Yes	No	Don't know	Not Applicable
Someone in my organisation is specifically responsible for IT security	47%	0%	53%	0%

ICT Staff Survey				

The risk of business disruption				
	Yes	No	Don't know	Not Applicable
My organisation takes the threat of a virus infection very seriously	100.0%	0.0%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Our policy is to install virus protection software on all our machines	100.0%	0.0%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Staff are provided with regular updates to virus protection software	100.0%	0.0%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Staff have been given clear instructions about dealing with emailed files from external sources	50.0%	16.7%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
Staff are alerted when new viruses are discovered and are advised as to what they must do	50.0%	33.3%	16.7%	0.0%
	Yes	No	Don't know	Not Applicable
We have clear procedures in place for reporting a virus incident	66.7%	33.3%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Our procedures for recovering from a virus infection have been documented	16.7%	66.7%	16.7%	0.0%
	Yes	No	Don't know	Not Applicable
Our virus software is automatically updated by the software vendor	66.7%	16.7%	16.7%	0.0%

Appendix 1 – Survey Responses

The risk of business disruption				
In the event of a virus outbreak measures are in place to restrict the impact of that virus eg. we make router changes to restrict virus infection	Yes 20.0%	No 40.0%	Don't know 40.0%	Not Applicable 0.0%
A firewall protects our networks, systems and information from intrusion from outside	Yes 100.0%	No 0.0%	Don't know 0.0%	Not Applicable 0.0%
Our firewall prevents large files and executable programs from reaching our networks.	Yes 66.7%	No 16.7%	Don't know 0.0%	Not Applicable 16.7%
Our user registration and sign-on procedures prevent unauthorised access to our networks	Yes 100.0%	No 0.0%	Don't know 0.0%	Not Applicable 0.0%
Proper password management is enforced by the system on all users	Yes 83.3%	No 0.0%	Don't know 16.7%	Not Applicable 0.0%
Our dial-up connections are secure	Yes 83.3%	No 0.0%	Don't know 16.7%	Not Applicable 0.0%
Network management staff have been appointed	Yes 83.3%	No 0.0%	Don't know 16.7%	Not Applicable 0.0%
We have appointed an IT security officer	Yes 20.0%	No 40.0%	Don't know 40.0%	Not Applicable 0.0%
A detailed daily log of network activity is maintained.	Yes 50.0%	No 33.3%	Don't know 16.7%	Not Applicable 0.0%
Network logs are inspected periodically by network staff	Yes 50.0%	No 33.3%	Don't know 16.7%	Not Applicable 0.0%
Sensitive programs and information are given additional protection.	Yes 50.0%	No 33.3%	Don't know 16.7%	Not Applicable 0.0%
Security violations are reported to IT security staff immediately by our security systems	Yes 83.3%	No 0.0%	Don't know 16.7%	Not Applicable 0.0%

The risk of business disruption				
	Yes	No	Don't know	Not Applicable
Our web site vulnerability is checked every month	33.3%	0.0%	66.7%	0.0%
	Yes	No	Don't know	Not Applicable
Physical entry controls prevent unauthorised access to our IT facilities	66.7%	33.3%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Our servers & network equipment are sited securely and adequate protection is offered.	83.3%	0.0%	16.7%	0.0%
	Yes	No	Don't know	Not Applicable
Our internal procedures minimise the risk of deliberate damage by employees leaving the organisation	66.7%	0.0%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
Any amendment to a program or system must go through our change control process	50.0%	16.7%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
Our change control processes are well documented	33.3%	33.3%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
All IT staff are trained in our change control requirements	33.3%	16.7%	50.0%	0.0%
	Yes	No	Don't know	Not Applicable
Backups of data on all servers are taken frequently.	100.0%	0.0%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Backup arrangements are properly documented.	50.0%	16.7%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
User and IT staff have been trained in how to conduct backups of servers.	66.7%	0.0%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
Monitoring of backups ensures that management is alerted when backups of remote servers do not take place	100.0%	0.0%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
My organisation has a clear business continuity plan.	33.3%	33.3%	33.3%	0.0%

Appendix 1 – Survey Responses

The risk of business disruption				
	Yes	No	Don't know	Not Applicable
All staff named in the business continuity plan know of its existence and their role in it.	33.3%	16.7%	50.0%	0.0%
	Yes	No	Don't know	Not Applicable
Our continuity plan is based upon a robust risk analysis process	33.3%	33.3%	33.3%	0.0%

The risk of financial loss				
	Yes	No	Don't know	Not Applicable
The systems most at risk from fraud have been identified.	16.7%	16.7%	66.7%	0.0%
	Yes	No	Don't know	Not Applicable
The systems most at risk are afforded additional protection.	33.3%	33.3%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
We have a documented access control policy	33.3%	66.7%	0.0%	0.0%
	Yes	No	Don't know	Not Applicable
Access to systems is only provided to those who need it.	50.0%	16.7%	33.3%	0.0%
	Yes	No	Don't know	Not Applicable
We have controls to prevent the copying or removal of software.	50.0%	16.7%	16.7%	16.7%
	Yes	No	Don't know	Not Applicable
Hardware is clearly security-marked.	66.7%	16.7%	16.7%	0.0%
	Yes	No	Don't know	Not Applicable
My organisation has clear rules covering private use of IT facilities and in particular what is and what isn't acceptable	83.3%	0.0%	16.7%	0.0%

The risk of reputational damage				
	Yes	No	Don't know	Not Applicable
Staff are only allowed to access the Internet through our authorised ISP	83.3%	0.0%	16.7%	0.0%
	Yes	No	Don't know	Not Applicable
Internet activity logs are reviewed by managers.	16.7%	16.7%	66.7%	0.0%
	Yes	No	Don't know	Not Applicable
We bar access to internet sites we deem to be unsuitable	83.3%	0.0%	16.7%	0.0%

The risk of reputational damage				
Our policies make it clear to all staff that the downloading or storage of unsuitable material is a disciplinary matter	Yes 66.7%	No 0.0%	Don't know 33.3%	Not Applicable 0.0%
Protocols for internet and email use have been developed and are available to all users.	Yes 83.3%	No 16.7%	Don't know 0.0%	Not Applicable 0.0%
My organisation has made it clear to all staff that use of unlicensed software is prohibited.	Yes 50.0%	No 0.0%	Don't know 50.0%	Not Applicable 0.0%
Security software that prevents the installation of any program except by authorised IT staff is installed on all PCs and laptops.	Yes 83.3%	No 16.7%	Don't know 0.0%	Not Applicable 0.0%
Our Internal Auditors undertake reviews of software on users' PCs.	Yes 16.7%	No 33.3%	Don't know 50.0%	Not Applicable 0.0%
Users in my organisation are prevented from gaining access to system utilities.	Yes 83.3%	No 16.7%	Don't know 0.0%	Not Applicable 0.0%
Our asset register is up to date, as are all enterprise / site license numbers	Yes 33.3%	No 33.3%	Don't know 33.3%	Not Applicable 0.0%
My organisation has a documented Data Protection Policy.	Yes 60.0%	No 20.0%	Don't know 20.0%	Not Applicable 0.0%
My organisation has appointed a data protection officer.	Yes 60.0%	No 0.0%	Don't know 40.0%	Not Applicable 0.0%
All users are required to sign a confidentiality undertaking as part of their conditions of service	Yes 16.7%	No 50.0%	Don't know 33.3%	Not Applicable 0.0%
My responsibilities under the Data Protection Act have been explained to me.	Yes 50.0%	No 50.0%	Don't know 0.0%	Not Applicable 0.0%

