



## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT BOARD**

**MONDAY 8TH JUNE 2009, AT 6.00 P.M.**

**CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE**

**MEMBERS:** Councillors D. Hancox, Ms. H. J. Jones, B. Lewis F.CMI,  
S. R. Peters, C. R. Scurrall and E. C. Tibby

### **AGENDA**

1. Election of Chairman for the Ensuing Municipal Year
2. Election of Vice-Chairman for the Ensuing Municipal Year
3. To receive apologies for absence
4. Declarations of Interest
5. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 16th March 2009 (Pages 1 - 4)
6. Internal Audit Performance and Workload - Quarter 4 (Pages 5 - 10)
7. Risk Management Tracker Quarter 4 (Pages 11 - 18)
8. 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

#### **Training for Members of the Audit Board – Statement of Accounts**

As agreed at the Council meeting held on 29th April 2009, the full responsibility for the formal consideration and approval of the Statement of Accounts was delegated to this Board. The Head of Financial Services will conduct a brief training session with Board Members immediately following the closure of the formal Audit Board meeting. **Would Board Members please refer to the attached Statement of Accounts 2007/08 prior to the training.**

The Council House  
Burcot Lane  
BROMSGROVE  
Worcestershire  
B60 1AA

29th May 2009

K. DICKS  
Chief Executive

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT BOARD

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

PRESENT: Councillors S. R. Peters (Chairman), D. Hancox, Mrs. C. M. McDonald, Mrs. C. J. Spencer (during Minute No's 41/08 to 46/08) 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 and Ms. P. Ross

41/08 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor C. R. Scurrall.

42/08 **DECLARATIONS OF INTEREST**

No declarations of interest were received.

43/08 **MINUTES**

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

**RESOLVED** that the minutes be approved as a correct record.

44/08 **ANNUAL AUDIT AND INSPECTION LETTER 2007/2008**

The Chairman welcomed Joan Hill, Audit Manager and Jane Matheson, Performance Specialist with the Audit Commission. Jane Matheson presented the final version of the Annual Audit and Inspection Letter 2007/2008 following the release of the Comprehensive Performance Assessment (CPA) report to the Council from the Audit Commission.

On presenting the report Jane Matheson included an overall summary of the Audit Commission's assessment of the Council, drawing from information contained within the recent CPA, together with the findings from inspections undertaken since the last letter in 2008. The findings of the report included the demonstration of clear improvements in performance, strategic housing service provision, customer service and working with partners.

**RESOLVED** that the Annual Audit Inspection Letter for 2007/2008 be accepted.

45/08    **EXTERNAL AUDIT OPINION PLAN 2008/2009**

A copy of the Audit Commission's Audit Opinion Plan 2008/2009 was considered. Joan Hill, Audit Manager with the Audit Commission presented the report. The Plan set out work that the Audit Commission proposed to undertake in 2008/2009 in relation to the following specific risks which had been identified:

- Transfer of the payroll system
- Valuations of fixed assets in light of the current economic climate
- Introduction of the electronic ordering and invoicing system
- Methodology for identifying prepayments
- Policy for related parties arrangements

The Head of Financial Services responded to questions from Members and provided some background information on the transfer of the payroll system and the need for the Audit Commission to repeat their triennial review of Internal Audit as a result of the change of personnel within the service area.

The work by the Audit Commission would enable a robust opinion to be made across all the internal control and accounting arrangements that the Council had in place.

**RESOLVED** that the Audit Commission's 2008/2009 Opinion Plan as set out in Appendix A to the report be noted and agreed.

46/08    **AUDIT FEES LETTER**

Joan Hill, Audit Manager with the Audit Commission presented the Annual audit fee 2009/2010 letter. The letter confirmed the audit work that the Audit Commission proposed to undertake during the 2009/2010 financial year.

**RESOLVED** that the Annual audit fee 2009/2010 be noted.

47/08    **RISK MANAGEMENT TRACKER - QUARTER 3**

Members considered a report which presented 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. The year end prediction in relation to the number of actions/improvements that would be behind target as set out in the report was noted.

**RESOLVED** that the progress to date against the Corporate and all business area risk registers actions for the period 1st April to 31st December 2008, Quarter 3, be noted.

48/08    **INTERNAL AUDIT PERFORMANCE AND WORKLOAD - QUARTER 3**

Consideration was given to a report that provided a summary of the current performance and workload of the Internal Audit Section. The Head of Financial Services provided a number of updates on the current status to date

and informed Members of the work undertaken by Worcester City Council Audit Services.

