



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY 15TH MARCH 2010, AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors S. R. Peters (Chairman), B. Lewis F.CMI (Vice-Chairman), D. Hancox, Ms. H. J. Jones, D. McGrath, C. R. Scurrall 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 14th December 2009 (Pages 1 - 4)
4. External Audit Opinion Plan 2009/2010 (Pages 5 - 26)
5. Annual Audit and Inspection Letter 2008/2009 (Pages 27 - 66)
6. Risk Management Tracker Quarter 3 (Pages 67 - 72)
7. Internal Audit Performance and Workload (Pages 73 - 80)
8. Internal Audit Annual Plan 2010/2011 (Pages 81 - 90)
9. International Financial Reporting Standards (IFRS) (Pages 91 - 96)
10. International Financial Reporting Standards (IFRS) - Training update verbal discussion

11. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting
12. To consider, and if appropriate, to pass the following resolution to exclude the public from the meeting during the consideration of items of business containing exempt information:-

"RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraphs of that part being as set out below, and that it is in the public interest to do so:-

<u>Item No.</u>	<u>Paragraphs</u>	
13	3 & 7	“

13. Recommendation Tracker (Pages 97 - 118)

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

5th March 2010

Agenda Item 3

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 14TH DECEMBER 2009 AT 6.00 P.M.

PRESENT: Councillors S. R. Peters (Chairman), B. Lewis F.CMI (Vice-Chairman),
D. Hancox, Ms. H. J. Jones, C. R. Scurrall and E. C. Tibby

Also in attendance: Ms. J. Hill, Audit Commission, Ms. J. Matheson, Audit
Commission, (during Minute Nos. 26/09 to 32/09)

Observers: Councillor G. N. Denaro (Portfolio Holder for Resources)

Officers: Ms. J. Pickering, Ms. M. Wall (observing) and Ms. P. Ross

26/09 APOLOGIES

No apologies for absence were received.

27/09 DECLARATIONS OF INTEREST

No declarations of interests were received.

28/09 MINUTES

The minutes of the meeting of the Audit Board held on 28th September 2009
were submitted.

RESOLVED that the minutes be approved as a correct record.

29/09 USE OF RESOURCES JUDGEMENT 2008-2009

(The Chairman agreed to the consideration of this item as a matter of urgency,
due to the requirement to await the embargo on the Use of Resources
Judgement 2008-2009 and to ensure that the Audit Board was aware of the
issues raised by the Audit Commission)

The Chairman welcomed Ms. J. Hill and Ms. J. Matheson, Audit Commission
to the meeting. Ms. J. Hill presented the report and thanked Members for their
co-operation.

Ms. Hill explained that this was the first year of the new Use of Resources Key
Lines of Enquiry (KLOE) and that these KLOE's were more broadly based
than previously and embraced wider resources issues such as people and
workforce planning and the use of natural resources, focussing on value for
money achievements, outputs and outcomes rather than on processes and
were therefore more strategic and less criteria driven.

Ms. Hill informed Members that overall for 2008/2009 the Council had been assessed as Level 2 (out of 4) in its arrangements for Managing Finance, Governing the Business and Managing Resources. The assessment had found examples of working at Level 3 on several focus points, however, these were not across a KLOE. Members were requested to note that the overall score of 2 was the same as the previous year. However, this was a good achievement as it was against a harder assessment and was therefore considered to be an improvement on previous assessments and demonstrated that the Council was becoming more focused on delivery of outcomes rather than processes.

The Head of Financial Services informed Members that the Audit Commission, Annual Audit Letter would be presented to the Audit Board meeting in March 2010.

RESOLVED that the draft Use of Resources 2008/09 report and the officer responses in relation to the Audit Commission recommendations be noted.

30/09 **RISK MANAGEMENT TRACKER**

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 2009 to 30th September 2009. The Head of Financial Services responded to questions from Members on the high proportion of actions due to be completed in Quarter 4. Members were informed that the Corporate Management Team (CMT) would continue to monitor these. The Head of Financial Services was asked to raise the concerns of the Audit Board at the Corporate Management Team meeting in December 2009.

RESOLVED that the progress to date against the Corporate and all business area risk register actions for the period 1st April 2009 to 30th September 2009, Quarter 2, be noted.

31/09 **INTERNAL AUDIT PERFORMANCE AND WORKLOAD**

Consideration was given to a report that provided a summary of the current performance and workload of the Internal Audit Section during the first half year, April to September 2009. The Head of Financial Services informed Members that the information presented was historical and that a number of audit reviews shown as 'not started' had been started.

RESOLVED:

- (a) that the Head of Financial Services be tasked to present the following completed Audit Review to the Audit Board meeting in March 2010:
 - Travel Concessions
- (b) that the current status and work completed on the 2009/2010 Audit Plan be noted and approved;

- (c) that the work completed by the Internal Audit Section between April and September 2009 be noted and approved;
- (d) that the work regarding investigations be noted;
- (e) that the current Internal Audit Performance Indicator statistics be noted; and
- (f) that amendments to the section's standard documentation be noted.

32/09 **LOCAL GOVERNMENT ACT 1972**

RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the business the subject of the following minutes on the grounds that they involve the likely disclosure of 'Exempt Information' as defined in part 1 of schedule 12A to the Act, as amended, the relevant paragraphs of that part being as set out below and that it is in the public interest to do so:-

<u>Minute Nos.</u>	<u>Paragraph</u>
33/09	7
34/09	3 and 7

33/09 **INTERNAL AUDIT CAR PARK REVIEW**

Members considered a report that had been requested during the Audit Board meeting held on 28th September 2009. The Head of Financial Services responded to questions from Members on information contained within the report. There followed further discussion and general questions on car parking issues, car parking permits and the proposed 'pay on foot' system.