Appendix 1 – Survey Responses

The risk of reputational damage				
Misuse of personal data is treated as a disciplinary offence.	Yes 66.7%	No 0.0%	Don't know 33.3%	Not Applicable 0.0%
PC's are timed out after a period of inactivity	Yes 60.0%	No 20.0%	Don't know 20.0%	Not Applicable 0.0%
My computer has a lock out facility to be used when left unattended.	Yes 83.3%	No 0.0%	Don't know 16.7%	Not Applicable 0.0%
Systems containing personal data are registered with the Information Commissioner.	Yes 0.0%	No 16.7%	Don't know 83.3%	Not Applicable 0.0%

I am aware of the main implications of the following legislation:	
. The Computer Misuse Act	
	100.0%
. The Freedom of Information Act	
	100.0%
. The Human Rights Act	60.0%
. The Public Interest Disclosure Act	20.0%
. The Data Protection Act	
	100.0%

The risk of loss of public or user confidence				
My organisation has an up to date Information Security policy	Yes 50.0%	No 0.0%	Don't know 50.0%	Not Applicable 0.0%
Staff are informed about the policy and what they must and must not do.	Yes 50.0%	No 16.7%	Don't know 33.3%	Not Applicable 0.0%
Senior management is committed to the policy and its observance.	Yes 50.0%	No 0.0%	Don't know 50.0%	Not Applicable 0.0%
An officer group manages the implementation of information security.	Yes 16.7%	No 16.7%	Don't know 66.7%	Not Applicable 0.0%
Regular independent reviews of information security are undertaken.	Yes 0.0%	No 33.3%	Don't know 66.7%	Not Applicable 0.0%

The risk of loss of public or user confidence				
	Yes	No	Don't know	Not Applicable
We comply with BS7799 standards.	16.7%	16.7%	66.7%	0.0%
	Yes	No	Don't know	Not Applicable
There are clear written procedures for reporting and following up all security incidents.	16.7%	33.3%	50.0%	0.0%

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 The Council should take action to ensure that the risk of business disruption due to IT failure is minimise by:	3				December 2008
	• conducting an awareness raising exercise highlighting the threats associated with computer virus infection;		Head of E-Gov and Customer Service	Y	Council to issue an e-connect (all council employee email) and include section on the intranet to raise awareness of computer virus protection	
	• issue clear instructions to all staff about dealing with emailed files from external sources;		Head of E-Gov and Customer Service	Y	Council to issue an e-connect (all council employee email) and include section on the intranet to explain how to deal with external files – Council anti-virus system does stop all external mail which potentially carry viruses	
	• issue clear guidance to staff on what to do in the event of a computer virus outbreak;		Head of E-Gov and Customer Service	Y		
	• issue password good practice guidance to reinforce with staff that they should not be writing passwords down;		Head of E-Gov and Customer Service	Y	Council to issue an e-connect (all council employee email) and include section on the intranet to raise security of passwords issue.	
	• reduce *wherever possible*, the number of passwords required for staff to log in to their systems;		Head of E-Gov and Customer Service	N	To have one single password is deemed as being less secure than having a couple of passwords to remember – some systems force a particular method of password set up.	
	• raise awareness of physical access controls covering computer rooms; and		Head of E-Gov and Customer Service	N	Staff have entry into the main ICT office (where staff sit for support etc) – access to the server is restricted using a secure electronic key system.	
	• conduct an awareness raising exercise covering the Councils' BCP, clarifying roles and responsibilities.		Director of Partnerships and Projects	Y	To request Director issues e-connect once procedure in place	

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Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R2 Reduce the risk of financial loss due to fraud by:	3	Head of Financial Services			December 2008
	• conducting an awareness raising exercise covering the Councils anti fraud strategy; and			Y	To include awareness of the anti fraud strategy in the next quarterly fraud newsletter.	
	• identify which systems are most at risk form fraud, ensuring that these are adequately protected.			N	Picked up as part of the internal audit risk assessment during the annual plan development.	
8	R3 The Council should reduce the risk of reputational damage due to IT systems abuse by:	3	Head of E-Government and Customer Services			
	• implementing periodic reviews of Internet access logs by managers;			Y	To produce monthly reports for HOS to detail internet access by staff.	December 2008
	• conducting and awareness raising exercise highlighting arrangements for auditing software installations; and			N	Staff do not have the function on their system to install software – this has to be installed via ICT department.	
	• raising the profile of the Councils' data protection arrangements, and the responsibilities of all staff in this area.			Y	To issue E-connect and to include on the intranet section on data protection and staff responsibilities	January 2009
8	R4 The Council should raise awareness of key legislation, specifically: • The Computer Misuse Act; • The Human Rights Act; and • The Public Interest Disclosure Act.	2	Head of Financial Services	Y	To issue E-connect and to include on the intranet section key legislation for staff to be made aware of	January 2009

Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R5 The Council should reduce the risk of loss of public or user confidence by: • conducting an awareness raising exercise covering staff responsibilities under the Councils' information security policy; and • raising appropriate awareness of IT security standards, management arrangements, and reviews amongst all Council staff.	2	Head of E-Government and Customer Services	Y Y	To issue E-connect and to include on the intranet section on security of information and staff responsibilities To issue E-connect and to include on the intranet section on security standards and management arrangements	January 2009 January 2009

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The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH DECEMBER 2008

CIVIC BONFIRE AND FIREWORKS EVENT -FEEDBACK

| Responsible Portfolio Holder | Councillor Roger Hollingworth |
| Responsible Head of Service | John Godwin |

1. **SUMMARY**

1.1 The report relates to the process undertaken at the Bromsgrove District Council bonfire event in November 2008

2. **RECOMMENDATION**

2.1 Members are recommended to note the revised procedures implemented for the 2008 event.

3. **BACKGROUND**

3.1 Members will be aware that the 2007 Bonfire event was organised for the first time as a chargeable event to the public. This presented a number of additional organisational challenges to the officers responsible for delivering a successful event.

3.2 The report presented to this Board on 17th March 2008 addressed in detail a number of issues in relation to security, access and probity.

3.3 The concerns were discussed in full and a number of new procedures were put in place for the 2008 event to ensure a robust system was in place for the collection and security of cash and safety of the public.

4.0 **EVENT NOVEMBER 2008**

4.1 A number of press and communication releases were sent out in the weeks preceding the bonfire to raise awareness by the public of the revised process for purchasing tickets together with the advertising for the bonfire being held on the Saturday rather than the Sunday.

4.2 Tickets were sold prior to the event at the Customer Service Centre and the Tourist Information Centre and on the night at Sanders Park. The tickets were colour coded based on the price to enable accurate reconciliation.

4.3 A number of revised processes were put in place as detailed below , these were agreed by the Internal Audit section as the most appropriate way to manage the control of the cash effectively.

- VIP needs provided the Council with a float of cash and insured this cash from the point of delivery to the point of collection
- The float was placed in a locked store room. Access to the Information Office will restricted to only key named staff that require access or are based in the office during the event.
- The tickets and float were distributed by LMS Events and Security to the 5 pay points situated in Sanders Park.
- The monies being handled during the event, from 2pm until 9pm, were insured by LMS Events and Security Company.
- When a ticket was purchased and the individual who paid for needed to leave the event with the intention to return that individual had their hand stamped to allow this to take place. The ticket was not used as proof of purchase to gain re-entry. This is to stop people duplicating the ticket.
- The tickets sold acted as a receipt of purchase.
- Total cash collected was transported from each pay point by LMS Events and Security Company to the Information Office and counted by 2 members of their staff. This year we have increased the number of cashiers and redesigned the layout at the pay points to allow us to process the public paying quicker.
- The tickets were managed as controlled stationery.
- The takings were banked on behalf of the Council by VIPS needs

4.4 The revised procedures have improved the robustness of the security of the cash and the use of tickets and increase in pay points and cashiers improved the access for the public.