**RESOLVED:**

- (a) that the current status and work completed on the 2008/2009 Audit Plan be noted and approved;
- (b) that the work completed by the Internal Audit Section between April 2008 and February 2009 be noted;
- (c) that it be noted that Internal Audit had not been involved in any allegations or investigations during the first three periods of 2008/2009;
- (d) that it be noted that the 2008/2009 performance figures will be presented to the meeting of the Audit Board in June 2009; and
- (e) that it be noted that there are no new or updated amendments to the Section's standard documentation.

49/08 **INTERNAL AUDIT PLAN 2009/2010**

Consideration was given to the Council's Internal Audit Plan for 2009/2010. The Council was required under Regulation 6 of the Accounts and Audit Regulations 2003, as amended, to "maintain an adequate and effective system on internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

Members requested that the Head of Financial Services be tasked to present the following completed Audit Reviews to the Board:-

- Quarter 1 ICT Services (including Helpdesk)
- Quarter 2 Travel Concessions
- Quarter 3 Benefits
- Quarter 4 Car Parks

**RESOLVED** that the Internal Audit Plan for 2009/2010, as set out in the report be noted and approved.

The meeting closed at 7.27 p.m.

Chairman

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## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

8TH JUNE 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 performance and workload of the Internal Audit Section to 31st March 2009.

#### 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 to March 2009.
- Current Performance Indicator statistics..

#### 3. BACKGROUND

3.1 Following the Audit Board meeting on the 25<sup>th</sup> 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.

#### 4. 2008/09 AUDIT PLAN – CURRENT STATUS

4.1 The 2008/09 Audit Plan came into effect on the 1<sup>st</sup> 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	
<b>Audit Reviews</b>						
E-mail & Internet	E-Gov. &	Qtr 2			✓	Audit completed.

Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Usage Policy	CS					
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			✓	Audit completed.
Housing Benefits	Financial Srvs	Qtr 3			✓	Majority completed
Asset Management	Legal & Demo.	Qtr 3		✓		Testing complete – draft report issued in April
Council Tax	Financial Srvs	Qtr 3		✓		Testing complete – draft report issued in May
Licensing	Plan & Env	Qtr 3	✓			Excluded from plan due to resource issues – low priority
Refuse Collection & Recycling	St. Scene & Commtly	Qtr 3	✓			Excluded from plan due to resource issues – included in 09/10 plan
Budgetary Control & Strategy	Financial Srvs	Qtr 4			✓	Audit completed
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 4			✓	Audit Completed
Treasury Management	Financial Srvs	Qtr 4			✓	Audit completed
Payroll	Financial Srvs	Qtr 4		✓		Testing complete – draft reports issued for consideration
Creditors	Financial Srvs	Qtr 4		✓		Testing complete – draft reports issued for consideration
<b>Projects</b>						
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.
- 5.3 Due to the time spent on prior year audits there remained a shortfall of audit days available to be met by the Councils Internal Audit section. This shortfall is to be met by Worcester City Council Audit Services. This support has enabled the delivery of 70% of the Audit Plan by 31<sup>st</sup> March with the full plan delivered by May 2009. This will also support the delivery of the 2009/10 plan as there has been limited cross over between the two years of audit work.
- 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. This has formed part of the Worcestershire Enhanced Two Tier (WETT) Programme. It has been initially agreed that Internal Audit will continue to be developed in a joint approach across the County with the ultimate aim for one of the Councils to host the service and to deliver it on behalf of the rest of the districts. This model works successfully in both Kent and East Northamptonshire.
- .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. From 1<sup>st</sup> April 2009 the responsibility for undertaking internal investigations has transferred to the responsibility of the Corporate Fraud Team to ensure a more focused and specialist approach to this area. The Corporate Fraud team have not been involved in any investigations from 1<sup>st</sup> April. This Board will be advised of any investigations that are undertaken by the team.

## **7. FINANCIAL IMPLICATIONS**

7.1 None outside existing budgets.

## **7. LEGAL IMPLICATIONS**

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

## **8. COUNCIL OBJECTIVES**

8.1 Council Objective 02: Improvement.

## **9. RISK MANAGEMENT**

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

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

9.2 These risks are being managed as follows:

- Non-compliance with statutory requirements:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Ineffective Internal Audit service:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

- Lack of an effective internal control environment:

Risk Register: Financial Services

Key Objective Ref No: 3

Key Objective: Efficient and effective Internal Audit service

## **10. CUSTOMER IMPLICATIONS**

10.1 No customer implications.

**11. EQUALITIES AND DIVERSITY IMPLICATIONS**

11.1 No equalities and diversity issues.

**12. VALUE FOR MONEY IMPLICATIONS**

12.1 None.

**13. OTHER IMPLICATIONS**

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

**14. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Chief Executive	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

**15. WARDS AFFECTED**

15.1 All Wards are affected.

**16. APPENDICES**

16.1 None.

**17. BACKGROUND PAPERS**

17.1 None.

**CONTACT OFFICER**

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

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

8TH JUNE 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 end of year overview of Actions/Improvements as detailed in the Corporate and business area risk registers for the period 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2009.

