



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 16TH MARCH 2009, AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

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

AGENDA

1. To receive apologies for absence
2. Declarations of Interest
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 15th December 2008 (Pages 1 - 4)
4. Annual Audit and Inspection Letter 2007/2008 (Pages 5 - 28)
5. External Audit Opinion Plan 2008/2009 (Pages 29 - 52)
6. Audit Fees Letter (to follow)
7. Risk Management Tracker Quarter 3 (Pages 53 - 60)
8. Internal Audit Performance and Workload, Quarter 3 (Pages 61 - 66)
9. Internal Audit Plan 2009/2010 (Pages 67 - 74)
10. 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

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

6th March 2009

K. DICKS
Chief Executive

Agenda Item 3

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

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

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

Observers: Councillor G. N. Denaro (Portfolio Holder for Finance), and Councillor C. J. K. Wilson (Shadow Portfolio Holder for Value for Money)

Officers: Ms. J. Pickering, Mr. J. Godwin (during Minute No's 29/08 to 34/08), and Ms. P. Ross

29/08 **WELCOME TO THE MEETING**

The Chairman welcomed Councillors D. Hancox, Mrs. C. M. McDonald and C. J. K. Wilson to their first meeting of the Board.

30/08 **ELECTION OF VICE CHAIRMAN**

RESOLVED that Councillor Mrs. C. M. McDonald be elected Vice-Chairman of the Board for the remainder of the municipal year.

31/08 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor C. R. Scurrell and Joan Hill, Audit Manager with the Audit Commission.

32/08 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

33/08 **MINUTES**

The minutes of the Audit Board held on 29th September 2008 were submitted.

RESOLVED that the minutes be approved as a correct record.

34/08 **CIVIC BONFIRE AND FIREWORK EVENT - FEEDBACK**

Further to the meeting of the Audit Board held on 15th September 2008, Members considered a report on the issues raised in relation to the 2007 civic bonfire and fireworks event and the revised procedures implemented for the 2008 event.

During the discussion Members raised a number of questions which were answered by the Deputy Head of Service, Street Scene and Community. Members commented on how the revised procedures had improved the access for the public. The Head of Financial Services emphasised that the revised procedures had improved the robustness of the security of the cash.

RESOLVED that the revised procedures implemented for the 2008 event be noted.

35/08 **CORPORATE RISK REGISTER 2008-09**

Consideration was given to a report which provided the actions/improvements to quarter 2 (April – September 2008), Corporate Risk Register. The Head of Financial Services detailed and answered questions on the Key Objectives and Current Key Controls highlighted red in the Appendix to the report. Members agreed that the Corporate Risk Register be included on the Bromsgrove District Council Website.

RESOLVED:

- (a) that the Corporate Risk Register objectives detailed in the report be noted; and
- (b) that the progress to date against the actions for the 2nd quarter be noted.

36/08 **RISK MANAGEMENT TRACKER**

Consideration was given to a report which presented an overview of the Actions/Improvements as detailed in service area Risk Registers for the period 1st April 2008 to 30th September 2008. Members were asked to note that there was only one recommendation.

RESOLVED: that the progress to date against all business area Risk Register Actions/Improvements for Quarter 2, 2008/09 (April – September) be noted.

37/08 **AUDIT PLANNING AND THE AUDIT REPORT**

Consideration was given to a report which provided an explanation on how audits were selected for inclusion into the Annual Audit Plan and how the subsequent report was compiled. Members agreed they would use the Audit Plan, to be presented during the March 2009 meeting, to prioritise the audit reports the Board would view.

RESOLVED:

- (a) that the explanation on how an audit was selected for inclusion in the audit plan be noted; and
- (b) that the Audit Report for Budgetary Control as detailed in Appendix A to the report be noted.

38/08 **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Consideration was given to a report which provided a summary of the current performance and workload of the Internal Audit Section. The Head of Financial Services and Members agreed that the Recommendation 'Amendments to the section's standard documentation' as shown in the report be deleted.

RESOLVED:

- (a) that the current status and work completed on the 2008/09 Audit Plan be noted and approved;
- (b) that the work completed by the Internal Audit Section between April and November 2008 be noted;
- (c) that it be noted that Internal Audit had not been involved in any allegations or investigations during the first period of 2008/09; and
- (d) that the current Internal Audit Performance Indicator statistics be noted.

39/08 **USE OF RESOURCES FEEDBACK 2007/08**

Consideration was given to a draft report which provided details on the Use of Resources judgement 2007/08 from the Audit Commission and the feedback in relation to improvements that had been identified.

RESOLVED:

- (a) that the draft 2007/08 Use of Resources feedback and recommendations received from the Audit Commission set out at Appendix 1 to the report be noted; and
- (b) that the Head of Financial Services be tasked to prepare an action plan to address the improvements identified and to present the action plan to the next Audit Board meeting.

40/08 **BUSINESS AT RISK SURVEY 2008**

Consideration was given to a report which provided details of the Business at Risk Survey that was undertaken in 2008 by the Audit Commission as part of the Use of Resources assessment. The Head of Financial Services distributed the updated report to all Members present. Members suggested that continuous staff awareness raising campaigns should be carried out.

RESOLVED that the report and the Council's response to the improvements identified be noted.

The meeting closed at 7.35 p.m.

Chairman

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

16TH MARCH 2009

ANNUAL AUDIT AND INSPECTION LETTER 2007/08

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

1. SUMMARY

- 1.1 The Council's Auditor has issued the draft Annual Audit and Inspection Letter for 2007/08 (Appendix A). The final version will be issued on 16th March following the release of the CPA report to the Council from the Audit Commission.

2. RECOMMENDATION

- 2.1 The Board is asked to consider the Annual Audit and Inspection Letter for 2007/08 and, subject to any comments they may wish to make, to accept it.

3. BACKGROUND

- 3.1 Attached at Appendix A is the Annual Audit and Inspection Letter for 2007/08 which provides an overall summary of the Audit Commissions assessment of the Council. It draws from information contained within the recent CPA together with any other findings from inspections undertaken since the last letter in 2008.
- 3.2 The report also includes:
- Direction of Travel considerations
 - Strategic Housing Inspection Feedback
 - Audit of the Accounts and Value for Money
 - Data Quality
- 3.3 The findings of the report include the demonstration of clear improvements in performance, strategic housing service provision, customer service and working with partners.
- 3.4 The approach to Value for Money is reported as improving and the allocation of resources to priorities has been developed in a robust framework
- 3.5 Data Quality arrangements were also reported as meeting minimum requirements.

4. FINANCIAL IMPLICATIONS

4.1 None

5. LEGAL IMPLICATIONS

5.1 The presentation of the Inspection Letter is a responsibility of the External Auditors under the Audit Commissions Code of Practice

6. COUNCIL OBJECTIVES

6.1 Council Objective 02: Improvement.

7. RISK MANAGEMENT

7.1 Addressing the recommendations identified will further support the Councils Use of Resources scoring in ensuring that we have a robust internal control and financial management framework for officers to work within.

8. CUSTOMER IMPLICATIONS

8.1 No customer implications.

9. EQUALITIES AND DIVERSITY IMPLICATIONS

9.1 No equalities and diversity issues.

10. 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

11. OTHERS CONSULTED ON THE REPORT

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

12. APPENDICES

12.1 Appendix A – Annual Audit and Inspection Letter.

13. BACKGROUND PAPERS

13.1 None.

CONTACT OFFICER

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Annual Audit and Inspection Letter

Bromsgrove District Council

Audit 2007/08

Date **March 2009**

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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.

Key messages

- 1 The Council has improved its performance across all services. In 2007/08, 79 per cent of national performance indicators (PIs) improved which is well above the average range for district councils. As a result of this improvement, Bromsgrove District Council is ranked as second out of 388 councils for the percentage of PIs improved in the last year. The Council did however start from a low base. Value for money is improving, costs are at or above average and performance is improving.
- 2 The Council was assessed under the Comprehensive Performance Assessment framework this year. Since the last CPA, the Council has made significant progress in addressing the weakness previously identified. Much of the work has focused on putting the processes and 'building blocks' in place that were absent in early 2007 and these are now starting to make an impact.
- 3 Your auditors gave unqualified opinions on the Statements of Accounts and on the VFM conclusion.
- 4 For Use of Resources, the Authority has been assessed as performing adequately. Of the five themes included in the assessment, four (financial reporting, financial management, financial standing and value for money) were assessed as performing adequately and internal control was assessed as improving well. This represents clear improvements in a number of areas.
- 5 The arrangements for ensuring data quality were assessed as at minimum requirements. The Authority demonstrates a commitment to improving quality data.