5. FINANCIAL IMPLICATIONS

5.1 None arising from this report.

6. LEGAL IMPLICATIONS

6.1 None

7. COUNCIL OBJECTIVES

7.1 Council Objective 2 Improvement and Council Objective 3 Sense of Community and Well Being

8. RISK MANAGEMENT

8.1 The delivery of the bonfire is included in the risk register for street scene and community to mitigate any risks arising from the provision of the bonfire.

9. CUSTOMER IMPLICATIONS

9.1 The public will be made aware of the paid ticket system for the annual bonfire event through external communications throughout the year leading up to the event.

10. EQUALITIES AND DIVERSITY IMPLICATIONS

10.1 No implications

11. VALUE FOR MONEY IMPLICATIONS

11.1 A robust system ensures that the Council can demonstrate we have protected the funds associated with the bonfire.

11. OTHER IMPLICATIONS

Procurement Issues None
Personnel Implications None
Governance/Performance Management None
Community Safety including Section 17 of Crime and Disorder Act 1998 Community Safety support the improvements to the event
Policy None
Environmental None

12. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (Partnerships and Projects)	No
Executive 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

13. WARDS AFFECTED

All Wards

14. APPENDICES

None

15. BACKGROUND PAPERS

None

CONTACT OFFICER

Name: John Godwin / Jayne Pickering
E Mail: j.godwin@bromsgrove.gov.uk
            j.pickering@bromsgrove.gov.uk
Tel: (01527) 881730 / 1207

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15th DECEMBER 2008

CORPORATE RISK REGISTER

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

1. Summary

1.1 To present the Corporate Risk Register to Members for consideration and report on the actions/improvements to quarter 2 (April – September 2008).

2. Recommendation

2.1 The Audit Board is recommended to note the Corporate risk register objectives

2.2 The Audit Board is recommended to note progress to date against the actions for the 2nd quarter

3. Background

3.1 The Council has adopted a robust framework for risk management since 2006. This is to ensure that the Council has effective controls in place to mitigate and manage risk across the organisation and to demonstrate this within the Use of Resources framework.

3.2 The framework implemented by the Council involves departmental and corporate risk registers being developed to detail;

- 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 The Corporate Risk register is considered and updated at Corporate management team to ensure that risks are being managed and to address any new risks that have been identified.

3.4 The objectives and key controls included in the Corporate Register for 2008/09 is attached at Appendix 1.

3.5 The departmental registers are reviewed on a quarterly basis. This meeting is considering the updates for the Corporate register for the first 2 quarters 2008/09.

3.6 In addition to the review of the register there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

4. **Completed Actions / Achievements**

4.1 Key improvements delivered during the period April – September in relation to the Corporate Risk register include:

- Development of a Use of Resources action plan to deliver improvements to the scoring in 2008 against this framework
- Joint Cabinet and Senior management team away days to develop relationships and identify improvements
- Updated Council Plan approved to include a focus on more streamlined priorities
- Review of the member development training programme
- Set up of a Business continuity working group
- Monthly performance reporting established for each department
- Completion of impact assessments to deliver improvements in equality and diversity
- Quarterly financial and performance reports presented to Members
- Programme Management Board established to review major projects delivery plans on a regular basis

5. **Actions delayed**

5.1 There are a number of actions/improvements that have been delayed which have been reported to Corporate Management Team and form part of the programme management board reviews. These include:

- Implementation of Job Evaluation – as Members are aware the delays in relation to Job Evaluation are as a result of the union concerns regarding the Bainbridge judgment. Currently officers are undertaking a 90 day consultation period in the hope to achieve a collective agreement for implementation.
- Town Centre development – due to the economic downturn there has been limited initial interest in the redevelopment of the market hall. The recent report proposed entering into a review of contractual arrangements for redevelopment of the site.

6. **Actions to be undertaken**

6.1 The period October – March includes a number of actions that will continue to demonstrate that the Council is manages the risks associated with the delivery of its objectives. Future actions include:

- Full implementation of the Purchase Order Processing system
- Development of Business Continuity Plan
- Development of Corporate ICT Strategy

- Further develop methods for collection and analysis of demographic data
- Develop data sharing and corporate information policies

6.2 The Corporate register will be reviewed by this Board on a quarterly basis to ensure officers are delivering the actions to achieve the objectives identified and manage risks associated with their delivery.

7. Overall Summary

7.1 The Corporate risk register for 2009/10 will be developed during January – March 2009 and be reported to the Audit Board in the first quarter 2009/10. The achievement of savings in relation to joint/ shared working together with further development of the town centre and addressing issues arising from the economy will be included in the revised register.

8. Financial Implications

8.1 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.

9 Legal Implications

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

10 Corporate Objectives

10.1 Council Objective 02: Improvement.

11 Risk Management

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

12 Customer Implications

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

13 Equalities and Diversity Implications

13.1 The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

14   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

15   Others Consulted on the Report

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

16   Appendices

Appendix 1 – Corporate Risk Register

17   Background Papers

None

Contact officer

Jayne Pickering – Head of Financial Services
E Mail: j.pickering@bromsgrove.gov.uk
Tel: (01527) 881207

Bromsgrove District Council Risk Register

APPENDIX 1

Service:	Corporate
Service Area:	N/A

Key Objective: Ref. No. 1	Key Objective: Ref. No. 2	Key Objective: Ref. No. 3
Effective Financial Management and Internal Control in compliance with Use of Resources assessment **Responsibility: Head of Financial Services**	**Effective corporate leadership** **Responsibility: CEO**	**Effective Member / Officer relations** **Responsibility: CEO**

Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)	Links to Council Objective:	Improvement (02)
High Impact Areas		**High Impact Areas**		**High Impact Areas**	
Financial	✓	Financial	✓	Financial	
Political	✓	Political	✓	Political	✓
Social		Social	✓	Social	✓
Technical		Technical		Technical	
Legal	✓	Legal	✓	Legal	✓
Environmental		Environmental		Environmental	

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
High	Low	Medium	Low	High	Medium	Medium	Medium	High	Medium	Medium	Medium
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
AMBER (3)		GREEN (2)		RED (6)		AMBER (4)		RED (6)		AMBER (4)	

Current Key Controls	Current Key Controls	Current Key Controls
Quarterly Integrated Financial and Performance report and Monthly Monitoring reports reported to CMT, PMB and Cabinet. Include action plans on issues arising.Monthly meetings with accountancy to discuss financial position	Weekly meetings between Chief Executive and Leader. Summary notes are produced and actions arising documented and reviewed.	Regular meetings between Portfolio Holder and HOS. Actions arising documented and reviewed. Monthly reports prepared by HOS to inform Portfolio Holder and CEO of current issues, financial and performance information and Portfolio Holders present service reports at Committee meetings. In addition HOS provide training to Members in relation to their service area.
Procedures in place to monitor compliance with statutory legislation. Accounts quality checked by management and internal & external audit review.	Regular meetings between Portfolio Holder and HOS. Actions arising documented and reviewed. Monthly reports prepared by HOS to inform Portfolio Holder and CEO of current issues, financial and performance information	Monitor adherence with the Council Constitution and action taken where required. Monitored by the Monitoring Officer through the Standards Committee.
Financial Regulations, Standing orders in place and financial training courses with budget holders to explain the policies.	Council Vision & Priorities in place which govern the approval of projects. All projects have to clearly link to the council priorities and objectives in order for approval to be considered.	Chief Executive regularly attends Group Leaders and Leaders Group meetings (both informal and formal)
Monitor Use of Resources compliance that includes an action plan to develop the key areas of improvement to both maintain current scoring and improve for future.	Acting Joint Chief Executive appointed between Redditch Borough Council and Bromsgrove District Council which will mean decisions taken will consider opportunities for both authorities.	Monthly meetings between Leader of the Opposition and Chief Executive
Robust training plan in place for accountancy staff and qualified technicians/accountants to support service departments	Chief Executive regularly attends Group Leaders and Leaders Group meetings (both informal and formal)	Monitor adherence with the Council Constitution and action taken where required. Monitored by the Monitoring Officer through the Standards Committee.