#### 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 4 2008/09 (April 2008 – March 2009).

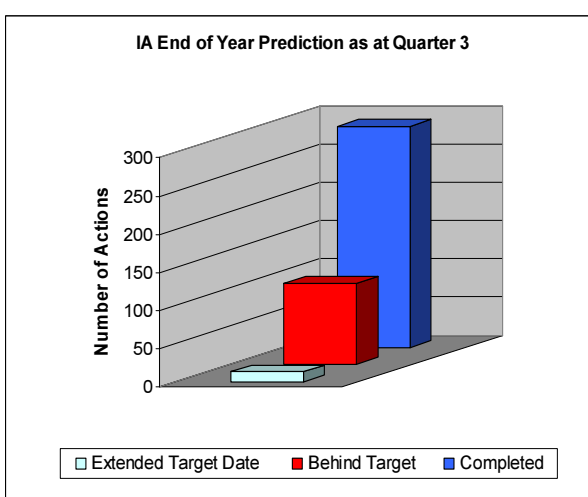
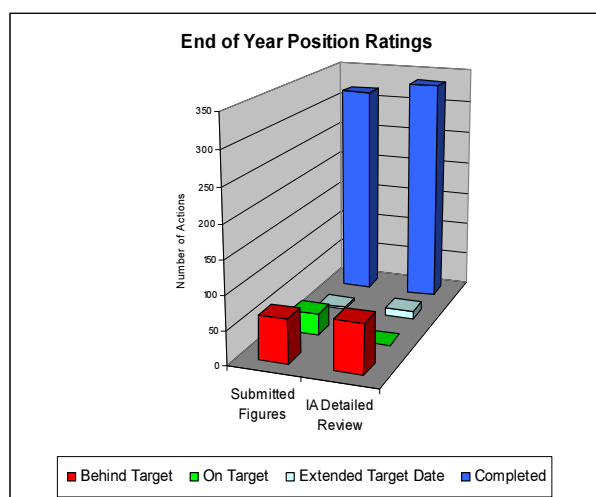
#### 3. Background

- 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 7<sup>th</sup> 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. The Corporate Risk Register 2008/09 is to be reported to this meeting.
- 3.6 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

**4. Service Areas Summary**

- 4.1 Each service area has submitted to Internal Audit the end of year position for each Action/Improvement detailed on their risk register.
- 4.2 A detailed review of each Action/Improvement, target date, quarter 4 position rating and commentary. The Internal Audit overall opinion has identified some differences in the current position ratings.



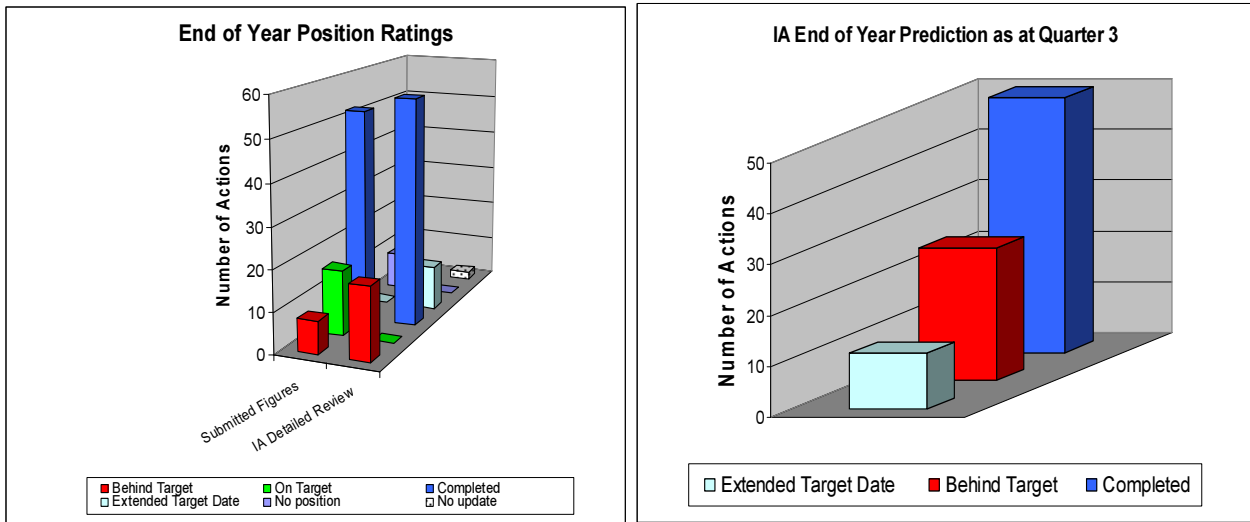
- 4.3 At the end of quarter 3, we predicted approximately 106 (out of 409) of Actions/Improvements would be behind target at the end of the 2008/09 financial year. Our review has verified that a total of 74 (out of 420) of Actions/Improvements were behind target at year end, that is, better than predicted.
- 4.4 The risk associated with the non delivery of the current actions is not deemed as high as the delayed actions are in relation to ongoing projects to ensure improvements are being achieved rather than fundamental problems with processes across the Council.
- 4.5 In order to highlight service area successes, Internal Audit have selected one key objective from each service areas risk register where all the Actions/Improvements have been completed during the year.