Action needed by the Council

- 6 We recommend that the Council take the following actions.
 - The Council needs to respond positively to the recommendations set out in the recently published corporate assessment.
 - To monitor the impact on capacity of the pilot joint Chief Executive working arrangements and develop the business case for shared services.
 - The Council should ensure that it continues to monitor the delivery of its major projects and further embed the risk management process.
 - To consider the appropriate response in the current economic downturn for plans at Longbridge and for the town centre development.
 - To continue to improve value for money throughout the Council.

Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 8 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 10 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Bromsgrove District Council performing?

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 13 The Council has improved its performance across all services. In 2007/08, 79 per cent of national performance indicators (PIs) improved which is well above the average range for district councils. As a result of this improvement, Bromsgrove District Council is ranked as second out of 388 councils for the percentage of PIs improved in the last year. The Council did however start from a low base. It is now 275th out of 388 councils for the percentage of PIs improved in the last three years. 25 per cent of PIs are in the top quartile which is lower than the average at 33 per cent, but again represents an improving trend, and 50 per cent of PIs were above average performance. Value for money is improving, costs are at or above average and performance is improving.
- 14 We carried out a Corporate Assessment during November 2008. This assessment details the context, achievements, improvement and priorities the Council has sought to deliver over the past 18 months to address and meet the need of its citizens, in co-operation with its partners.
- 15 The Council's priorities for 2008/09 are: a thriving market town, housing; a sense of community; and clean streets and recycling. These reflect customer, stakeholders and staff ambitions. Customer service was a separate priority in the previous year but, after feedback from residents and staff, has been incorporated within the overall values of the Council.
- 16 The regeneration of the town centre is at an early stage and it remains a difficult and challenging project. An area action plan has been developed, and an issues and option paper completed. A joint County and District Council Project Board has been established for the town centre and a town centre project manager appointed. Negotiations to relocate the various emergency services to a new site thus freeing up sites in the town centre are underway although progress has been hampered by the listing of Parkside School. The shop mobility scheme opening hours have been extended. Plans to regenerate Longbridge are progressing; an area action plan has been prepared in association with Birmingham City Council and the County Council.
- 17 The Council's strategic housing service has improved. The service was re-inspected in 2008 and was given an improved scored of 'fair' with 'promising prospects for improvement'. A number of initiatives are helping to provide housing that meets local needs. The supply of affordable housing has increased (96 units in 2007/08, which exceeds the annual target of 80 units) though there is still a gap between supply and demand. The Council is using its own resources to help deliver affordable housing, for example land to support housing development and through grant funding for

Bromsgrove District Housing Trust (BDHT). Affordable housing is being provided in rural areas such as the 15 units in Belbroughton. In addition funding has been approved to support the choice based lettings and Nightstop projects. The housing needs of the more vulnerable sections of the community are being addressed. Victims of domestic violence have increased access to housing. Joint working with the supporting people team has led to the planned closure of the refuge and the provision of five units of self contained accommodation, with an extended floating support service to increase service provision when needed. This is supplemented by a sanctuary scheme. The Council has invested £1 million in the provision of extra care units - an additional 27 units are currently being built in Charford.

- 18 Customer service is improving. It is now easier for people to contact the Council by telephone, with the average call waiting time falling from 55 to 22 seconds between August 2007 and August 2008. Waiting times have continued to fall significantly (the latest figure for December 2008 is nine seconds) and the number of abandoned calls reducing from 33 to six per cent. More people are having their enquiries dealt with at the first point of contact (98 per cent) though some enquiries still have to be redirected to the specific service, for example planning queries. A pilot of enabled access to the benefits service has commenced with the aim to expand this if this is successful. Online access to services has also been improved, for example the Customer Service Centre provides access to the Choice Based Lettings Service via a public access PC.
- 19 People can now access the benefits service in more locations throughout the district. However, poor performance information about how long it takes to process a benefits claim or a change in circumstances meant that these indicators were qualified. People still have to wait longer than average for their benefit claim to be processed. Service standards have been developed. A customer complaints and compliments process has been put in place which is monitored regularly.
- 20 Access to Council services is improving. The Council has, in partnership with SCOPE, undertaken an accessibility audit of all Council buildings and polling stations in order to ensure that its services can be accessed. The Council has also developed a comprehensive Equality and Diversity training programme for all staff and elected members, with a particular emphasis on equipping front line staff with the knowledge and skills to help and support people with disabilities. The Council's waste collection service offers aid and assistance to people with specific assistance requirements. A telephone translation service can be used by staff and customers and the provision and use of hearing induction loops at the Council House have increased.
- 21 The Council embarked on an ICT spatial project eighteen months ago, and the first phase has now been completed. A number of new software systems have been implemented, for example in planning which gives members of the public easier access by being able to view and submit applications on-line. Web services have been enhanced so that people can pay their council tax and other payments on-line. Lessons learnt have been evaluated and the Council is now implementing the final phase of this project which aims to further improve the customer experience.
- 22 Shared services are in the early stages of delivery. The Council is now providing procurement to two other local councils, has transferred the payroll service to Redditch and has agreed to share Elections and Community Safety. A business case is being developed for further joint working / shared services between the two councils. In

addition the Council is now able to offer help and support to other organisations in areas such as Equality and Diversity. Council officers already support Redditch Borough Council and the county wide “Being Different Together” project and have hosted countywide training sessions to support parish councillors in understanding the wider equality and diversity agenda.

- 23 Better working with partners and the community is improving the sense of community. The 2008 Quality of Life Survey (unaudited) indicates that 64 per cent of residents felt Bromsgrove was a nice place to live with only 10 per cent reporting they felt they did not belong to their local area. Crime and disorder in Bromsgrove is reducing and a number of initiatives are addressing concerns about the fear of crime. For example, the Council has provided funding for CCTV in the town centre leading to a drop in car crime. Alcohol free zones in areas such as Alvechurch and Rubery and use of high visibility policing, community wardens and police community support officers have led to a decrease in crime in areas such as Waseley. Recent high profile incidents involving violent crime are being taken very seriously by the Council and are being actively discussed by all the partners on the Crime and Disorder Reduction partnership to reduce the likelihood of similar crimes reoccurring. Local neighbourhood partnerships are in place for two areas and are to be extended over the next three years to further encourage local decision making.
- 24 The needs of young people are being addressed with money from Worcestershire County Council's children's fund used to provide multi-use games areas in Charford and Sidemoor. A number of play provisions have been refurbished and updated. As a result of feedback from the Customer Panel, street theatre is now taken out across the whole District, whereas it was restricted to Bromsgrove town centre. Many young people were able to attend and feedback on their enjoyment of the events. The Council has, in line with the wider agenda to encourage greater democratic participation, delivered a range of activities to young people of school age and is committed to working with schools within the district in support of the citizenship aspects of the curriculum. There have been few outcomes delivered to meet the needs of the significant and increasing number of older people, however a number of mobility sessions for older people have been set up.
- 25 Partnership working is adding to the Council's capacity. Work with the Citizens Advice Bureau has led to improved services for the homeless, and work with BDHT has resulted in new floating support and preventative services for adults aged 18 -25. As a result of this work Bromsgrove is now the West Midlands regional centre of excellence for youth homelessness.
- 26 The Council exceeded its statutory recycling and composting target. During 2007/08 the Council recycled 43 per cent of household waste collected. However, the overall amount of household waste collected per person remains relatively high, as do collection costs. Street cleanliness has improved. There have been changes to grass cutting and litter picking practices and the Council is working with the Probation Service to clear alleys in Rubery. The 2008 Quality of Life Survey (unaudited) indicates that 81 per cent of residents use the Council's recycling facilities and 84 per cent are satisfied with the recycling service. Four new 'bring banks' have been opened including the ability to recycle tetra packs. Awareness about recycling is improving with initiatives including waste stop shops which provide information, visits to 10 schools by

the 'Recycler'- a hip hop rapping robot to promote recycling and visits to villages by the recycling bus.

Progress on implementing improvement plans to sustain future improvement.