Key Objective: Ref. No. 4			Key Objective: Ref. No. 5			Key Objective: Ref. No. 6		
Effective Member / Member relations **Responsibility: Head of Legal, Equalities &** **Democratic Services and Head of HR & OD**			**Full compliance with the Civil Contingencies Act** **and effective Business Continuity** **Responsibility: Head of Planning & Environment**			**Effective partnership working** **Responsibility: Assistant CEO and Head of** **Street Scene & Community**		

Links to Council Objective:	Improvement (02)		Links to Council Objective:	Improvement (02)		Links to Council Objective:	Improvement (02)	
High Impact Areas			**High Impact Areas**			**High Impact Areas**		
Financial			Financial	✓		Financial	✓	
Political	✓		Political	✓		Political	✓	
Social	✓		Social	✓		Social	✓	
Technical			Technical	✓		Technical		
Legal	✓		Legal	✓		Legal		
Environmental			Environmental	✓		Environmental	✓	

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
High	High	Medium	Medium	High	High	High	Medium	High	Medium	High	Low
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
RED (9)		AMBER (4)		RED (9)		RED (6)		RED (6)		AMBER (3)	

Current Key Controls	Current Key Controls	Current Key Controls
Regular meetings between Leader and Group Leaders. Actions arising documented and reviewed. Leader feeds back to Chief Executive.	Trained and Experienced Emergency Planning Officer in post (at County and funded by BDC) as first point of contact in the event of an emergency working to agreed policies and procedures.	Local Strategic Partnerships in place to address the priorities within the Community Plan. Regular meetings are held to discuss and any actions are documented and reviewed.
Independent Political Groups occupy key roles to ensure opposition leaders take a proactive role. Note: at the time the risk register compiled Labour Members are not participating.	Emergency Plan which is subject to a regular review and action taken where required. Emergency Plan has been subject to testing.	Monitor adherence with the LSA's and action taken where required. Monitored by Corporate Policy and Performance service area managed by Hugh Bennett (Assistant Chief Executive)
Monitor adherence with the Council Constitution and action taken where required. Monitored by the Monitoring Officer through the Standards Committee.	Level of service provided by Worcestershire County Council who are the principal coordinators for Worcestershire is detailed in a Service Level Agreement.	Regular meetings between BDC and partners. Actions arising documented and reviewed. Meetings are minuted.
Member/member protocol which has been endorsed by Group Leaders. Monitor adherence with the member/member protocol and action taken where required. Monitored by the Monitoring Officer.	Disaster Recovery site available at County Council. Site has servers; network connections; copies of systems and data. In the event of a disaster the site provides opportunity to link machines for core systems e.g. Academy, Agresso etc. The site has been subject to testing.	Monitor adherence with the Corporate Project Management Methodology and action taken where required. Monitored by the responsible Head of Service and the Programme Board
Ethical standards postion in place to undertake member investigations followign transfer of responsibility from Standards Board	HOS undertake Emergency Planning Lead role on a weekly basis to ensure continuity of leadership in issues arising	Procedures in place to monitor compliance with Contract Procedure Rules and Financial Regulations. Monitored by the Section 151 Officer.

Key Objective: Ref. No. 7		Key Objective: Ref. No. 8		Key Objective: Ref. No. 9	
Equalities and diversity agenda embedded across the Authority Responsibility: Head of Legal, Equalities & Democratic Services		**Effective employee recruitment and retention** Responsibility: Head of HR & OD		**Full compliance with all Health and Safety legislation** Responsibility: Head of HR & OD	
Links to Council Objective:	Improvement (02)	**Links to Council Objective:**	Improvement (02)	**Links to Council Objective:**	Improvement (02)
High Impact Areas		**High Impact Areas**		**High Impact Areas**	
Financial		Financial		Financial	
Political	✓	Political		Political	
Social	✓	Social	✓	Social	✓
Technical		Technical	✓	Technical	
Legal	✓	Legal		Legal	✓
Environmental		Environmental	✓	Environmental	✓

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**
Medium	Medium	Low	Medium	High	High	Medium	Medium	Medium	Medium	Low	Medium
Risk Colour (Score)		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**	
RED (6)		GREEN (2)		RED (9)		AMBER (4)		AMBER (4)		GREEN (2)	

Current Key Controls	Current Key Controls	Current Key Controls
Equalities Officer in place to monitor the action plan over the next 12 months to ensure the achievement of Level three.	Training and development opportunities supported by a training budget. Includes internal courses and attainment of professional qualifications, where appropriate. The Training Directory is updated on a quarterly basis to ensure that training opportunities are pro-active and responsive.	Updated Health & Safety policy sets out aims and objectives for improving H&S at work. Includes organisational responsibilities and arrangements currently in force for achieving those objectives. Policy subject to regular review.
Inclusive Equalities Scheme published and six sub groups established to develop and improve each strand.	Annual PDR process which has been reviewed and delivers focus by ensuring that all employees, including the CEO, have development plans and are set appropriate targets that are aligned to Council objectives.	Health and Safety training is mandatory for all new Members and Officers and is included within the Induction programme. Refresher training is provided for Fire Wardens and First Aiders and is included in the Training Directory for staff who choose refresher training.
Mandatory Staff training on equalities and diversity for council employees including scheduled Impact Assessment Surgeries for line managers.	The short term People Strategy is operational. Compliance with the strategy is monitored via the CEO/Head of HR & OD 1:2:1's and via the Head of HR & OD/direct reports 1:2:1's. Summary notes of 1:2:1's are produced and actions arising documented and reviewed.	Government initiative to review long term sickness in public sector and reduce number of working days lost by 30% by 2010. Council has active engagement with the H&S Executive to deliver the reduction. Some of the key underling work-related causes of sickness absence being addressed are work related stress, musculoskeletal disorder and slips & trips.
Procedures in place to monitor compliance with equality standards which includes completion of impact assessments and production of departmental Equality Action Plans, subject to ongoing monitoring.		H&S audits of the Council House, Depot, Sports Centres and Play Areas. A 90% compliance level has been achieved for each service and section. Individual reports are provided for Heads of Service that provide examples of methods of monitoring action plans.
Established Disabled User Group and Equalities & Diversity Focus Group who meet regularly to consult and involve members of the community in the way we deliver our services.		