<b>Corporate Communications, Policy &amp; Performance</b>
Drive delivery of the Improvement Plan, prepare the Council for its CPA re-inspection and prepare for CAA.
<b>Culture &amp; Community Services</b>
Effective Development of the Bromsgrove Community Sport Network (BECAN).
<b>Customer Service Centre</b>
Ensure access to services at CSC meet Equality and Diversity objectives.
<b>ICT</b>
Provide access to a high quality, cost effective printing service for the Council.
<b>Financial Services</b>
Effective VFM culture and compliant procurement best practices.
<b>Human Resources &amp; Organisational Development</b>
Effective Management of Health & Safety.
<b>Legal, Equalities &amp; Democratic Services</b>
Effective democratic process and electoral service.
<b>Planning &amp; Environment Services</b>
Provide effective and efficient customer focused service.
<b>Street Scene</b>
Effective and efficient street cleansing service.

**Corporate Summary**

4.6 The Executive Team and Heads of Service were requested to submit to Internal Audit the quarter 4 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 At the end of Quarter 3, we predicted approximately 26 (out of 87) of Actions/Improvements would be behind target at the end of the 2008/09 financial year. Our review has verified that a total of 18 (out of 87) of Actions/Improvements were behind target at year end, that is, better than predicted.

4.9 The risk associated with the non delivery of the current actions is low due to the missed targets being those relating to improvements in services eg; improvements to commitment accounting and reporting mechanisms across the Council, rather than fundamental actions that would have a detrimental impact on the delivery of our services to the customers.

4.10 In order to highlight successes, Internal Audit have selected the key objectives where all the Actions/Improvements have been completed during the year.

Key Obj. detail	Responsibility
Effective Member / Member relations	Head of Legal, Equalities & Democratic Services and Head of HR & OD
Full compliance with all Health and Safety legislation	Head of HR & OD
Successful implementation of Job Evaluation	Head of HR & OD



Effective Projects Management	Assistant CEO
Effective Customer Focused Authority	Assistant CEO and Head of E-Gov & Customer Services
Successful implementation of Joint Chief Executive Initiative	CEO

### **Overall Summary**

- 4.11 Internal Audit's review has identified an additional 21 Actions/Improvements (that is, 17 service areas and 4 Corporate) that we perceive as completed based on the commentary provided.
- 4.12 Comparison of Internal Audit's predicted position rating (based on the number of Actions/Improvements completed in the first half of the year) with the actual end of year rating confirms that for each business area the actual is the same or better than predicted.

<b>Business area</b>	<b>IA Q2 prediction</b>	<b>Actual Q4</b>
Corporate	Fair (Q3)	Good
Corporate Communications, Policy and Performance	Good	Good
Culture & Community	Excellent	Excellent
Customer Services	Good	Good
ICT	Fair	Good
Financial Services	Fair	Good
HR & OD	Fair	Good
Legal, Equalities & Democratic Services	Good	Good
Planning & Environment	Weak	Good
Street Scene	Good	Excellent

### **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	No
Executive Director (Services)	No
Assistant Chief Executive	No
Head of Service	No

Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of HR & Organisational Development	No
Corporate Procurement Team	No

**13. Appendices**

None.

**14. Background Papers**

14.1 Corporate Risk Register – available from the Head of Financial Services

14.2 Departmental risk registers – available from Heads of Service.

**Contact officer**

Jayne Pickering – Head of Financial Services

E Mail: [j.pickering@bromsgrove.gov.uk](mailto:j.pickering@bromsgrove.gov.uk)

Tel: (01527) 881207

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