- 27 The Council is delivering improvements in line with most of its plans. The improvement plan, focused on areas raised in the 2007 corporate assessment and linked to priorities, has been closely monitored. Positive progress has been made. The delivery of the housing strategy continues, although issues around affordable housing remain. The Council is developing plans for the longer term to sustain future improvements, but these are not yet fully developed and embedded. The priorities have been refined for the Council Plan for 2008-2011, and financial planning has been aligned to these areas.
- 28 A robust performance management framework is in place and this had led to improvements in service delivery. There is regular performance monitoring and reporting of progress against the sustainable community strategy, council plan, Medium Term Financial Plan, improvement plan and service plans. Reports are clear and focused and include integrated financial and performance reporting leading to the allocation of resources to priorities such as affordable housing and customer services which has led to improved service delivery and performance. The staff appraisal system is used throughout the Council, and processes for engaging with and motivating staff are in place, for example 'ConnectwithKev' and team awards.
- 29 The Longbridge area action plan contains a provision for 35 per cent of the proposed 1,450 new homes to be affordable. The Council is seeking to increase its current proposed regional strategic housing allocation, by engaging with the West Midlands Regional Assembly and the Government Office for the West Midlands. However, until this matter is resolved the Council is not in a position to lift the moratorium on new housing development which is limiting the delivery of affordable housing. It is also responding to some of the challenges of the economic downturn by investigating options to purchase new flats which are not selling. It plans to use the Local Strategic Partnership's (LSP) Older People Project Group to provide a dialogue with older people, to feed their information into the Council and to provide a mechanism for departments to consult with older people. Plans are in place to build a high dependency toilet in 2009. This is in response to requests by the disabled user's forum and to provide more appropriate facilities for the town centre. The Council is working closely with Worcestershire PCT to roll out a falls rehabilitation programme in the district for older people early in the next financial year.
- 30 There is greater openness and willingness to listen and learn, leading to the Council playing a more positive role in local and regional partnerships. For example, the Council is now leading a group of councils to agree a single approach to negotiating with the new Homes and Communities Agency in respect of future housing provision and expenditure. The Council funds and has a service level agreement with the Bromsgrove and Redditch Network (BARN) a local voluntary sector infrastructure organisation which is part of the LSP and chairs the Older Persons Theme Group.
- 31 The Council's Chief Executive has recently been appointed as Acting Joint Chief Executive of Bromsgrove and Redditch. This has not impacted on leadership or capacity at Bromsgrove but it is too early to see the anticipated outcomes for

Bromsgrove. Senior management and staff capacity have been enhanced. The Council sought help from the society of local authority chief executives to strengthen and recruit to the corporate management team (CMT). An additional executive director has been recruited and CMT and the Cabinet have worked together on two Top Team programmes run by the IDeA (Improvement and development agency). An organisational development team, use of a corporate training budget and a managers' training programme have all led to improved customer focus and service delivery. For example all officers, including frontline staff such as those carrying out waste collections, have received Customer First training leading to an improved quality of service and fewer complaints. Staff at the Customer Service Centre and refuse collection and recycling operatives have been encouraged to study for appropriate NVQ's.

- 32 The Council has a positive approach to engaging with black and minority ethnic groups and vulnerable groups. Input from the equalities and diversity forum has been effective in addressing some of their needs. The Forum successfully bid for Council funding to support Black History Month, Diwali and the Padstone Day Care Centre theatre event for people with learning disabilities. The Council is at Level 2 of the local government Equality Standard.
- 33 The approach to securing value for money is improving. Processes are in place and these are starting to deliver better outcomes in terms of value for money. Resource allocation is linked to priorities and the Council is clear that any service area that does not contribute to the delivery of the priorities is viewed as a non priority and may be required to find savings or have resources taken away and redirected to areas supporting delivery of the priorities. Performance and cost reporting are integrated. The Council has undertaken reviews of some services to identify ways to secure improvements. For example, a review of waste collection where costs are high found that the cost of operating and maintaining the current vehicle fleet was significantly higher than in other councils. In response, the Council has agreed an action plan to resolve this problem and a fleet of replacement vehicles has been ordered.
- 34 Governance arrangements are improving. Member capacity continues to improve. The Council is self aware and actively learns from others. The Council is committed to councillors being accredited within the Member Development Charter. The Constitution and all working practices remain under constant review to ensure that the decision making process is efficient and effective and reflects the way the organisation operates. There are concerns about the impact of job evaluation and staff turnover has risen as a result however the Council is taking steps to resolve this issue. The scale of the second phase of the ICT spatial project has now been agreed and the Council has taken a more flexible, affordable and resilient approach to the scope.

Inspections

Comprehensive Performance Assessment

- 35 The Council was assessed under the Comprehensive Performance Assessment framework this year. Since the last CPA, the Council has made significant progress in addressing the weakness previously identified. Much of the work has focused on

putting the processes and 'building blocks' in place that were absent in early 2007 and these are now starting to make an impact. Clear political and managerial leadership and a stronger corporate management team have led to a greater focus on improvement and priorities and these changes are recognised and valued by the community and partners.

- 36 The Council, together with its partners, now has clear ambitions for the community which are informed by community needs and aspirations. A framework of plans is in place linking local and county wide ambitions and these are underpinned by business plans, team plans and individual personal appraisals to ensure a greater focus on delivery. The key priorities underpinning the vision have been refined and now better reflect customer, stakeholder and staff ambitions. Consultation and engagement has included work with a wide range of stakeholders including minority and vulnerable individuals and groups.
- 37 Political and managerial leadership is strong and gaining respect from the community and partners. This is leading to more effective partnership working. The internal working of the Council has improved with codes of conduct to clarify roles and responsibilities and there is a greater level of trust between councillors and officers. An adequate level of financial management is now in place. However some improvements are new and it is too early to see the impact - for example in procurement and ICT.
- 38 Improved management of performance and service delivery is securing improvement in services. Regular integrated reporting of performance and financial information is now in place. Improvement in performance is notable but this has, in many instances, been from a very low base and overall performance remains well below that of other councils. Scrutiny is ineffective.
- 39 Plans to regenerate the town centre are at an early stage. The Council's strategic housing service has improved and a variety of initiatives are helping to deliver housing to meet local needs. Customer service has been improved. Improved working with partners and local people is enhancing the sense of community. Crime levels are reducing. The needs of young people are being addressed though it is less clear what outcomes are being achieved for an increasing number of older people.
- 40 There were three specific areas identified for improvement:
- The Council should strengthen its customer focus so that its actions meet the needs of its community:
 - A culture of customer focus should be fully established at all levels within the Council.
 - Strategies, contracts, project specifications and business plans and accompanying action plans need to have clearly identified outcomes that the public would recognise, to deliver the outcomes intended.
 - To ensure the Council maintains its improvement journey and to make the best use of resources and ensure a focus on priorities, the Council should:
 - develop further its workforce planning by undertaking a comprehensive skills audit to identify and address any gaps;

- undertake routine evaluation of all projects, initiatives and partnerships to ensure that the Council's resources make the most impact and deliver the best value for money; and
- strengthen the scrutiny function to ensure robust and constructive challenge of performance, plans and decisions, including their direct and indirect consequences, so that priorities are delivered fully and not unintentionally undermined.
- Improve external communication by:
 - regularly checking that the community understands the Council's messages and information. This will help the public know what services are offered by the Council and allow the Council to highlight what it has achieved.
 - providing, clear and regular information updates on progress, especially for longer term projects such as the town centre.

Strategic Housing Inspection

- 41 This inspection looked at the Council's strategic housing service. The team concluded that it is a fair, one-star service which has promising prospects for improvement. This represents a significant improvement from 2006, when the service was assessed as being a poor, zero-star service with uncertain prospects for improvement.
- 42 The Customer Service Centre provides an effective, one-stop shop service and supports a streamlined housing advice service for customers. Services are accessible to people with physical disabilities, and customers can access advice outside normal office hours. The Council has improved both accessibility to supported accommodation and the quality of service provision for victims of domestic violence. The strategic approach to housing has increased the supply of affordable housing and is working to overcome constraints on supply. The Council is using an effective range of tools to prevent homelessness, and has decommissioned poor quality hostels.
- 43 Since the last inspection, the Council has delivered a range of improvements in service delivery and performance. Delivery of priorities is supported by integrated financial and performance management, although some gaps remain in what is being monitored. The Council has invested in priority areas to improve performance, and is effectively securing external funding to help it deliver its plans, although it has not yet assessed the impact of its own and external investment.
- 44 There were five specific areas identified for improvement:
- Improve the focus on the customer to ensure that customers are able to access the generic and specialist housing advice services in a timely way and that any changes in demand or resourcing required are more readily identified. To use customer feedback about the service through complaints and satisfaction information to improve services and make sure that customers know what level of service they should receive and can see how the service is performing against agreed standards.
 - Improve the focus on diversity to ensure that services are accessible to all parts of the community and are delivered fairly to all customers.

- Maximise the impact of activities in the private sector so that customers benefit from improved standards in the private sector and the private sector improves its contribution to meeting housing need.
- Maximise the delivery of affordable housing so that effective guidance, skills, tools and practices are in place to support delivery of new affordable housing; and
- Improve value for money to ensure that resources are maximised and better information is produced on which to base decisions and planned improvements.