RESOLVED that the results of the audit review of Car Parks and the responses of the Head of Street Scene and Community and the Transport and Engineering Officer be noted.

34/09 **AUDIT BOARD RECOMMENDATION TRACKER 2009-2010**

Members considered a report that presented a summary of progress to date against audit report 'priority one' and key 'priority two' findings and agreed actions. The Head of Financial Services responded to questions from Members on information contained within the report.

RESOLVED:

- (a) that the 'priority one' and key 'priority two' findings and agreed actions as set out in Appendices 1 and 2 of the report be noted; and
- (b) that any necessary action and reporting process be agreed.

The meeting closed at 7.25 p.m.

Chairman

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

EXTERNAL AUDIT OPINION PLAN 2009/10

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 2009/10 Opinion Plan. A copy of this document is attached to this report as Appendix 1.

2. RECOMMENDATION

- 2.1 Members are asked to note and agree the 2009/10 Audit Opinion Plan

3. BACKGROUND

- 3.1 Attached at Appendix 1 is the 2009/10 Audit Opinion Plan. The Plan sets out work that the Audit Commission propose to undertake in 2009/10 in relation to specific risks.
- 3.2 The Audit Commission Audit Plan was presented to this Board in June 2009. 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:
- Determination of Accounting treatment of the spatial project
 - Review the treatment of bad debtors
 - Shared Service arrangements
- 3.5 The work by the Audit Commission will enable a robust 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 £4,480 quoted within the plan will be met from 2009/10 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

Jayne Pickering – Head of Financial Services
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Audit Opinion Plan

Bromsgrove District Council
Audit 2009/10

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Contents

Introduction	3
Responsibilities	4
Fee for the audit of financial statements	5
Auditors report on the financial statements	7
Identification of specific risks	8
Testing strategy	9
Key milestones and deadlines	11
The audit team	12
Appendix 1 – Basis for fee	14
Appendix 2 – Independence and objectivity	15
Appendix 3 – Working together	17



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 This plan sets out the audit work that we propose to undertake for the audit of financial statements 2009/10. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

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Responsibilities

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and my audit work is undertaken in the context of these responsibilities.
- 4 I comply with the statutory requirements governing my audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

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Fee for the audit of financial statements

- 5 My letter of 6 March 2009 detailing the indicative fee for the audit of the financial statements for 2009-10 at £65,590 was reported to you at the Audit Board on the 16 March 2009.
- 6 The details of the structure of scale fees are set out in the Audit Commission's work programme and fee scales for 2009/10. Scale fees are based on a number of variables, including the type, size and location of the audited body. Your fee level is 7.1 per cent above the scale fee and is within the normal level of variation specified by the Commission.
- 7 Since the preparation of this estimate other matters have come to my attention which will give rise to additional work and for which an adjustment will be required to the fee. These matters are:
 - Qualification of the 2008/09 financial statements in respect of the capitalisation of expenditure for the spatial project. A retrospective capitalisation direction for this expenditure has been applied for from the central government department and minister and a response is awaited. I will be required to review the details of these items as part of the audit.
 - New financial reporting requirements of the SORP for the reporting of Council Tax debtors and accounting for NNDR.
- 8 The work undertaken on these two matters will be monitored and the additional fee required to cover these areas will be reported to you. I currently estimate a minimum of £4,480. If the capitalisation of the Spatial Project is approved my work will involve reviewing the analysis of expenditure between capital and revenue which the Council is in the process of preparing. Should the capitalisation not be approved considerable work will be required in reviewing the accounting entries.
- 9 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of accounts is consistent with that for 2008/09 in all areas other than those detailed above; and
 - Internal Audit undertakes appropriate work on specified material systems and this is available for my review by 1 February 2010.
- 10 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this in the first instance with the Head of Financial Services and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

- 11 Further information on the basis for the fee is set out in Appendix 1.

Specific actions Bromsgrove District Council could take to reduce its audit fees

- 12 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, I will work with your officers to identify any specific actions that the Council could take and to provide ongoing audit support.

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Auditors report on the financial statements

- 13 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 14 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.
-

Identifying opinion audit risks

- 15 As part of my audit risk identification process, I need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I do this by:
- identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

Identification of specific risks

- 16 My letter of 6 March 2009 was issued prior to the completion of the 2008/09 audit. The letter identified a specific risk regarding the introduction of IFRS accounting in Local Government. I have been able to remove this as a specific risk for this opinion audit as the SORP for 2009-10 introduced an element of IFRS which is not applicable to your Council.
- 17 I have considered the on-going risk arising from the qualification of the 2008-9 financial statements due to the accounting treatment of £4.5 million for the Spatial project. For the audit I consider this as a significant risk for the current opinion audit as set out below.

Table 1 Significant risk
Significant opinion risk identified

Risk area	Audit response
Spatial project - determination of the accounting treatment for the expenditure of £4.5 million accounted for in 2008-9 as an intangible asset	Review the response to the capitalisation direction application and the proposed treatment. Review any additional information received from the supplier on the expenditure and any specialist technical advice obtained by the Council on its classification as capital.