Key Objective: Ref. No. 10		Key Objective: Ref. No. 11		Key Objective: Ref. No. 12	
Effective two tier working and Community Engagement **Responsibility: CEO**		**Successful implementation of Job Evaluation** **Responsibility: Head of HR & OD**		**All Council data is accurate and of high quality** **Responsibility: Assistant CEO and Head of E-Gov & Customer Services**	
Links to Council Objective:	Improvement (02)	**Links to Council Objective:**	Improvement (02)	**Links to Council Objective:**	Improvement (02)
High Impact Areas		**High Impact Areas**		**High Impact Areas**	
Financial		Financial	✓	Financial	✓
Political	✓	Political	✓	Political	✓
Social	✓	Social	✓	Social	✓
Technical		Technical		Technical	✓
Legal		Legal	✓	Legal	✓
Environmental	✓	Environmental		Environmental	

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
High	Medium	Medium	Medium	High	High	Medium	Medium	High	Medium	Medium	Low
Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)		Risk Colour (Score)	
RED (6)		AMBER (4)		RED (9)		AMBER (4)		RED (6)		GREEN (2)	

Current Key Controls	Current Key Controls	Current Key Controls
Regular item on SMT & CMT agenda. Meetings are minuted and actions arising documented and reviewed.	Monthly meetings of the Single Status Working Group. A partnership approach adopted with the Unions with Union delegates being members of the Group and, therefore, have involvement in decision making process.	On an annual basis each Head of Service submits Performance Indicator certificates to the Senior Policy & Performance Officer. PI's are subject to exception checking by Corporate Communications, Policy and Performance Team, that is, are checked to Performance Indicator certificates.
Parish Council Forum meets Quarterly. Actions arising are documented and reviewed. PACT meetings attended by a Senior officer of BDC and Chat with the Chief sessions held	Regular updates provided to staff, for example, via Connect Bulletins and Intranet page.	External Audit review data in accordance with Key Lines of Enquiry. For identified issues, action plans are implemented and reviewed.
Bi-monthly Leaders from all the councils in Worcestershire meet with Chief Executive Officers. Actions arising documented and reviewed. Monthly Chief Execs Panel attended by BDC.	CMT share ownership of project with Single Status being a CMT agenda item.	The Council has an information retention schedule and has conducted an information audit.
Regular meeting with Corporate Director to identify areas for further work	Job Evaluation Framework in operation. Key elements include software, identification of unique jobs, local conventions, pilot scheme undertaken, appeals mechanism, agreed timetable for main evaluation exercise and WMLGA engaged to facilitate process.	The Council has a data sharing protocol in place.
Headline items in Staff Forums and Briefing sessions held by Chief Executive Officer and Leader. Included on Core Brief when relevant		Reports protocols are in operation that require reports to be circulated to relevant Heads of Service for review/comment prior presentation to CMT and Cabinet.

Key Objective: Ref. No. 13			Key Objective: Ref. No. 14			Key Objective: Ref. No. 15		
Effective Projects Management **Responsibility: Assistant CEO**			**Effective Business and Performance Management** **Responsibility: Assistant CEO**			**Effective Customer Focused Authority** **Responsibility: Assistant CEO and Head of E-Gov & Customer Services**		
Links to Council Objective:	Improvement (02)		**Links to Council Objective:**	Improvement (02)		**Links to Council Objective:**	Improvement (02)	
High Impact Areas			**High Impact Areas**			**High Impact Areas**		
Financial	✓		**Financial**	✓		**Financial**	✓	
Political	✓		**Political**	✓		**Political**	✓	
Social			**Social**	✓		**Social**	✓	
Technical			**Technical**	✓		**Technical**		
Legal	✓		**Legal**	✓		**Legal**		
Environmental			**Environmental**	✓		**Environmental**		

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**
High	Medium	Medium	Low	High	Low	High	Low	Medium	Medium	Medium	Low
Risk Colour (Score)		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**	
RED (6)		GREEN (2)		AMBER (3)		AMBER (3)		AMBER (4)		GREEN (2)	

Current Key Controls	Current Key Controls	Current Key Controls
Project Management Framework has been reviewed.	Three year targets subject to annual review by CMT, PMB and Cabinet.	Monitoring and review of RLAs between Customer Service Centre and back office and action taken where required.
Programme Monitoring Board has been established to monitor project progress across the organisation.	Monthly monitoring of performance against targets and actions arising documented and reviewed.	Monitoring of adherence with the corporate Customer Service Standards, and action taken where required.
Project Management Methodology in place. Key elements of the Project Management framework documentation include project initiation, implementation and closure.	DMTs meet monthly to discuss performance and actions arising are documented and reviewed.	Annual review of Customer First Strategy.
Training in using the Project Management Methodology is available as detailed in the 2007/08 Training Directory.	Budget consultation focus groups meet regularly and actions arising are documented and reviewed.	Regular attendance at strategic Worcestershire Hub meetings.
Capital Monitoring Group established - Monthly capital budget monitoring of actuals against targets and actions arising documented and reviewed as part of the Asset Management Group	Quarterly Integrated Financial and Performance report discussed and actions arising documented and reviewed.	Monthly management information on Customer Service Centre is reviewed and acted upon where issues and/or problems are flagged.

Key Objective: Ref. No. 16		Key Objective: Ref. No. 17		Key Objective: Ref. No. 18	
Succesful implementation of Joint Chief Executive Initiative		**Ensure the Council achieves at least a CPA fair rating and is prepared for CAA: CEO and Assistant CEO**		**To have effective VFM arrangements to deliver efficiences across the Council**	
Links to Council Objective:	Improvement (02)	**Links to Council Objective:**	Improvement (02)	**Links to Council Objective:**	Improvement (02)
High Impact Areas		**High Impact Areas**		**High Impact Areas**	
Financial	✓	**Financial**	✓	**Financial**	✓
Political	✓	**Political**	✓	**Political**	✓
Social	✓	**Social**	✓	**Social**	✓
Technical		**Technical**	✓	**Technical**	✓
Legal	✓	**Legal**	✓	**Legal**	✓
Environmental		**Environmental**	✓	**Environmental**	✓

Current		Acceptable		Current		Acceptable		Current		Acceptable	
Impact	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**
High	Medium	Medium	Medium	High	Low	Medium	Low	High	Medium	Medium	Low
Risk Colour (Score)		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**	
AMBER (4)		GREEN (2)		AMBER (3)		GREEN (2)		RED (6)		GREEN (2)	

Current Key Controls	Current Key Controls	Current Key Controls
Regular meetings with Leaders of all Political Groups to ensure that role serves all members not just controlling group	Improvement plan in place addressing areas of concern. Plan is monitored on a monthly basis (by CMT, PMB, Executive Cabinet and Government Monitoring Board) and adjustments made as required. Meetings are minuted and actions arising are reviewed.	VFM Strategy in place together with VFM action plan presented to members on quartely basis for update
The determination of clear arrangements for 'locally focused' management and adequate support / backfill arrangements. To be kept under review – management capacity at BDC addressed following last CPA. Funds available to address any concerns under Improvement Plan – further discussions with WMRIEP.	In areas of concern additional resources made available. For example, staff drafted into Planning, Improvement Director funded as part of the Improvement plan.	VFM training delivered to officers and members
Open, frank and transparent discussions with 'lead official' and other GMB members prior to decision making	Demonstrable leadership from Portfolio holders with responsibilities linked to improvements action plan.	Effective procurement procedures and processes in place including: procurement strategy, code, framework for corporate contracts and training for officers and members
Clearly identified and communication 'local' management arrangements and regular and effective strategic dialogue at SMT level		Efficiency gains monitored within the integrated perfromance and finance report presented to members quarterly
Investment of time by acting Chief Executive in building relationships and respecting local expertise, knowledge and intelligence	Page 68	VFM considerations included in Committee reports to ensure all projects & services address issues of delivering VFM to residents.