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The audit of the accounts and value for money

- 45 Your appointed auditor reported in the Annual Governance Report separately to the Audit Committee on the issues arising from the 2007/08 audit and have issued the following:
- an audit report, comprising an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 30th September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited and complies with statutory requirements. KPMG LLP reported on the best value performance plan in December 2007.
- 46 The opinion on your accounts was unqualified and the use of resources conclusion reported that arrangements in place are adequate. At the same time as giving an opinion on the Council's accounts, your auditor issued an audit certificate, which marks the conclusion of their statutory responsibilities for the year. Your auditor also reviewed the Council's Whole of Government Accounts submission and concluded that it was consistent with the statutory accounts. The Annual Governance Report presented to the Audit Committee on the 29th September 2008 provides further detail on the findings and recommendations arising from the audit.
- 47 The value for money conclusion and Use of Resources assessment was informed by a review of data quality at the Council using a methodology developed by the Audit Commission. Overall the Council's arrangements for data quality were considered to be adequate, as described further below.

Use of Resources

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

- 49 Your auditors completed the scored judgement on the Council's use of resources. This assesses the Council against key lines of enquiry (KLOEs) specified by the Audit Commission, on which the Council is scored on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores are reviewed by local and national quality control processes to ensure consistency in scoring with other auditors and authorities.
- 50 In keeping with the Audit Commission's aim of being a driver for continuous improvement the use of resources assessment has been more challenging than previous.
- 51 Your auditor assessed the Council's arrangements as adequate, giving an overall score of 2. This shows that the performance of the previous year's assessment has been sustained. In addition your auditor noted clear improvements in a number of areas of the assessment, including the management of significant business risks, arrangements to maintain a sound system of internal control, the achievement of good value for money and the promotion of external accountability.
- 52 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

Note: 1 – lowest, 4 = highest

Financial Reporting

- 53 The statements presented for audit contained several errors which were amended for by the Council. The working papers presented with the financial statements were in general good and requests for additional information were responded to promptly. The papers prepared in respect of the capital entries were identified as an area for improvement. Another improvement area would be the publication of an explanation of key financial information and technical terms to aid understanding by members of the public.
- 54 The Council considers a range of stakeholder views in the publication of its annual report using a Financial Group following a "Snap" survey.

Financial Management

- 55 The Council has in place a Medium Term Financial Strategy based on appropriate assumptions. Budgetary control was satisfactory as were arrangements for the management of physical assets. Business planning is linked to your financial planning and management but improvement areas would be including sensitivity analysis and improving linkages with other internal strategies and plans for example Human Resources and IT as well as developing operational activity indicators.
- 56 The arrangements for the monitoring of financial information against budget are adequate but there are limited flexible reporting facilities requiring the use of spreadsheets outside of the main accounting system. The use of improved financial variance management systems would reduce departmental overheads. Another improvement area is in the maintenance of records of all of its land and buildings to support decision making on investment and disinvestment in property.

Financial Standing

- 57 The Council set a balanced budget and manages its spending within available resources. There is a policy on the level and nature of reserves and balances approved by members, with the levels monitored and maintained in accordance with this policy. An improvement area is that as the Council's circumstances change this policy should be updated to take into account current needs and risks.
- 58 Targets are set and performance monitored for all material categories of income collection and recovery of arrears, based on age profile of debt. An area for improvement is the continuation of 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

- 59 There are good systems of internal control within the Council. The Council has in place a risk management process which continues to be embedded in business processes.

Value for Money

- 60 The Council has demonstrated that it is committed to improving value for money. Processes are being improved to deliver value for money and these are becoming embedded throughout the Council. 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.
- 61 Information on costs is improving and being used to redesign service provision. The Council has in place an ambitious spatial project which aims to use IT to deliver value for money for the Council and improve access to services. There have been improvements in procurement processes which take into account whole life costs and sustainable outcomes.

The key issues arising from the audit

- 62 The opinion on your accounts was unqualified and the use of resources conclusion reported that arrangements in place are adequate. At the same time as giving an opinion on the Council's accounts, your auditor issued an audit certificate, which marks the conclusion of their statutory responsibilities for the year. Your auditor also reviewed the Council's Whole of Government Accounts submission and concluded that it was consistent with the statutory accounts. The Annual Governance Report presented to the Audit Board on the 29th September 2008 provides further detail on the findings and recommendations arising from the audit.
- 63 As part of the value for money conclusion work and work undertaken on the Use of Resources assessment the Council's Data Quality arrangements were reviewed. Overall it was found that these arrangements now meet minimum requirements and are improved from the previous year although it was found that 2 of the 3 performance indicators tested were found to be unfairly stated. The review of these arrangements is shown in Appendix 1.

DRAFT

Looking ahead

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

Closing remarks

- 67 This letter has been discussed and agreed with officers from the Council. A copy of the letter will be presented at the Audit Board on 16th March 2009. Copies need to be provided to all Council members.
- 68 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	October 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of Resources report - Draft	December 2008
Corporate Performance Assessment Report	March 2009
Annual audit and inspection letter	March 2009

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

Availability of this letter

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

Mary-Ann Bruce

Comprehensive Area Assessment Lead

March 2009

Appendix 1 - Data Quality

71 Our work on data quality is complemented by the Audit Commission's paper, 'Improving information to support decision making: standards for better quality data'. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality. The expected impact of the Audit Commission's work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

Scope of our work

72 We have followed the Audit Commission's three-stage approach to the review of data quality as set out in Table 3.

Table 3 Data quality approach

Stage 1	<p>Management arrangements</p> <p>A review using key lines of enquiry (KLOE) to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money (the VFM conclusion).</p>
Stage 2	<p>Analytical review</p> <p>An analytical review of 2007/08 BVPI and non-BVPI data and selection of a sample for testing based on risk assessment.</p>
Stage 3	<p>Data quality spot checks</p> <p>In-depth review of a sample of 2007/08 PIs all of which came from a list of specified BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice. For 2007/08 PI spot checks, the Audit Commission specified that it is compulsory to review two housing benefits PIs at all single tier and district Councils as a minimum.</p>

Summary conclusions

Stage 1 – Management arrangements

73 The Council's overall management arrangements for ensuring data quality are at minimum requirements.

74 The Council have allocated responsibility for DQ appropriately at senior management and operational levels, with a dedicated officer responsible for ensuring the long term objective of achieving DQ level 4 by 2011 and with each PI having assigned to it a lead officer in respect of data quality. The performance champions group are responsible for ensuring that all PI's prepared or managed by the Department have a PI owner and Deputy and an up to date PI procedure note.

Stage 2 – Analytical review

75 Our analytical review work at Stage 2 identified that the PI values reviewed fell within expected ranges and were substantiated by evidence

Stage 3 – Data quality spot checks

76 A review and spot checks of the following PIs was undertaken

- Processing new claims HB/CTB BV 78a
- Processing change of circumstances HB/CTB BV78b
- Cleanliness of public spaces BV199.

77 This found that both BV78a and BV78b were unfairly stated. This was because the Council had used either an incorrect start date for the calculation of the indicator or we were unable to obtain evidence to identify the date the claim was received at the designated office.

78 For the cleanliness of public spaces BV199 the review was able to conclude that it was fairly stated.

79 Our follow up work from last year found that overall there had been improvements such that the Council meets the minimum requirements.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

16TH MARCH 2009

EXTERNAL AUDIT OPINION PLAN 2008/09

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

1. SUMMARY

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

2. RECOMMENDATION

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

3. BACKGROUND

- 3.1 Attached at Appendix A is the 2008/09 Audit Opinion Plan . The Plan sets out work that the Audit Commission propose to undertake in 2008/09 in relation to specific risks.
- 3.2 The Audit Commission Audit Plan was presented to this Board in June 2008. In addition to the plan the Commission are required to identify specific risks associated with the delivery of the Audit Opinion.
- 3.3 These risks cannot be identified until during the financial year. The opinion plan specifies the risks that have been identified.
- 3.4 These risks are as follows:
- Transfer of the payroll system
 - Valuations of fixed assets in light of the current climate
 - Introduction of the electronic ordering and invoicing system
 - Methodology for identifying prepayments
 - Policy for related parties arrangements
- 3.5 The work by the Audit Commission will enable a robus opinion to be made across all the internal control and accounting arrangements that the Council has in place.