- 18 I consider that there is an additional specific risk appropriate to the current opinion audit as set out below.

Table 2 Specific risk
Specific opinion risk identified

Risk area	Audit response
Disclosure of Council Tax debtors and accounting for NNDR in line with the requirements of the SORP	Review the proposed treatment

Identification of specific risks

- 19 From the work undertaken at the opinion planning stage I am aware of the following other matters which will be monitored during the course of the audit. If these result in additional work then I will report these matters to you. These are:
- Redundancies arising from the creation of a Joint management team with Redditch Borough Council.
 - TUPE transfer of ICT members of staff from Redditch Borough Council.
- 20 As reported to you in the 2008/09 Annual Governance Report and 2008/09 Annual Audit Letter weaknesses were found in the payroll system and the system in place for the processing of journals. Both of these weaknesses will be followed up during the audit. Currently we do not anticipate that the testing in these areas will identify a material error in the financial statements and therefore have not classed these areas as specific risks. If the results of my testing result in further additional work then I will report these matters to you.

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Testing strategy

- 21 On the basis of risks identified above I 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.
- 22 My testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 23 Wherever possible, I will complete some substantive testing earlier in the year before the financial statements are available for audit. I have identified the following areas where substantive testing could be carried out early.
- Review of accounting policies.
 - Intangible assets
 - Fixed Assets - additions and disposals.
 - Bank reconciliation.
 - Year-end feeder system reconciliations.

Where other early testing is identified as being possible, this will be discussed with officers.

- 24 Wherever possible, I seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, I expect to be able to use the results of the following pieces of work:
- Reviews of material financial systems of payroll, benefits, NNDR, Treasury Management and Council Tax.

Key milestones and deadlines

- 25 The Council is required to prepare the financial statements by 30 June 2010. I am required to complete my audit and issue my opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 2.
- 26 I will agree with you a schedule of working papers required to support the entries in the financial statements, building on that used in previous years.
- 27 I will meet with the key contact and review the status of all queries as appropriate depending upon the need and the number of issues arising.

Table 3 **Proposed timetable**

Task	Deadline
Control and early substantive testing	February 2010
Receipt of accounts	30 June 2010
Forwarding audit working papers to the auditor	1 July 2010
Start of detailed testing	1 July 2010
Progress meetings	Weekly or as appropriate
Present report to those charged with governance at the Council	28 September 2010
Issue opinion	30 September 2010

The audit team

28 The key members of the audit team for the 2009/10 audit are shown in the table below.

Table 4 **Audit team**

Name	Contact details	Responsibilities
Elizabeth Cave District Auditor	l-cave@audit-commission.gov.uk 0844 798 7552	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Joan Hill Audit Manager	j-hill@audit-commission.gov.uk 0844 798 7568	Manages and coordinates the different elements of the audit work. Key point of contact for the Head of Financial Services.
Jane Matheson	j-matheson@audit-commission.gov.uk 0844 798 7570	Performance Specialist

Independence and objectivity

- 29 I am not aware of any relationships that may affect the independence and objectivity of the audit staff, which I am required by auditing and ethical standards to communicate to you.
- 30 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

Meetings

- 31 The audit team will maintain knowledge of your issues to inform my risk-based audit through regular liaison with key officers. My proposals are set out in Appendix 3.

Quality of service

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

Planned outputs

- 34 Reports will be discussed and agreed with the appropriate officers before being issued to the Council.

Table 5 Planned outputs

Planned output	Indicative date
Opinion audit plan	February 2010
Annual governance report	September 2010
Auditor's report giving an opinion on the financial statements	September 2010
Final accounts memorandum	November 2010

Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
 - our cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
 - interviews with Council officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09 other than for those areas listed in paragraph 7;
 - you will inform us of significant developments impacting on the audit;
 - Internal Audit meets the appropriate professional standards;
 - Internal Audit undertakes the work on the specified areas and systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
 - good quality working papers and records will be provided to support the financial statements by 30 June 2010;
 - requested information will be provided within agreed timescales;
 - prompt responses will be provided to draft reports; and
 - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

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

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

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Appendix 3 – Working together

Meetings

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

Table 6 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Head of Financial Services	Audit Manager	March and then monthly June to September	General update plus: March - audit progress June - accounts progress July - initial review of accounts August - audit progress September - annual governance report
Accountancy Services Manager	Team Leader	Quarterly and weekly in July	Update on audit issues

Sustainability

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

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

ANNUAL AUDIT AND INSPECTION LETTER 2008/09

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 Annual Audit and Inspection Letter for 2008/09 (Appendix 1).

2. RECOMMENDATION

- 2.1 The Board is asked to consider the Annual Audit and Inspection Letter for 2008/09 and, subject to any comments they may wish to make, to accept it.

3. BACKGROUND

- 3.1 Attached at Appendix 1 is the Annual Audit and Inspection Letter for 2008/09 which provides an overall summary of the Audit Commissions assessment of the Council. It draws from information contained within the recent CAA together with any other findings from inspections undertaken since the last letter in 2009.
- 3.2 The report also includes:
- Audit of the Accounts and Value for Money
 - Data Quality
 - Business at Risk considerations
- 3.3 The findings of the report include the recognition that Bromsgrove District Council has made significant progress in improving service delivery and performance management over the last few years and that the formal engagement period process that was in place is no longer necessary.
- 3.4 In addition the report states that the Council is progressing with shared services, utilises its funds to help provide housing and that Bromsgrove is a safer place to live.
- 3.5 The qualification of the accounts in 2008/09 is reported and acknowledged that the Council needs to review the accounting treatment of this project in 2009/10.