Key Objective: Ref. No. 19		Key Objective: Ref. No. 20	
To deliver a regenerated town centre through improved retail and pubic service		**To effectively address external influences that impact on the community (climate change, economic impact)**	
Links to Council Objective:	Regeneration (01)	**Links to Council Objective:**	Sense of Community & Well Being (03)
High Impact Areas		**High Impact Areas**	
Financial	✓	**Financial**	✓
Political	✓	**Political**	✓
Social	✓	**Social**	✓
Technical		**Technical**	
Legal		**Legal**	
Environmental	✓	**Environmental**	✓

Current		Acceptable		Current		Acceptable	
Impact	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**	**Impact**	**Likelihood**
High	Medium	Medium	Medium	High	Medium	Medium	Medium
Risk Colour (Score)		**Risk Colour (Score)**		**Risk Colour (Score)**		**Risk Colour (Score)**	
RED (9)		AMBER (4)		RED (9)		AMBER (4)	

Current Key Controls	Current Key Controls
Regeneration Steering Group in place that meet 6 weekly - including external & internal officers and members. Project Plan for delivery	Climate change idenitified as key priority for the Council for realinment of funding and resource
Operations team in place for low level strategy and operations - part of overall plan	Joint working group in place with external stakeholders to address economic concerns (benefit, homelessness, worklessness) - meet on a quarterly basis
Theme / Stakeholder group - LSP group to include traders and principle stakeholders	Welfare officer in place in benefits to discuss concerns with individual claimants
Public consultation through the area action plan. Surveys conducted through issues and options survey	Travel plan, air quality strategies developed to support the climate change agenda
Regular discussions with County Council re planning etc - specialist legal and commercial advice	Staff trained in debt management advice and support

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15th DECEMBER 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 overview of the current progress in relation to Actions/Improvements as detailed in service area risk registers for the period 1st April to 30th September 2008.

2.   Recommendation

2.1   The Audit Board is recommended

2.2   The Audit Board is recommended to note progress to date against all business area risk register actions for Quarter 2 2008/09 (April – September)

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 Risk Management Steering Group meets on a monthly basis to review departmental registers, highlight any concerns with the Head of Service and to review progress on actions and improvements. A detailed review of the actions and improvements for each register is discussed and Heads of

3.5 The departmental registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis. The Corporate Risk Register 2008/09 is to be reported to this meeting.
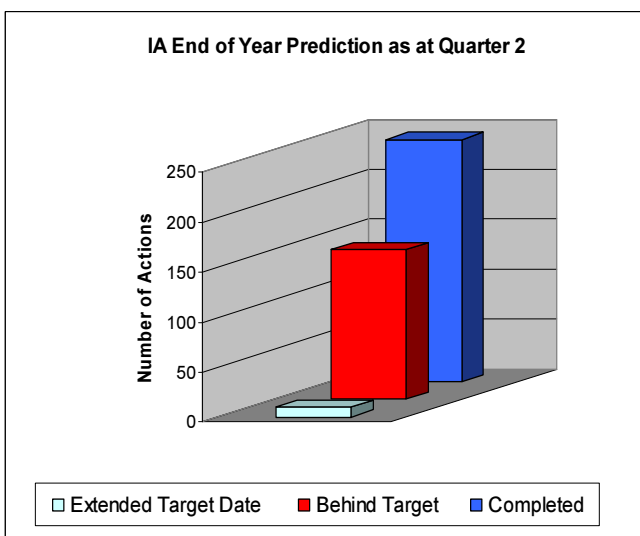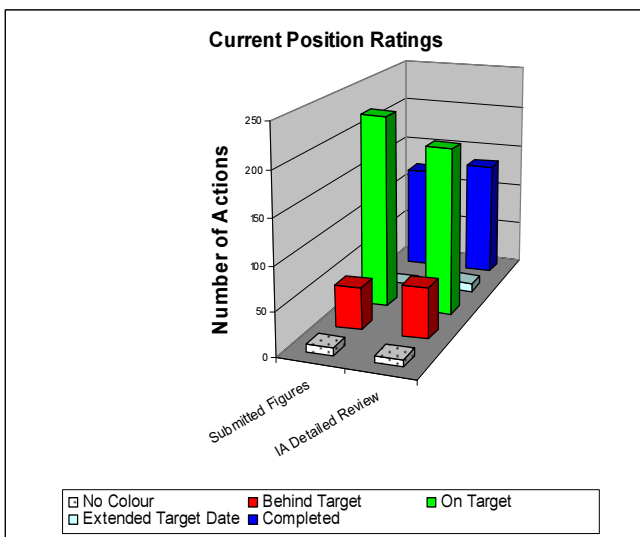
3.6 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

4. **Actions/Improvements Summary**

4.1 Each service area has submitted to Internal Audit the quarter 2 position for each Action/Improvement detailed on their risk register.

4.2 A detailed review of each Action/Improvement, target date, quarter 2 position rating and commentary has been undertaken. The Internal Audit overall opinion has identified some differences in the current position ratings.

The above information is illustrated in the charts below.

Current Position Ratings

□ No Colour ■ Behind Target ■ On Target
□ Extended Target Date ■ Completed

IA End of Year Prediction as at Quarter 2

□ Extended Target Date ■ Behind Target ■ Completed

4.3 From the above chart of Internal Audits end of year prediction a total of approximately 150 (out of 402) of Actions/Improvements will be behind target at the end of the financial year. This is not a major concern as number of these are in relation to the delayed implementation of Job Evaluation together with a further 25% where work is in progress but not complete to target.

4.4 The risk associated with the non delivery of the current actions is not deemed as high as the delayed actions are in relation to ongoing projects to ensure improvements are being achieved rather than fundamental problems with processes across the Council.

5. Completed Actions / Achievements

5.1 In order to highlight service area successes, Internal Audit have selected three Actions/Improvements that have been completed during quarter 2.

Relevant Key Obj.	Action/Improvement
Corporate Communications, Policy and Performance	
Effective Project Management Framework	Programme management framework, including programme board is now live enabling interdependencies between projects to be managed effectively.
Culture and Community Services	
Effective Development of the Bromsgrove Community Sport Network (BECAN)	Sports Showcase Event based around the five outcomes of the Every Child Matters Agenda has been delivered.
Legal, Equalities and Democratic Services	
Effective democratic process and electoral service	Preparations for events to encourage young people to participate in the democratic process have been completed for Local Democracy Week.

6. Overall Summary

6.1 Internal Audit's review has identified an additional 14 Actions/Improvements that we perceive as completed based on the commentary provided.

6.2 As previously raised in quarter 1, it is important that when the new financial year's risk register is compiled service areas ensure that all Actions/Improvements that are either behind target or have an extended target date at the end of the previous financial year are included in the risk register or, if excluded, that there is a recorded rationale for why an Action/Improvement is no longer applicable.

7. Financial Implications

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

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

7.   Corporate Objectives

Council Objective 02: Improvement.

8.   Risk Management

8.1   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.

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

9.   Customer Implications

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

10.   Equalities and Diversity Implications

The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

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

13. **Appendices**
    None

14. **Background Papers**

   Departmental risk registers – available from HOS

Contact officer

Jayne Pickering – Head of Financial Services
E Mail: j.pickering@bromsgrove.gov.uk
Tel: (01527) 881207

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15th December 2008

AUDIT PLANNING AND THE AUDIT REPORT

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

1. SUMMARY

1.1 To present an explanation as to how audits are selected for inclusion into the Annual Audit plan and how the subsequent report is compiled.

2. RECOMMENDATION

2.1 The Audit Board is recommended to review both the:

- Explanation as to how an audit is selected for inclusion in the audit plan.
- Audit Report for Budgetary Control detailed in Appendix A.

3. BACKGROUND

3.1 Bromsgrove District Council has adopted a risk based approach to audit planning, this is recommended by Cipfa (Chartered Institute of Public Finance and Accountancy) and the IIA (Institute of Internal Auditors) as a best practice approach.

3.2 This report explains how Council systems are selected for inclusion within the Audit Plan and how the decision is made as to the regularity with which they will be audited. During this assessment process the controls operating within the systems will be considered to ensure compliance with all necessary guidelines eg Cipfa standards, Council Standing Orders and Financial Regulations, etc.

4. ASSESSMENT OF AREAS FOR INCLUSION IN THE ANNUAL AUDIT PLAN

4.1 Each service area within the Council is identified to assess the risks associated with the services being provided to both the Internal and External markets, and the impact of service delivery upon the Council as a whole. Each area is then assessed to determine the risk level inherent to the system and what would be the possible impact to Bromsgrove District Council and its residents if the system controls were to fail. This risk assessment is based on the following :

- Budget – the total levels of budgeted income and expenditure passing through the system.