4. FINANCIAL IMPLICATIONS

4.1 The additional Audit fees of £5,240 quoted within the plan will be met from 2008/09 revenue budget provisions.

5. LEGAL IMPLICATIONS

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

6. COUNCIL OBJECTIVES

6.1 Council Objective 02: Improvement.

7. RISK MANAGEMENT

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

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

7.2 These risks are being managed as follows:

- Ineffective financial management:

Risk Register: Corporate

Key Objective Ref No: 1

Key Objective: Effective financial management

- Inaccurate Council data:

Risk Register: Corporate

Key Objective Ref No: 15

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

- Ineffective Business and Performance Management:

Risk Register: Corporate

Key Objective Ref No: 19

Key Objective: Effective Business and Performance Management

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

8. CUSTOMER IMPLICATIONS

8.1 No customer implications.

9. EQUALITIES AND DIVERSITY IMPLICATIONS

9.1 No equalities and diversity issues.

10. VALUE FOR MONEY IMPLICATIONS

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

11. OTHER IMPLICATIONS

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

12. OTHERS CONSULTED ON THE REPORT

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

13. WARDS AFFECTED

13.1 All Wards are affected.

14. APPENDICES

14.1 Appendix – Audit Opinion Plan

15. BACKGROUND PAPERS

15.1 None.

CONTACT OFFICER

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Tel: (01527) 881207

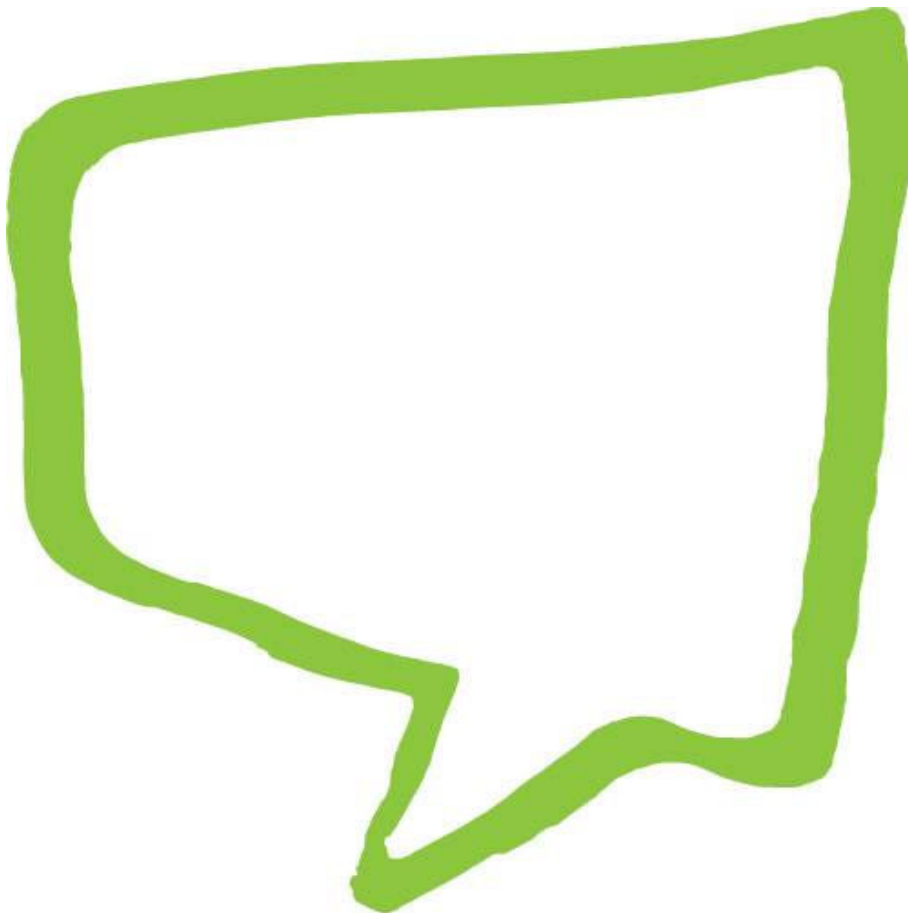
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Audit Opinion Plan

Bromsgrove District Council

Audit 2008/09

March 2009



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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 We issued our initial audit plan for 2008/09 to the Audit Board on the 9 June 2008, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence.
- 2 We are required to:
 - identify the risk of material misstatements in your accounts;
 - plan audit procedures to address these risks; and
 - ensure that the audit complies with all relevant auditing standards.
- 3 We have therefore set out below our approach to identifying opinion audit risks and have considered the additional risks that are appropriate to the current opinion audit.
- 4 In addition, this opinion plan will set out:
 - the management assertions;
 - the areas where we require assurance;
 - how we will liaise with Internal Audit and seek to place reliance on their work; and
 - a timetable for the different stages of our work.
- 5 We give an independent opinion on the financial statements and also reach a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources - the value for money conclusion. Our review of your use of resources arrangements now leads directly to the value for money conclusion.

Identifying opinion audit risks

Organisation level risks

- 6 As part of our audit risk identification process we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
- establishing the nature of the Council's activities;
 - identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council; and
 - assessing internal control - including reviewing the control environment, the IT control environment and internal audit.

Information system risks

- 7 To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Council's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding.
- 8 Material systems are those which produce material figures in the annual financial statements. We have identified that the Council has the following material systems.
- General ledger
 - Payroll
 - Benefits
 - Council Tax
 - NNDR
 - Income and debtors
 - Expenses and creditors
 - Treasury management
 - Fixed Assets
 - Cash Receipting
- 9 For these systems we need to demonstrate our understanding by documenting the following.
- How transactions are initiated, recorded, processed and reported in the financial statements.
 - The accounting records relevant to the transactions.

Identifying opinion audit risks

- How the Council identifies and captures events and conditions which are material to the financial statements eg depreciation.
- The financial reporting process used to prepare the financial statements.

Assertions

- 10** When considering the risk of material misstatement we consider what the Head of Financial Services is stating when she signs the financial statements. An audited body's management is responsible for the preparation and presentation of financial statements which give a true and fair view of the nature and activity of the Council for the period. In doing so, management are making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.
- 11** These representations from management are referred to as assertions about financial statements in ISA (UK&I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The ISA splits out the assertions and considers their applicability in respect of:
- Income and Expenditure account items;
 - Balance Sheet items; and
 - disclosures and presentational elements of the financial statements.
- 12** Table 1 details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Table 1 Management Assertions

The assertions are set out in ISA (UK & I) 500 and are considered by the area of financial statements

QUESTION - MEANS	INCOME & EXPENDITURE	BALANCE SHEET	DISCLOSURE
Is it recorded at the right amount and are the details right?	Accuracy		Accuracy
Is it in the right place in the accounts?	Classification		Classification
Is it all there?	Completeness	Completeness	Completeness
Is it in the right year?	Cut-off		
Is it real, does it exist?		Existence	
Has it happened?	Occurrence		Occurrence

QUESTION - MEANS	INCOME & EXPENDITURE	BALANCE SHEET	DISCLOSURE
Does it belong to the body? Are they entitled to use it?		Rights & obligations	Rights & obligations
Is it worth it?		Valuation & allocation	Valuation & allocation

Identification of specific risks

13 We have considered the additional risks that are appropriate to the current opinion audit and these are:

- transfer of the payroll system during the year;
- consideration of impairments on fixed assets in light of the current economic climate; and
- the introduction of an electronic ordering and invoicing system during the year.

These are set out in Table 2.

14 We are also aware from our 2007/08 opinion audit of the following items.

- The council does not have a clear methodology for identifying and reporting on its relationships with Related Parties. We recommended that the Council adopt a clear policy for the identification and reporting of these.
- We recommended that up to date valuations should be obtained for all properties scheduled for disposal.
- An error was identified in the financial statements regarding a number of properties which being valued at under the £10,000 de-minimus level and were not included on the Asset register. A revised valuation was obtained for these assets and they were reflected in the council's accounts.
- The methodology for identifying prepayments needs refinement.

Table 2 Additional risks

Additional identified opinion risks

Risk Area	Assertions	Audit response
Transfer of payroll system	All	Review of Internal Audit work undertaken on the old payroll system and data transfer. Undertake audit procedures on the new payroll system.
Impairment and valuation of Fixed Assets	Valuation & allocation	Review the proposed treatment of valuation of fixed assets
Related Parties disclosure	All	Review proposed disclosures
Prepayments	All	Review proposed treatment

Testing strategy

- 15 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.
- 16 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 17 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early.
 - Review of accounting policies.
 - Bank reconciliation.
 - Fixed Assets – confirmation of ownership and existence.
 - Year end feeder system reconciliations.
 - Contingent liabilities.
 - Annual Governance Statement
 - Review of Impairments.
- 18 Where other early testing is identified as being possible this will be discussed with officers.
- 19 Where we elect to test compliance with key controls (which for our purposes are those controls that may prevent or detect material misstatement against the specific management assertions) and our controls testing is successful then, under certain circumstances, we can place reliance on these controls for three years. However, if there are circumstances such as changes to the financial system or to key staff we have to test controls again within the three year cycle.
- 20 This cyclical testing approach has been discussed with your officers and a protocol of joint working with Internal Audit has been prepared.