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 1 – Annual Audit and Inspection Letter.

13. BACKGROUND PAPERS

13.1 None.

CONTACT OFFICER

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Annual Audit Letter

Bromsgrove District Council

Audit 2008/09

December 2009



Contents

Key messages	3
Financial statements and annual governance statement	6
Value for money and Use of resources	9
Shared services	14
Other matters	15
Comprehensive Area Assessment	18
Closing remarks	21
Appendix 1 – Audit Fees	23
Appendix 2 – Use of resources key findings and conclusions	24
Appendix 3 – Action plan	34

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

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess the way you manage your performance and your arrangements to secure value for money in your use of resources.

Overview

- 1** Bromsgrove District Council has made significant progress in improving service delivery and performance management over the last few years and the last Comprehensive Performance Assessment received a score of 'Fair'. In October 2009 you were informed that the formal engagement process which had been in place in 2004 was no longer considered necessary. This is a reflection of your commitment to improve your performance and your arrangements to secure value for money.
- 2** You have progressed with Shared services through working with Redditch Borough Council, approving the business case for complete integration in August 2009 followed by the appointment of a Shared Chief Executive in September 2009. This work is carrying on apace with a view to having a single management team over both Councils by April 2010 followed by sharing of all services over the next three years. The appointment of Directors is planned for December 2009 with Heads of Service being appointed in early 2010.
- 3** The proposals provide a significant opportunity for better local services but they present a great challenge and will require close monitoring to ensure that services continue to be provided in line with the Council's priorities. The business plan for Shared Services has significant costs in the first year which is to be expected for a project of this nature. The Shared Services project is anticipated to result in efficiency savings of around £1.2 million over a five-year period for both Bromsgrove District Council and Redditch Borough Council. The Council has limited reserves in which to fund the transformation of working.

Audit Opinion and Financial Statements

- 4** The Financial Statements for 2008/09 were presented for audit on 29 June 2009 prior to the statutory deadline of the end of June. They contained several errors and uncertainties. The most significant of these was the capitalisation as intangible assets of costs totalling £4.5 million incurred on the Spatial Project.
- 5** Accounting rules are that expenditure can only be capitalised if it meets certain criteria. The Council had not put appropriate arrangements in place to assess the expenditure incurred on the Spatial Project against the specific accounting requirements for it to be determined as capital.

- 6 In my opinion at least £2.1 million of this expenditure was not capital because it was described as management consultancy. This expenditure should have been charged to the Income and Expenditure account in the year, the value of fixed assets should have been reduced by £2.1 million and the deficit for the year increased by the same amount, resulting in a negative general fund balance of £347,000. The Council is not permitted to hold a negative general fund balance and monies would have had to be identified from other reserves to bring the general fund balance to at least a zero position.
- 7 For the remaining £2.4 million capital expenditure on the Spatial Project I did not receive sufficient evidence to support the capital nature of the expenditure. These amounts are much greater than the materiality level for the audit of £716,000 so I was unable to certify that the accounts were materially correct.
- 8 Therefore I issued a qualified audit opinion on the 30 September 2009 because in my view £2.1 million of capital expenditure on the Spatial Project should have been charged to revenue and because I had insufficient evidence that the £2.4 million balance of expenditure on the Spatial Project was all capital.
- 9 Your Head of Financial Services is taking the necessary actions to analyse the expenditure incurred against the specific accounting requirements to identify how much qualifies as capital. For the amount which does not qualify she is seeking a retrospective capitalisation directive from Central Government, the Department of Communities and Local Government. If obtained this will give the Council permission to carry forward revenue expenditure as capital so there will not be need to fund it from general fund reserves. It is important that this matter is resolved not only for 2009/10 but looking further forwards.

Use of Resources

- 10 This is the first year in which you have been assessed using the more demanding and more outcome focused approach to Use of Resources. Overall for 2008/09 I assessed you as 'performing adequately' in your arrangements for managing finances, governing the business and managing resources.
- 11 Within the overall score I assessed one aspect of managing finances as not meeting minimum requirements: financial reporting. This arose because I qualified your accounts over the way the Spatial Project had been accounted for in your financial statements.
- 12 I also use my work on Use of Resources to help me conclude whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in your use of resources, the value for money conclusion. In order to arrive at this conclusion all aspects have to be above minimum requirements. As explained above one of these aspects did not meet minimum requirements and so I issued a qualified value for money conclusion. The qualified value for money conclusion said that there are satisfactory arrangements in place to secure economy, efficiency and effectiveness except that you did not have in place adequate arrangements for ensuring your financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.

Key messages

- 13** As this is the first year no comparisons can be made with previous year's scores, however it is important to note that the assessment for 2008/09 is a harder test than previously and the Council has done well to achieve its overall score.
- 14** The key areas for you to address going forward are:
- continue to ensure close monitoring of the Shared services transformation initiative with Redditch Borough Council; and
 - improve the quality of the financial statements by thorough supporting documentation and analysis.

Comprehensive Area Assessment

- 15** This is the first year of the new Comprehensive Area Assessment which was published by the Audit Commission on 9 December 2009. I have summarised the findings for Bromsgrove at the end of this letter.

Actions

- 16** Recommendations are shown within the body of this report and have been agreed with the audited body.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds.