- Number of employees working within the service area.
- Impact on the organisation – The profile of the service area ie whilst housing benefit payments are always of importance to the public, during times of recession it may be considered that its profile raises even higher.
- Volume of Transactions – The more transactions that pass through a system the greater the risk of error occurring
- Third Party Sensititivity - the impact on the public or other third parties.
- Standards of Internal Control – this is based on auditor knowledge of the system, during previous audits the Auditor will have assessed the reliance that can be placed on this system.
- Likelihood of risk occurrence

4.2 Each of these areas will be scored, the higher the score the greater the perceived level of risk attached to the system. Those systems identified as being high risk will be audited on an annual basis, those with lower scores and therefore lower perceived risks will be audited on a less frequent basis with the lowest risk systems audited once every three years.

4.3 The Council is required by the External Auditor to audit certain systems (ie Council Tax System) every year as these are considered by them to be fundamental to the opinion that they give on the Statement of Accounts. Non-compliance with this requirement could lead to qualification of the Accounts and a reduced score on the Use of Resources Assessment. All fundamental systems are agreed in advance with the External Auditor and reviewed during the financial year.

5   COMPILATION OF THE AUDIT REPORT

5.1 Attached at Appendix A is an audit report on the Budgetary Control system operating within the Council. The audit report includes the following details:

- **Introduction**

  This details the reason for carrying out the audit, the Auditor undertaking the work and the period covered by this work.

- **Scope**

  This explains the areas of the system that will be subject to review as part of the audit. As part of the pre-audit meeting with the Service Manager, if any issues are raised, then the Auditor will increase the scope of the work to cover any additional perceived risks.

- **Management Summary**

  This section of the report is where the Auditor gives their overall opinion on the effectiveness of the controls operating within the system – this opinion is backed up by the detail within the action plan.

- **Control Objective Summary**

The opinion in the management summary is then further broken down to each of the control objectives (these were originally detailed in the scope). A separate opinion is then given for each objective these are as follows:

- Operating effectively – Overall, the controls that are in place provide a level of assurance that the system's objectives will be met

- Basically Sound – Although the basic level of controls are in place, improvements are required to ensure the system fully meets its objectives.

- Identified Weakness – The controls in place do not provide an acceptable level of assurance that the system's objectives will be met.

- **Action Plan**

  Each finding is detailed with an explanation as to the risk that the Council could be subjected to. The Auditor then makes a recommendation as to the action required to improve the levels of control. This is discussed with the Service Managers to assess if implementation is relevant or desirable ie the cost of implementation may be excessive when compared to the level of risk. A priority is given to each recommendation to determine its importance. The priorities given are as follows:

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.

The Auditor and Service Manager will then agree what action should be carried out to eliminate or reduce the risk with an officer assigned to the task required and a date by which it should be actioned.

5.2   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.

6.   FINANCIAL IMPLICATIONS

6.1   None outside existing budgets.

7.   LEGAL IMPLICATIONS

7.1   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".

8. COUNCIL OBJECTIVES

8.1 Council Objective 02: Improvement.

9. RISK MANAGEMENT

9.1 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.

9.2 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

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

10. CUSTOMER IMPLICATIONS

10.1 No customer implications.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 No equalities and diversity issues.

12. VALUE FOR MONEY IMPLICATIONS

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

13. 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

14. 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

15. WARDS AFFECTED

15.1 All Wards are affected.

16. APPENDICES

16.1 Appendix A: Recommendation Tracker Report.

17. BACKGROUND PAPERS

17.1 None.

CONTACT OFFICER

Jayne Pickering – Head of Financial Services
E Mail: j.pickering@bromsgrove.gov.uk
Tel: (01527) 881207

Final Report

Review of the Budgetary Control System

1.   Introduction

As part of the Internal Audit Plan for 2007/08, a review was carried out into the operation and management of the Budgetary Control System.

This review was undertaken by Tom Delaney during December 2007 to March 2008.

2.   Scope

The review was designed to test controls in place in the following areas:

- Process documentation and procedures.
- Budget preparation.
- Budget approval.
- Budget monitoring.
- Budget report and Information.
- Computer system security

3.   Management Summary

Our overall opinion is that the controls operating within the Budgetary Control System are operating effectively (opinion based on section 4).

We have arrived at this opinion based on the sample testing completed for each control objective. A summary of each control objective is detailed in Section 4.

We did, however, identify certain areas where you could make further improvements to your systems. The key issues are detailed below, with our findings and recommendations detailed in the Action Plan in Section 5.

Ensure that:

- Procedures are created that cover all aspects of the budgetary system.
- Budget setting is focused towards the councils key objectives and value for money
- Relevant budget virement documentation is completed and correctly authorised

4.   Control Objective Summary

Based on our sample testing, we are able to form the following opinion on each control objective. Please see the Action Plan in Section 5 for detailed findings relating to each control objective.

No.	Control Objective	Opinion	Recommendations
1	To ensure that adequate procedure manuals and processes are in place.	Identified Weakness	1 - 2
2	To ensure that correct procedures are followed when preparing annual budget.	Operating effectively	3
3	To ensure that the annual budget was approved and entered on the financial system on a timely basis.	Operating effectively	4
4	To ensure that Budgets are monitored on a regular basis and any variances are managed.	Basically Sound	5
5	To ensure that up to date financial information is reported to the appropriate level.	Operating effectively	N/A
6	To ensure that sufficient system controls are in place and information is suitably backed-up.	Basically Sound	N/A

Opinion Descriptions:

Operating Effectively: Overall, the controls that are in place provide a level of assurance that the system's objectives will be met.

Basically Sound: Although the basic level of controls are in place, improvements are required to ensure the system fully meets its objectives.

Identified Weaknesses: The controls in place do not provide an acceptable level of assurance that the system's objectives will be met.

5. Action Plan

Ref.	Audit Finding	Risk	Priority	Recommendation	Response	Who	Whe
1	**Process and Procedures** **found that the following accepted recommendation detailed in the 2006/07 report has not been implemented;** **cedure Manual be created and distributed to all relevant staff.** **manual should include:** **spects of the budget setting and monitoring process; and** - All relevant operations fulfilled by the section.	Inconsistent approach.	2	We recommend that process documentation is compiled detailing all aspects of the roles undertaken within the section. **documents should be:** - **Easy to follow with the use of visual aids to assist;** - **Password protected with a version control;** - **Document owner noted; and** - **Subject to regular review.**	This has been started but will take a reasonable amount of time to complete due to the varied and complex nature of the tasks undertaken by the Section. It is viewed as important and will be dealt with as soon as time constraints allow.	D Randall (Accountancy Services Manager)	Mar. '10

Ref.	Audit Finding	Risk	Priority	Recommendation	Response	Who	Whe
2	**Budget Holder List** We found that the list of Budget Holders downloaded from Agresso during this review was not up to date. The list contained officers who had left the authority or were not budget holders.	Inaccurate management information	2	We recommend that: - The accountancy section is informed of personnel changes of officers who have budget responsibilities. - If appropriate, this may take the form of Heads of Service being advised of the process via e-mail.	This information would be useful for the control of information and access to the system. However, the Section can not control the receipt of this information. The Head of Financial Services will be requested to e-mail all Heads of Service to request this information, but its receipt will be dependent upon others obtaining and forwarding the required information.	D Randall (Accountancy Services Manager)	Jul. '08