Internal Audit

- 21 Every three years, we undertake a full review of internal audit's compliance with the requirements of the CIPFA Code of Practice for Internal Audit. This review took place as part of the 2007/08 audit. The review covers the following areas set out in the standards.
- Scope of internal audit
 - Independence
 - Ethics for internal auditors
 - Audit committees
 - Relationships
 - Staffing, training and continuing professional development
 - Audit strategy and planning
 - Undertaking audit work
 - Due professional care
 - Reporting
 - Performance, quality and effectiveness.
- 22 The results of this review influence our conclusion of whether internal audit is effective as a management control (as part of the control environment assessment) and the level of reliance that we choose to place on internal audit.
- 23 Liaison with the internal audit team will continue throughout the audit.
- 24 As part of our work to understand the audited body we complete a risk assessment of the IT environment in order to assess whether we can place reliance on the information produced by the material information systems.

Financial Statements audit

- 25 The closedown and audit of the financial statements in 2007/08 went well; the Council produced accounts and working papers in general to a good standard and requests for additional information were responded to promptly.
- 26 We have been working with internal audit and finance staff to improve the audit process.

Assessment of materiality

- 27 Audit testing should be undertaken with the objective that material misstatements in the accounts are identified. Materiality should be considered in relation to the Council's financial statements as a whole, as well as to the individual items. Generally a matter will be material if knowledge of it would be likely to influence the user of the financial statements or distort the understanding of the financial statements.
- 28 The overall planning materiality for this year's audit has been calculated in line with the Audit Commission guidance at £698k and will be revised on receipt of the 2008/09 financial statements. This gives a testing threshold of £140k and a Trivial items threshold at 1 per cent of materiality of £7k. For errors or issues found above the trivial items threshold we are required to investigate them and report them to the Council.

Key milestones and deadlines

- 29 The Council is required to prepare the financial statements by 30 June 2009. We are required to complete our audit and issue our opinion by 30 September 2009. The key stages in the process of producing and auditing the financial statements are shown in Table 3.
- 30 We will agree with you a schedule of working papers required to support the entries in the financial statements. An initial draft working paper requirement schedule was forwarded to the Head of Financial Services in January 2009.
- 31 We will meet with the key contact and review the status of all queries on a weekly basis. If necessary, we will meet at a different frequency depending upon the need and the number of issues arising.
- 32 A proposed timetable is shown in Table 3 and a schedule of milestones and deadlines is attached at Appendix 1.

Table 3 Proposed timetable

Task	Deadline
Control and early substantive testing	31st May 2009
Receipt of accounts	30th June 2009
Forwarding of audit working papers to the auditor	30th June 2009
Start of detailed testing	July 2009
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	September 2009
Issue of opinion	September 2009

Use of Resources and the Value for Money Conclusion

- 33 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).
- 34 Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 35 The assessment is structured into three themes.
- Managing finances: sound and strategic financial management.
 - Governing the business: strategic commissioning and good governance.
 - Managing resources: effective management of natural resources, assets and people.
- 36 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant.
- 37 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 and for 2008/09 they are shown in the table below.

Table 4 Use of Resources Criteria for 2008/09

Key Lines of Enquiry (KLOE)	Fire Authorities	Single tier and County councils	Districts
Managing finances			
1.1 Planning for financial health	√	√	√
1.2 Understanding costs and achieving efficiencies	√	√	√
1.3 Financial reporting	√	√	√
Governing the business			
2.1 Commissioning and procurement	√	√	√
2.2 Use of information	√	√	√

Use of Resources and the Value for Money Conclusion

Key Lines of Enquiry (KLOE)	Fire Authorities	Single tier and County councils	Districts
2.3 Good governance	√	√	√
2.4 Risk management and internal control	√	√	√
Managing resources			
3.1 Natural resources	X	√	X
3.2 Strategic asset management	X	√	X
3.3 Workforce	√	X	√

Reporting

- 38 We report the findings of our significant pieces of work to the Audit Board. This includes:
- Audit plan;
 - ISA 260 - Annual Governance Report;
 - Use of Resources Report; and
 - Annual Audit Letter.
- 39 Where necessary we meet with the Chief Executive and the Head of Financial Services prior to each Audit Board to highlight and discuss any emerging issues.

Audit fees

- 40 In my original audit plan, the total fee for the audit work was based on my best estimate at the time and agreed at £107,600, of which £61,800 relates to the financial statements opinion audit.
- 41 Since the preparation of this estimate other matters have come to my attention for which an adjustment is required to the fee. These matters are:
- the transfer of the payroll system;
 - the introduction of an electronic ordering and invoicing system; and
 - we will need to repeat our triennial review of Internal Audit in order to ensure that we can place reliance on their work. This is as a result of the change in personnel and peer review procedures from those in place for the 2007/08 audit.
- 42 To ensure compliance with International Auditing Standards, systems which are material to the production of the financial systems have to be documented and tested to ensure reliance can be placed on them. In the first year of audit these systems are documented and tested and then a cyclical approach is taken for future years with any new systems being subjected to the initial assessment requirements. We have identified Payroll and Expenses & creditors as material financial systems and additional work is required on these systems to that originally identified and planned for at the time of my original fee estimate.
- 43 To reduce the costs to the Council of external audit we place the maximum reliance on the work undertaken by Internal Audit. In order to do this we assess the adequacy of the Internal Audit arrangements including its compliance with appropriate professional standards to ensure that that this reliance can be placed on their work. This assessment is undertaken usually once every three years. A triennial review was undertaken last year as it was the first year of my audit, however it will need to be repeated this year to cover the changes in internal audit personnel and procedures.
- 44 Having considered the above risks an additional fee of £5,240 is required giving a revised estimate for the fee relating to the financial statements opinion of £67,040.
- 45 The delivery of the audit within this fee assumes:
- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for the previous audit year;
 - you will inform us of significant developments impacting on our audit;
 - Internal audit meets the appropriate professional standards;
 - delivery of the financial statements, working papers and annual governance statement to us by end June 2009;
 - provision of working papers to the standard set out in our Working Paper requirements document;
 - Internal audit undertakes appropriate work on systems in accordance with the agreed timetable sufficient that we can place reliance for the purposes of our audit;

Audit fees

- no new significant risks requiring specific audit attention emerging during the course of the opinion audit;
 - requested information will be provided within agreed timescales; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 46 The fee for the audit of the financial statements will be re-visited once our work on your financial statements is complete and any changes to the fee will be notified to you as soon as they become apparent.

Appendix 1 – Key milestones and deadlines

Core Audit Task	Audit work carried out	Deadline
Progress meeting between external audit and Chief Executive/Head of Financial Services		pre Audit Board dates: 16th March 2009 29th June 2009
Internal Opinion Plan presented to Audit Board	December 2008/January 2009	16th March 2009
Opinion Systems work Walkthrough material subsidiary financial systems Review Internal Audits system testing	March/May 2009	31st May 2009
Updating opinion testing strategy – interim DA review	March/May 2009	31st May 2009
Use of Resources/VFM conclusion Receipt of evidence Interviews to be carried out	February April 2009	In line with national guidance and June 2009 for VFM conclusion
Pre statement substantive testing Fixed Assets Estimates	March/April 2009	31st May 2009
Meeting with Head of Financial Services	As required	
Accounts and working papers available to external audit together with Annual governance statement		30 June 2009
Post statement opinion planning – DA review	July 2009	
Post statement on site work (progress meeting with key finance staff weekly)	July/September 2009	

Appendix 1 – Key milestones and deadlines

Core Audit Task	Audit work carried out	Deadline
Post statement review of audit work DA internal opinion summary report Draft governance report	July 2009 – September 2009	
Core Audit Task	Audit work carried out	Deadline
Final DA opinion review	mid September 2009	
Meeting between external audit and finance staff	mid September 2009	
Annual governance report presented to Audit Committee	September 2009	30th September 2009
Opinion with VFM conclusion and certificate	September 2009	30th September 2009

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, auditing the £200 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.

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

16TH MARCH 2009

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 the Corporate and business area risk registers for the period 1st April to 31st December 2008.

2. Recommendation

- 2.1 The Audit Board is recommended to note progress to date against the Corporate and all business area risk register actions for Quarter 3 2008/09 (April – December 08).