Audit opinion

- 17** I issued a qualified opinion on the Council's accounts on 30 September 2009. In my opinion the accounts did not present fairly the Council's financial position and its income and expenditure for the year.

Significant issues arising from the audit

- 18** The financial statements were presented for audit on 29 June 2009 before the statutory deadline of the 30 June.
- 19** I identified errors and uncertainties in the financial statements in respect of the Spatial Project. The Spatial Project is a transformational project originally part of the Local Authority Modernisation Programme (LAMP). Intangible assets on the Council's Balance Sheet include the £4.5 million total cost on this project. A breakdown was provided from the supplier of the various elements of their services which included £2.1 million on management consultancy costs. Management consultancy costs do not fall within the definition of expenditure which can be capitalised and the authority was unable to provide any evidence to support capitalising them. Therefore in my view these costs should have been charged to revenue and the accounts contain a material error.
- 20** The remaining £2.4 million of expenditure on the Spatial Project was for other services from the supplier relating to software, data verification, interfaces and document management. Supporting documentation was not provided to show that these costs should be capitalised in accordance with the appropriate accounting standards. My opinion therefore included a limitation of scope qualification because of the lack of evidence to support this £2.4 million.
- 21** Your Head of Financial Services is taking the necessary actions to analyse the expenditure incurred against the specific accounting requirements to identify how much qualifies as capital. For the amount which does not qualify she is seeking a retrospective capitalisation directive from Central Government, the Department of Communities and Local Government. If obtained this will give the Council permission to carry forward revenue expenditure as capital so there will not be need to fund it from general fund reserves. It is important that this matter is resolved not only for 2009/10 but looking further forwards.

Material weaknesses in internal control

22 The work did not identify any material weaknesses in internal control. However a number of control and process weaknesses were found that impacted upon the efficiency of the audit and required additional audit testing.

23 The weaknesses identified are as follows.

- The financial statements included a restatement of prior year's balances to recognise fixed assets of £464,000 which relate to industrial units which have been held for some years but were not on the balance sheet.
- During the year the processing of the monthly payroll system transferred to Redditch Borough Council under a service level agreement. Failings were identified in the testing of the controls within the payroll systems' previous and new arrangements. Additional audit work was undertaken to ascertain that no material errors had occurred.
- Failings were identified in the testing of some controls within the creditors systems resulting in additional audit work to ascertain that no material errors had occurred.
- The system for the processing of journals allows any member of the accounts team to process journals on the general ledger without referral to anyone else. The requirement for journals to be authorised by someone else within the team is an internal control that safeguards the Council's accounting systems through the segregation of duties. Additional audit work was undertaken on these journals to be satisfied that no material error had occurred.

24 The Head of Financial Services has put in place procedures to address the areas of weakness identified in fixed assets, payroll and creditors. Officers consider that adequate controls are in place over journals but I disagree. If arrangements remain unchanged additional audit work will be required in order for me to gain assurance over accounting controls.

Looking forward

- 25** The weaknesses in both the accounts preparation process and internal control are being addressed by the Head of Financial Services but they have resulted in an increase in the audit fee for this year as shown in Appendix 1. Recommendations on the areas for improvement are included in my Annual Governance Report which I presented to the Audit Board on 28 September.
- 26** It will be important to improve these areas not only for 2009/10 but looking towards 2010/11 when, in line with sector accounting the basis of the Council's financial statements will change from being UK GAAP (Generally accepted accounting principles) to IFRS (International Financial Reporting Standards).
- 27** Progress on this has been monitored and I have concluded that you are on track to meet these challenges. You have set up a project team, have a clear timeline and have conducted a risk assessment. You have engaged us with the project and the audit team will continue to work alongside you to ensure a successful transition.

Recommendation

- R1** Ensure that my agreed Annual Governance report recommendations are implemented by the agreed deadlines.

Value for money and Use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 28** This is the first year of the new Use of Resources (UOR) Key Lines of Enquiry (KLOE). These are more broadly based than previously and embrace wider resource issues such as people and workforce planning, and the use of natural resources. The KLOEs are focussed around three themes; managing finances, governing the business and managing resources. These themes focus on value for money achievements, outputs and outcomes rather than on processes, and are therefore more strategic and less criteria driven.
- 29** In forming my scored use of resources judgements, I have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements which are at level 2.
- 30** Overall for 2008/09 I assessed the Council as 'performing adequately' (Level 2) in its arrangements for Managing finances, Governing the business and Managing resources (Table 1). My conclusions on each of the areas are set out below and more detailed findings are in Appendix 2.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	2
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	
Managing resources How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?	2

Overview

- 31** Within the overall score I assessed one aspect of managing finances as not meeting minimum requirements: financial reporting. This arose because I qualified your accounts as described earlier due to lack of evidence on and disagreement over how the Spatial Project had been accounted for in your financial statements.
- 32** Apart from this area the Council has the basic policies and procedures in place which are required to achieve a Level 2 score and the direction of progress remains positive.
- 33** The structure of the Use of Resources assessment is that within each theme are KLOEs and within each KLOE are focus points. Elements of working at Level 3, performing well, on several focus points were identified but were not across the whole of a KLOE. Examples where the Council performs well are the redirection of resources from lower to higher priority areas and for the first time a variety of budget consultation techniques were used including the use of a Budget jury to engage with the community as part of the budget preparation process.