Ref.	Audit Finding	Risk	Priority	Recommendation	Response	Who	Whe
3	**Budget Holder Accountability** As recommended in the 2006/07 report, a form has been introduced in the 2007/08 Budget Holder Pack which Budget Holders are required to sign to show they agree with their allocated budget. Our review identified that there is no monitoring process in place ensuring signed forms are being returned to the accountancy section.	A lack of Budget Holder accountability.	3	We recommend a procedure is introduced whereby the relevant officer in accountancy ensures all forms are returned completed for the service areas they are responsible.	Not agreed – Officers are responsible for their designated budgets whether or not they sign the form. Non compliance with BDC budgetary control requirements would result in disciplinary action.	N/A	N/A
4	**Budget Approval** Of the 10 approved cost centre budgets sampled during our review, 5 approved budgets did not match the amounts in Agresso and it was unclear as to why these amounts differed. During discussions with the Accountancy Trainee Officer, reasons for the discrepancies were advised; however, no audit trail had been maintained to evidence these differences.	Insufficient audit trail of changes made to the budget	2	**recommend that when an** ~~ed.~~ **amount is 'biffed' (the** To be **process for interfacing the** implemented. **spreadsheet with the** **financial system) and a** **change to the budget** **amount takes place, this** **should be clearly noted** **within the virements folder** **and annotated on the 'biff'** **printouts to give a clear** **audit trail of funds.**	D Randall (Accountancy Services Manager)	Jul. '08

Ref.	Audit Finding	Risk	Priority	Recommendation	Response	Who	Whe
5	**Virements** From 10 virements reviewed 4 instances were found where either appropriate authorisation was not in accordance with Financial Regulations or the reason for the virement was not clearly stated.	Non Compliance with Financial Regulations	2	**recommend that all virement forms state the reason for virement creating a more detailed audit trail and that appropriate authorisation is obtained, in accordance with the Councils Financial Regulations.** We further recommend a review of documentation used for both virements and correction entries is undertaken. The forms to include at a minimum: - Reason for transfer - Authorisation - **Transaction details where appropriate**	...ed. ...e implemented	D Randall (Accountancy Services Manager)	Jul. '08

Priority Descriptions:
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 controls within the system.

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15 December 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 2008/09 Audit Plan.
- Work completed by the Internal Audit Section between April and November 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:

- 2008/09 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.   2008/09 AUDIT PLAN – CURRENT STATUS

4.1   The 2008/09 Audit Plan came into effect on the 1st April 2008. 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						
Email and Internet Policy &Usage	E-Gov. & CS	Qrtr 2		✓		This audit is at Draft Report stage and will be completed in the near future when responses have been received from the Service Manager.
Refuse Collection & Recycling	St. Scene & Waste Mngmnt	Qrtr 4	✓			
Regulation of Investigatory Powers	Legal & Demo..	Qrtr 2		✓		This audit is at Draft Report stage and will be completed in the near future when responses have been received from the Service Manager.
Budgetary Control & Strategy	Financial Srvs	Qrtr 4		✓		All planning has been carried out on this audit and testing is nearing completion.
Payroll	HR & OD	Qrtr 4	✓			This audit has been outsourced to Worcester City Council and will commence March 09
Creditors	HR & OD	Qrtr 4	✓			This audit has been outsourced to Worcester City Council and will commence March 09
NNDR	HR & OD	Qrtr 3-4		✓		This audit is at Draft Report stage and will be completed once recommendations have been agreed with the relevant Service Manager
Customer Service Centre	E-Gov. & CS	Qrtr 2-3		✓		All planning has been completed with

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
						testing about to commence.
Benefits	Financial Srvs	Qrtr 3		✓		All planning has been completed with testing about to commence.
Asset Management	Financial Srvs	Qrtr 3	✓			
General Ledger & Bank Reconciliations	Financial Srvs	Qrtr 4		✓		All planning is completed with testing underway.
Debtors	Financial Srvs	Qrtr 2-3		✓		Draft Report now produced for review by Service Manager
Treasury Management	Financial Srvs	Qrtr 4	✓			This audit has been outsourced to Worcester City Council and will commence March 09
Council Tax	Financial Srvs	Qrtr 4		✓		All planning is completed with testing underway.
Licensing (Inc Env and Taxi)	Planning & Env	4	✓			
Post Room Process	Legal,Equals & Dem	3	✓			
Projects						
Risk Management	Corporate	Qrtr 1 - 4		✓		Regular reviews of risk carried out and reported on

5. AUDIT WORK COMPLETED

5.1 Due to vacancies and changes in the Audit Team resources a number of Audits from 2007/08 have been completed in the first quarter of 2008/09. This was to ensure the adequate controls were in place as part of the Use of Resources judgement for 2007/08.

5.2 Due to the resulting delays in the commencement of the 2008/09 Audit Plan the plan has been reviewed with the aim to comply with our internal control framework within the time remaining. As mandatory system audits are completed each year, some have been allocated as 'light touch'. These audits will have been undertaken thoroughly over the past few years and any issues have already been identified and managed or resolved and therefore any risks will be reduced. A 3 year audit plan should be introduced to schedule a full audit of these systems every third year.

5.3 In addition to reducing the time for some audits there is still a short fall of approximately 30 – 40 days. It is possible that statutory audits could be carried out by an external provider. Worcester City Council has offered 30 days audit work in the latter part of the financial year, which has been accepted.

5.4 To encourage joint working and capacity across the Districts the Audit Managers are preparing a report to Treasurers as to how the Internal Audit service can be provided across the County. This would ensure that skills and capacity could be addressed to ensure Audit Plans were met.

5.5 To date work has commenced on several audits within the 2008/09 audit plan, completion of these has been hampered by the need to carry out fundamental audits which related to the previous year. However, these have now been completed allowing the Audit Team to now focus their attention on the audit plan for the present year. Many audits have now been advanced to the draft report stage and will be finalised upon receipt of responses to recommendations from Service Managers.

5.6 Other activities include:

- 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 2008/09 Performance Indicators. Further information has been provided in section 7.

6. SUMMARY OF INVESTIGATIONS

6.1 Internal Audit has not been involved in any allegations or investigations during the first period of 2008/09.

7.   2008/09 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1   At the Audit Board meeting on the 19th February 2007, the new 2007/08 Performance Targets were agreed, these have been adopted for 2008/09. Detailed below is the performance against the agreed targets.

No	Description	2008/09 Target	2008/09 Actual	Comments
1	Delivery of Audit Plan (Jobs Finished)	90%	0%	Several audits at Draft Report stage about to be finalised.
2	Delivery of Audit Plan (Resources)	95%	0%	Several audits at Draft Report stage about to be finalised.
3	Productive audit time	69%	45% 46%	2007/08 Audit work 2008/09 Audit work
4	Assignments completed within budget	87%	N/A	Several audits at Draft Report stage about to be finalised.
5	Response time to fraud/allegations	5 days	N/A	No fraud/allegations received to date
6	Pre-audit meetings held for each audit	100%	100%	
7	Post audit meetings held for each audit	100%	N/A	Several audits at Draft Report stage about to be finalised.
8	Draft report turnaround	5 days	N/A	Several audits at Draft Report stage about to be finalised.
9	Final report turnaround	10 days	N/A	Several audits at Draft Report stage about to be finalised.
10	Number of recommendations accepted	95%	N/A	Several audits at Draft Report stage about to be finalised. Awaiting responses from Service Managers to recommendations.
11	Post Audit Questionnaires returned	85%	N/A	Several audits at Draft Report stage about to be finalised.
12	Customer feedback rating	92%	N/A	Several audits at Draft Report stage about to be finalised.
13	Attendance	6.6 days	0 days	

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 None.

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	No
Chief Executive	Yes
Executive Director (Services)	Yes
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

Jayne Pickering – Head of Financial Services
E Mail: j.pickering@bromsgrove.gov.uk
Tel: (01527) 881207

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