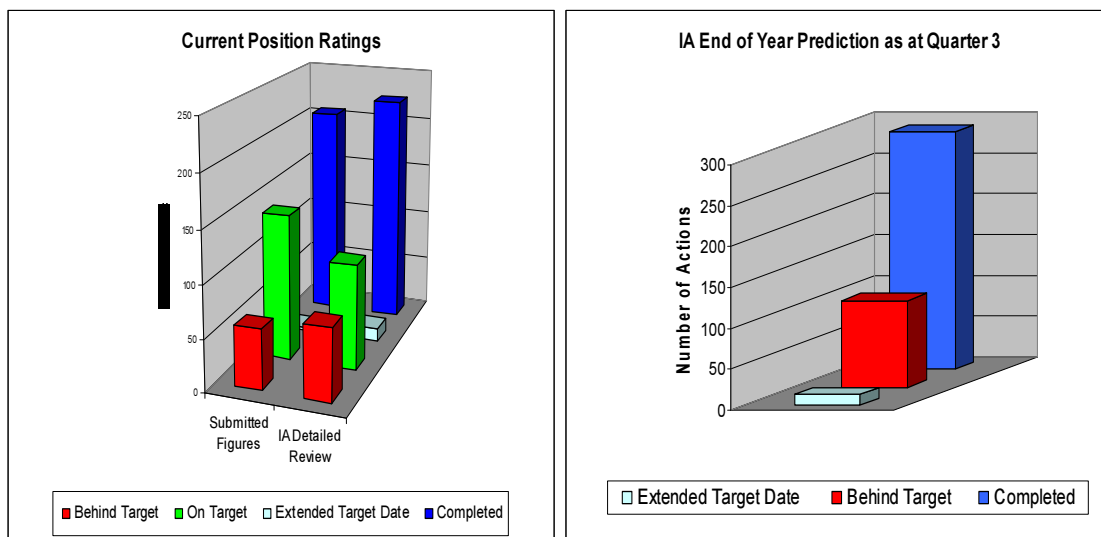
3. Background

- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7th March 2007.
- 3.2 As part of the new approach, each business area is required to collate a risk register that details:
- Key Objectives;
 - Risk Score;
 - Current controls;
 - Actions and improvements;
 - Responsible officers and target dates for each action and improvement; and
 - Progress against each action and improvement.
- 3.3 Business areas update their risk registers on a regular basis to ensure that actions and improvements are being monitored and implemented. The actions and improvements are designed to reduce risks, improve controls and aid individual sections to achieve their objectives.

- 3.4 The 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.
- 3.5 The departmental registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis.
- 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.
- 3.7 The Use of Resources judgement as received by this Board in December presented an improved scoring in relation to Risk Management arrangements. The improvement from 2 to 3 (out of 4) reflects the position of consistently performing well in this area. This is as a result of the new framework that has been in place since 2007.

4. Service Areas Summary

- 4.1 Each service area has submitted to Internal Audit the quarter 3 position for each Action/Improvement detailed on their risk register.
- 4.2 A detailed review of each Action/Improvement, target date, quarter 3 position rating and commentary. The Internal Audit overall opinion has identified some differences in the current position ratings.



- 4.3 From the above chart of Internal Audit's end of year prediction a total of approximately 106 (out of 409) of Actions/Improvements will be behind target at the end of the financial year.

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 including the delays in relation to the implementation of Job Evaluation rather than fundamental problems with processes across the Council.

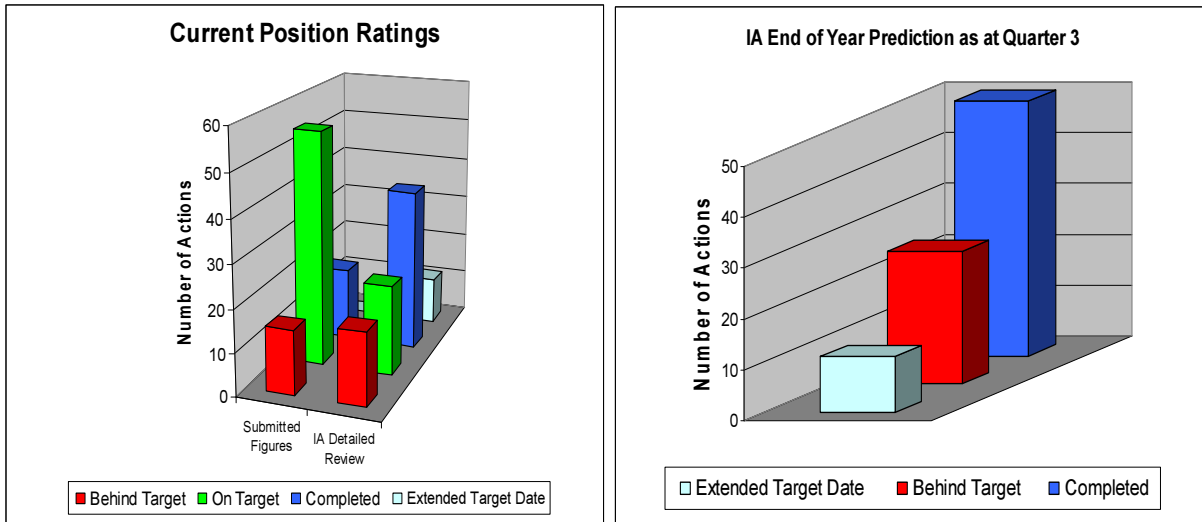
4.5 In order to highlight service area successes, Internal Audit have selected three Actions/Improvements that have been completed during quarter 3.

Relevant Key Obj.	Action/Improvement
ICT and Reprographics	
Provide access to a high quality, cost effective printing service for the Council.	Savings have been realised and £50,000 have been achieved within the budget.
Financial Services	
Efficient and effective Accountancy service.	POP system implemented across the Council. Training delivered to all relevant staff.
Planning and Environment	
Effective, efficient and legally compliant Environmental Health Service.	Successful implementation of the Iclipse document management system for the Environmental Health Service. The document system is now live across the Council for reviewing and consideration of correspondence and reports.

Corporate Summary

4.6 The Executive Team and Heads of Service were requested to submit to Internal Audit the quarter 3 position for each Action/Improvement detailed on the Corporate Risk Register.

4.7 For explanation of Internal Audits detailed review, see 4.2 above.



4.8 From the above chart of Internal Audit’s end of year prediction a total of approximately 26 (out of 87) of Actions/Improvements will be behind target at the end of the financial year.

4.9 The non delivery of actions mainly relate to the corporate issues around Job Evaluation together with the delays in the plans for redevelopment of the Town Centre due to the current economic climate.

4.10 In order to highlight successes, Internal Audit have selected three Actions/Improvements that have been completed during quarter 3.

Relevant Key Obj.	Action/Improvement
Effective Projects Management	<p>All 3 Actions completed. That is,</p> <ul style="list-style-type: none"> - Project management is included in the Corporate Training Directory. - Business Case template updated in the Project Management Framework document ensuring that it is fit for purpose. - Project management documentation is available on the Intranet.

Effective Financial Management and Internal Control in compliance with Use of Resources assessment	Use of Resources (UoR) Action Plan completed and UoR scoring improved for 2008. Plan to be developed for 2009/10.
Effective Customer Focused Authority	Regular Resource Level Agreement (RLA) review meetings take place with CSC and back office and issues are handled through the Customer First Board. The HUB business case has been approved by Cabinet and Council.

Overall Summary

4.11 Internal Audit's review has identified an additional 38 Actions/Improvements (that is, 17 service areas and 21 Corporate) that we perceive as completed based on the commentary provided.

5. Financial Implications

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

6. Legal Implications

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

7. Corporate Objectives

7.1 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

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

10. Equalities and Diversity Implications

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

13. Appendices

None.

14. Background Papers

14.1 Departmental risk registers – available from Heads of Service.

Contact officer

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

16TH MARCH 2009

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 2008 and February 2009.
- 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						
E-mail & Internet Usage Policy	E-Gov. & CS	Qtr 2			✓	Audit completed.
Regulation of Investigatory Powers Act	E-Gov. & CS	Qtr 2			✓	Audit completed.
Customer Services Centre	E-Gov. & CS	Qtr 2			✓	Audit completed
Debtors	Financial Srvs	Qtr 2			✓	Audit completed.
NNDR	Financial Srvs	Qtr 3		✓		Draft report being discussed.
Housing Benefits	Financial Srvs	Qtr 3		✓		Testing Underway.
Asset Management	Legal & Demo.	Qtr 3	✓			Audit yet to start.
Council Tax	Financial Srvs	Qtr 3		✓		Testing Underway
Licensing	Plan & Env	Qtr 3	✓			Not Started
Refuse Collection & Recycling	St. Scene & Comnty	Qtr 3	✓			Not Started
Budgetary Control & Strategy	Financial Srvs	Qtr 4			✓	Audit completed
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 4		✓		Draft report being discussed
Treasury Management	Financial Srvs	Qtr 4		✓		Draft report being discussed
Payroll	Financial Srvs	Qtr 4	✓			Not Started
Creditors	Financial Srvs	Qtr 4	✓			Not Started
Projects						
Corporate Governance	Corporate	Qtr 1 - 4			✓	Ongoing facilitation and support.
Risk Management	Corporate	Qtr 1 - 4		✓		Ongoing facilitation and support.