Managing Finances (Performing adequately)

- 34** Your medium term financial plan is clearly linked to corporate objectives identifying cost pressures and efficiencies. An integrated financial and corporate planning process is in place and the delivery of objectives is monitored by using quarterly integrated performance and finance reports. The public were engaged in the budget preparation process by the use of a variety of forms including using a Budget Jury and on-line techniques.
- 35** The Council's knowledge of its costs is improving although the Council does not routinely compare its costs with other Councils. There is a robust system for managing efficiencies and delivering cost savings from non priority services. Spend is relatively high compared to others and the public's satisfaction of services is average or lower than average. You have an improved understanding of the reasons behind this.
- 36** The qualified opinion on your financial statements means that KLOE 1.3's focus point of 'prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position' and overall is assessed at Level 1.
- 37** An area for further improvement is the quality of the financial statements by ensuring the use of thorough supporting documentation and analysis. Your Head of Financial Services is putting arrangements in place to address this area of weakness.
- 38** The review found that the basic policies and procedures were in place for all other areas of this theme.

Governing the Business (Performing adequately)

- 39** You have a clear vision of what you want to achieve based on a sound understanding of local need. Partnership arrangements are in place with the Local Strategic Partnership and the Voluntary Community Sector to deliver outcomes for the community.
- 40** The basic policies and procedures of good governance are in place for example standing orders, financial instructions, scheme of delegation and a code of conduct for members. Working relationships between members and staff have improved and are generally good.
- 41** The Council is improving its understanding of the market for procuring and commissioning services and goods and collaborative arrangements are in place with Redditch Borough Council.
- 42** A framework is in place to produce relevant and reliable data and information to support decision making and manage performance. The national indicator set was introduced by the government department from April 2008. As part of my work spot checks on three of these new indicators found that arrangements for 2 were not in place by the end of the year. Your officers have taken steps to put in place better arrangements.

- 43 Access to services has improved by the transformation of procedures and use of technology. Standards, procedures and the implementation of the national Government Connect gateway are in place to keep data secure.
- 44 You have embedded risk management procedures and those for project management are being developed to become more robust.
- 45 The review concluded that the basic policies and procedures were in place for all areas of this theme.

Managing Resources (Performing adequately)

- 46 The Council is Investors in People accredited and operates a Modern Managers Framework setting out the standards required of managers. Through the visible and open leadership of the Shared Chief Executive organisational change is effectively managed.
- 47 All staff received Personal Development reviews during the year and preparations have been made for a workforce plan to be implemented in winter 2009. The Council has assigned resources to Diversity and Equality and has achieved Level 3 of the Equality Standard.
- 48 The review concluded that the basic policies and procedures were in place for all areas of this theme.

Recommendation

R2 Ensure actions plans are in place to address the key improvement areas from my Use of Resources review

VFM Conclusion

- 49 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission specifies each year which of the use of resources KLOE's are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 2.
- 50 During my work weaknesses in your arrangements were identified to prepare accounts that meet statutory requirements, financial reporting standards and present fairly the financial position of the Council.
- 51 Insufficient consideration was given to the accounting treatment of the Spatial Project in the Council's financial plans and in its preparations of its 2008/09 accounts. As the funding for the Spatial Project had not been adequately considered I have concluded the financial information to support strategic decision making was therefore weak and consequently the Council has a significant funding gap to address. During the audit of the accounts the Council was unable to provide any valid evidence to support the accounting treatment as capital of expenditure incurred in relation to this project.

Value for money and Use of resources

- 52** The Council is providing value for money in the way it provides and improves service to communities except that you did not have in place adequate arrangements for ensuring your financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.
- 53** I issued a qualified Value for Money conclusion on 30 September 2009 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources, except that it did not put in place adequate arrangements for ensuring its financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.

Shared services

- 54** A review of the arrangements for the joint Chief Executive and for shared services has been carried out so that I can gain assurance that the process so far has been fair and independent, and will continue to be so. Although a formal report has not yet been issued on this review the outcome of the review to date is positive.
- 55** Sound procedures have been put in place to support the delivery of a joint Chief Executive and shared services at Bromsgrove District Council and Redditch Borough Council. The Councils have made good early progress. However, it involves a longer term programme of work and there are risks
- 56** We identified a strong desire by the lead Councillors, officers and other key representatives to make the process for sharing a Chief Executive and moving towards shared services work well and to learn from the lessons of others.
- 57** The legal issues arising from the proposals have been identified and are being worked through by the Councils' legal advisors. I do not anticipate any significant problems and will continue to monitor progress in resolving these.

Recommendation

- R3** The members should monitor delivery of savings expected from shared services and ensure any outstanding legal issues resolved.

Other matters

Financial standing

- 58** The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local government as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 59** In January 2009 the Council approved a budget which identified the requirement to achieve savings of £566k in 2009/10, a further £1,035k in 2010/11 and a further £1196k in 2011/12. In November 2009 members received a report which included a projected overspend of £376k for 2009/10 and actions have been put in place to address this position. You are in the initial stages of reviewing the medium term financial plan for the three years 2010 /13. In November 2009 the cabinet received a report identifying a shortfall of £2 million over the three-year period. This shortfall is not covered by balances and will necessitate difficult decisions having to be made.
- 60** The impact of the recession will continue to present a challenge to public services and the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