5. AUDIT WORK COMPLETED

- 5.1 Due to vacancies and changes within the Audit Section, it was necessary to complete a number of audits from the previous financial year 2007/08 in the first quarter of 2008/09. This work was carried out to ensure that adequate controls were in place for 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 was reviewed to ensure compliance with our internal control framework within the time remaining. As fundamental system audits are completed each year, some have been reviewed as 'light touch'. These audits will have been undertaken as a full review during the previous few years and any issues have already been identified and managed or resolved, therefore ensuring that the risks inherent with the system have been removed or reduced to an acceptable level. A 3 year rolling audit plan is being developed to ensure that all of these systems are subjected to a full review every third year.
- 5.3 In addition to reducing the time for some audits there is still a shortfall of approximately 30 – 40 days. This shortfall is to be met by Worcester City Council Audit Services.
- 5.4 To encourage joint working and capacity across the Districts the Treasurers' Group is assessing ways in which audit can be offered across the County. Consideration is being given to joint working with Redditch Borough Council or Worcester City Council in the shorter term, and Countywide in the longer term. The Treasurers' Group will be receiving a presentation from the Welland Partnership, which is a successful collaboration of audit sections to assess the viability of this approach.
- 5.5 The Audit Section have now completed several audits within the 2008/09 audit plan as can be seen from the above table. Completion of the audit plan this year should be in line with the Section Performance Indicators.
- 5.6 Other duties undertaken by the Section include:
- Ongoing communication with the Council's 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.
 - Further "Introduction to Risk Management" training sessions have been held for staff.
 - Support and advice to Service Providers to ensure adequate controls are present within systems.

6. SUMMARY OF INVESTIGATIONS

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

7. 2007/08 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1 Following the previously mentioned staffing issues within the Audit Section, and the subsequent completion of the 2007/08 audit plan in this financial year, the 2008/09 performance figures will be presented to the Audit Board on 8th June 2009.

8. NEW OR UPDATED AUDIT DOCUMENTS

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

9. RECOMMENDATIONS TRACKER

9.1 The use of the recommendation tracker was suspended earlier in the financial year because of the need to complete the 2007/08 audit plan in 2008/09. This will be recommenced in 2009/10 and will include high priority recommendations and those from which savings can be realised for the Council. The following details will be presented to the Audit Board:

- Audit review title;
- Service area;
- Final Report date;
- Recommendation;
- Due date;
- Current position.

10. FINANCIAL IMPLICATIONS

10.1 None outside existing budgets.

11. LEGAL IMPLICATIONS

11.1 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”.

12. COUNCIL OBJECTIVES

12.1 Council Objective 02: Improvement.

13. RISK MANAGEMENT

13.1 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.

13.2.1 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

14. CUSTOMER IMPLICATIONS

14.1 No customer implications.

15. EQUALITIES AND DIVERSITY IMPLICATIONS

15.1 No equalities and diversity issues.

16. VALUE FOR MONEY IMPLICATIONS

16.1 None.

17. 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

18. OTHERS CONSULTED ON THE REPORT

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

19. WARDS AFFECTED

19.1 All Wards are affected.

20. APPENDICES

20.1 None.

21. BACKGROUND PAPERS

21.1 None.

CONTACT OFFICER

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

16TH MARCH 2009

2009/10 INTERNAL AUDIT PLAN

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

1. SUMMARY

1.1 To present for approval the 2009/10 Internal Audit Plan.

2. RECOMMENDATION

2.1 The Audit Board is recommendation to consider and approve the 2009/10 Internal Audit Plan, as detailed in the report.

3. BACKGROUND

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 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 practices in relation to internal control”.

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

4. PLANNING PROCESS

4.1 Consultation into the production of the 2009/10 Internal Audit Plan began in December 2008 and involved discussions with the following:

- Executive Directors.
- Assistant Chief Executive.
- Heads of Service.

4.2 Internal Audit has adopted an Audit Risk Model Policy. The document helps guide the planning process and enables a risk based audit plan to be produced. The planning process can be summarised as follows:

- All potential auditable areas are identified using budget details, Committee minutes and reports and meetings with various Council staff.
- Each area is then allocated a risk score based on the following areas:
 - Value of income and expenditure.
 - Number of employees involved and volume of transactions.
 - Risk impact on the organisation.
 - Impact of Management and staff.
 - Standard of Internal Control.
 - Likelihood of occurrence of risk.
 - Likely effectiveness of audit and length of time since previous audit.
 - Third Party Sensitivity and effectiveness of other assurance providers.
- The auditable areas are then ranked in order of risk, with the highest scoring areas being included in the plan.

4.3 The 2009/10 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:

- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
- Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
- The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
- An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.

4.4 A copy of the 2009/10 Internal Audit Plan is attached in Appendix A.

5. FINANCIAL IMPLICATIONS

5.1 None outside existing budgets.

6. LEGAL IMPLICATIONS

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices".

7. COUNCIL OBJECTIVES

7.1 Council Objective 02: Improvement.

8. RISK MANAGEMENT

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

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

8.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

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

- Ineffective Internal Audit service:

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

- Lack of an effective internal control environment:

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

9. CUSTOMER IMPLICATIONS

9.1 No customer implications.

10. EQUALITIES AND DIVERSITY IMPLICATIONS

10.1 No equalities and diversity issues.

11. VALUE FOR MONEY IMPLICATIONS

11.1 None.

12. OTHER IMPLICATIONS

Procurement Issues: None
Personnel Implications: None
Governance/Performance Management:

Effective governance process.
Community Safety including Section 17 of Crime and Disorder Act 1998: None
Policy: None
Environmental: None

13. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Corporate Director (Services)	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

14. WARDS AFFECTED

14.1 All Wards are affected.

15. APPENDICES

15.1 Appendix A – 2009/10 Internal Audit Plan.

16. BACKGROUND PAPERS

16.1 None.

CONTACT OFFICER

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2009/10 Internal Audit Plan

Audit Reviews

Description	Risk Score	Directorate	Service	Proposed Start Date
Complaints System	98.5	Chief Executive	Corporate Communication, Policy & Performance	Quarter 1
ICT Services (incl Helpdesk)	65.7	Services	E-Government & Customer Services	Quarter 1
Parks & Open Spaces	57.8	Services	Street Scene & Community	Quarter 1
Cesspit Income	41.7	Services	Street Scene & Community	Quarter 1
Trade Waste Income	39.8	Services	Street Scene & Community	Quarter 1
Spadesbourne Suite	23.3	Services	Legal, Equalities & Democratic Services	Quarter 1
Data Protection	97.9	Services	E-Government & Customer Services	Quarter 2
Dolphin Centre	66.1	Services	Street Scene & Community	Quarter 2
Creditors	50.6	Services	Financial Services	Quarter 2
General Ledger & Bank Reconciliations	50.6	Services	Financial Services	Quarter 2
Treasury Management	46.7	Services	Financial Services	Quarter 2
Travel Concessions	42.5	Services	Street Scene & Community	Quarter 2
Gifts & Hospitality	39.7	Services	Financial Services	Quarter 2
Budgetary Control & Strategy	89.3	Services	Financial Services	Quarter 3
Payroll	68.8	Services	HR & OD	Quarter 3
Benefits	66.3	Services	Financial Services	Quarter 3
Asset Management	57.9	Services	Legal, Equalities & Democratic Services	Quarter 3
Member Allowances	35.3	Services	Legal, Equalities & Democratic Services	Quarter 3
Procurement	87.5	Services	Financial Services	Quarter 4
Car Parks	58.5	Services	Street Scene & Community	Quarter 4
NNDR	50.1	Services	Financial Services	Quarter 4
Sports Development	47.9	Services	Street Scene & Community	Quarter 4

Description	Risk Score	Directorate	Service	Proposed Start Date
Debtors	47.2	Services	Financial Services	Quarter 4
Council Tax	45.8	Services	Financial Services	Quarter 4

Projects

Description	Service	Details	Proposed Start Date
Corporate Governance	Corporate Communications, Policy & Performance	Annual governance statement support	Quarter 1
Petty Cash – System Development	Financial Services	New system to improve efficiency	Quarter 2
Risk Management	Financial Services	Risk management support	Quarter 1 - 4
Town Centre Development	Planning & Environment Services	Project support	Quarter 1 - 4

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