Your Business at Risk

- 61** A web-based survey Your Business at Risk (YB@R) has been undertaken to focus on the business risks associated with Information and Communications Technology (ICT). This survey is part of a portfolio of tools developed by the Audit Commission's Good Conduct and Counter Fraud and IT knowledge network.
- 62** Despite improvements in the percentages of organisations which have developed Information and Communications Technology (ICT) security policies recent national studies have shown that as few as 20 per cent of staff have actually been provided with a copy and only 33 per cent have been informed about the policy and its implications for them. This has been accompanied by a significant increase in the inappropriate use of the internet and email.
- 63** In order to gain assurance that policies and procedures are effective the review was undertaken to determine how well these are embedded within the Council.
- 64** The survey focused on business risks in four areas of business disruption, risk of financial loss, risk of reputational damage and awareness of related key legislation. The survey was undertaken in two forms one aimed at users of ICT and the other at ICT staff available for completion over a seven week period.
- 65** The results of these surveys were collated and summary report issued with recommendations on these four areas. This was presented to the Audit Board at its meeting in December 2008.

- 66 The survey found that policies and procedures had been introduced and highlighted those areas in which staff required their awareness to be refreshed.

Recommendation

- R4** Ensure that my agreed Your Business @ Risk report recommendations are implemented by the agreed deadlines.

Project Management

- 67 In my Audit Plan a key risk for my Value for Money Conclusion was highlighted from our planning work on project management. In order to address this risk a review of project management arrangements was undertaken.
- 68 The audit reviewed project management processes at a corporate level and then assessed their application in practice in specific projects. It assessed performance at different stages in the project lifecycle of project set up and initiation; planning and design including procurement; implementation and project management and review and benefits realisation.
- 69 Considering these four stages the key findings which have been reported to the Audit Board were as follows.
- Conception - a framework is in place for setting up and initiating projects but options appraisals are limited and the identification of resources on projects is not yet embedded.
 - Planning and design - a sound structure is in place but project plans could be more detailed in some cases and the consideration of quality is still being embedded.
 - Implementation and project management - a comprehensive and structured approach to monitoring projects is being embedded but reports differ in levels of detail and analysis of risk extended.
 - Review and benefits realisation - a framework is in place but this area is still in its early stages of development.

Recommendation

- R5** Ensure that my agreed Project Management report recommendations are implemented by the agreed deadlines.

Treasury management

70 An overview of the Council's Treasury Management arrangements has been undertaken. This found that the Council scrutinises the treasury management framework and policies annually with formal reporting to the Council on treasury management activities twice a year. Further quarterly performance is reported to Cabinet and the Performance Management Board.

Follow up of Previous Years' work

71 We have followed up the actions identified as needed by the Council made in the previous year and satisfactory progress is being made.

National Fraud Initiative 2008

72 The arrangements in place to investigate and report the findings arising from the National Fraud Initiative 2008 have been reviewed and concluded that these arrangements are satisfactory.

Comprehensive Area Assessment

- 73** Comprehensive Area Assessment (CAA) is a new way of assessing local public services in England. It examines how well local government and other public bodies work together to meet the needs of the people they serve. The results of these assessments are available on the Audit Commission's OnePlace website.
- 74** For the first time, local public services will be held collectively to account for their impact on better local outcomes. CAA provides a mechanism to ensure that the needs of the local population are met through agencies working closely together to deliver improved outcomes.
- 75** This area assessment takes the single tier and county council boundary as the starting point and focuses on the prospects for better outcomes (including health outcomes) for the people living in that area. The review draws on a range of sources of evidence and will carry out additional investigation where analysis highlights this is necessary. This could involve any of the partners.
- 76** The Worcestershire Partnership will respond to the area assessment on behalf of all the bodies concerned. The issues that relate to the Council specifically are summarised in the organisational assessment paragraphs below. These and the findings for the whole county can be found on the One Place website.

Organisational Assessment

- 77** As part of the approach to CAA new Key Lines of Enquiry (KLOE) have been developed together with a new approach to Use of Resources (UOR) judgements. These judgements are broader than previously and have been applied consistently across all sectors.
- 78** One output of the CAA process is an Organisational Assessment score which combines the Managing Performance element and the findings of auditors from their work on Use of Resources (UOR) and elsewhere. The scores for UOR and Managing Performance assessments are given scores on the basis shown in Table 2.

Table 2 Organisational assessment

Description of scores	
1. An organisation that does not meet minimum requirements	Performs Poorly
2. An organisation that meets only minimum requirements	Performs Adequately
3. An organisation that exceeds minimum requirements	Performs Well
4. An organisation that significantly exceeds minimum requirements	Performs Excellently

Audit Commission

- 79** The Audit Commission published the organisational assessment judgement for Bromsgrove District Council in December 2009.
- 80** Bromsgrove District Council performs adequately overall. Local people recognise the Council's priorities as issues that are important to them. Improving the town centre has been made more difficult because of the recession. Crime is reducing and the Council is working with its partners to help people through the recession. But the Council knows where it needs to improve and works closely with other Council to help it improve. The costs of some services are high and the Council doesn't always know if its services are giving good value for money.
- 81** The Managing Performance element assesses how well the Council manages and improves its services and contributes to wider community outcomes. The Council scores 2 out of 4 for managing performance
- 82** The Council involves local people in the work it does and decisions it makes. But it knows it needs to improve the way it tells people what it has done because at the moment they don't feel they can influence decisions.
- 83** The Council provides some good services such as street cleaning and recycling. It uses its own resources (land or money) to help provide more housing that people can afford to rent or buy.
- 84** Work to understand how it can make a difference on climate change is at an early stage. The Council talks to vulnerable people to make sure they are able to get the services they need.
- 85** Bromsgrove is now a safer place to live. Crimes are reducing, but residents are still worried about crime. Because the Council works well with the police and others, anti social behaviour is less of a problem than it has been. The Council is also helping support local people and businesses through the recession.
- 86** The Council has a good approach to engaging with black and ethnic minorities and vulnerable groups. The Council encourages disabled people to have a stronger voice.

- 87** For the 12 months to 31 March 2009, 72 per cent of performance indicators used to measure how well the Council performed improved. Although this number is fewer than the number (79 per cent) in the previous year the Council's performance is overall improving.
- 88** The Council is open and honest about its achievements and the areas that it has to improve.
- 89** The Council scores 2 out of 4 for Use of Resources. Details of this assessment are provided earlier in this document.
- 90** The Council shares a shared Chief Executive with Redditch Borough Council. Services will be shared between the two Councils which should give better value for money, and a shared management team will realise savings of about £1.2 million over five years. The Council is also working with the County Council and all Worcestershire district Councils to share some services.

Closing remarks

Independence

91 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Audit fees

92 The audit fees have been reported within the Annual Governance Report and the detail is included within Appendix 1.

Reporting

93 I have discussed and agreed this letter with the Chief Executive and the Head of Financial Services. I will present this letter at the Audit Board in February 2010 and will provide copies to all members.

94 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year as listed in Table 3.

Table 3

Report	Date issued
Audit plan	May 2008
Your Business @ Risk	December 2008
Audit opinion plan	March 2009
Project Management	April 2009
Report to those charged with governance	September 2009
Opinion on financial statements	September 2009
Value for Money Conclusion	September 2009
Use of Resources	November 2009
Annual Audit Letter	November 2009

- 95 The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Elizabeth Cave
District Auditor
December 2009

Appendix 1 – Audit Fees

96 The audit fees have been reported within the Annual Governance Report and the detail is shown in Table 4.

Table 4 Audit fees

	Actual £	Proposed £	Variance £
Financial statements and annual governance statement	82,790	61,800	20,990
Value for money	45,800	45,800	0
Total audit fees	128,590	107,600	20,990
Non-audit work	0	0	0
Total	128,590	107,600	20,990

Appendix 2 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Table 5 Theme 1 - Managing Finances

Theme 1 - Managing Finances score	2
Key findings and conclusions	
<p>The Medium term financial plan is clearly linked to corporate objectives identifying cost pressures and efficiencies. There is an integrated financial and corporate planning process. Consultation on the Council's budget is undertaken in a variety of forms to engage the public including the use of a Budget Jury and the use of the internet by way of an on-line survey. The Council's knowledge of its costs is improving although some of its costs have not been routinely analysed to date. The Council has a robust system for managing efficiencies and delivering cost savings from non priority services. The Council's spend is relatively high compared to others and satisfaction is average or lower than average. The Council has an improved understanding of the reasons behind this. Quarterly integrated performance and finance reports are used for monitoring delivery of objectives. The 2008/09 accounts were approved before the deadline of the end of June. The audit of these accounts found that there was a significant error and uncertainty in relation to relation to the accounting treatment of intangible assets for the Spatial Project of £4.5 million. A qualified opinion was issued on the 30 September. The opinion was qualified on two counts. Firstly regarding uncertainty of £2.4 million as evidence for this expenditure to be capital was not available and secondly regarding a disagreement for £2.1 million of expenditure on management consultancy costs which should have been charged to revenue.</p>	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 1.1 (financial planning) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council performs adequately across this KLOE.</p> <p>There is a process for the setting of its medium term financial plan (MTFP) which is clearly linked to corporate objectives detailing resource requirements, milestones and targets. The MTFP identifies cost pressures and efficiencies however this did not include consideration of the funding of the Spatial Project other than from Capital. There is an integrated financial and corporate planning process with business planning being embedded. Savings are identified to balance the budget. The Council is clear on what resources are or are not a priority and will re-prioritise resources.</p> <p>There is public consultation in a variety of ways including on-line budget consultation, the use of a budget jury, presentation to young people and employees. An annual report is produced which is published in the local newspaper.</p> <p>All budget holders are required to sign up to the efficiency savings as well as ensuring their budget is managed within the set level. There is a regular training program provided to budget holders and members to develop financial skills.</p>	
<p>KLOE 1.2 (understanding costs and achieving efficiencies) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council performs adequately across this KLOE.</p> <p>The Council's knowledge of the costs it incurs is improving however costs have not been routinely analysed to date. There is some understanding of the additional resources made available through partnership working.</p> <p>Cost information to support decision making is of reasonable quality and where appropriate it is supported by other relevant information for example performance, satisfaction, demographics, diversity. Cost reviews have been undertaken to compare with benefits realised from projects enabling the Council to better appraise options for example the scaling down of the second phase of the Spatial Project.</p>	

Theme 1 - Managing Finances score	2
<p>The Council's spend is relatively high compared to others and satisfaction is average or lower than average. The Council has an improved understanding of the reasons behind this and is proactively working to improve through developing service reviews and delivering shared services. There is an understanding of local context, how this impacts on spend and on how this may change the shape of future service delivery.</p>	
<p>KLOE 1.3 (financial reporting) score VFM criterion met</p>	<p>1 No</p>
<p>Key findings and conclusions</p>	
<p>All focus points for this KLOE but one were assessed at level 2. One was assessed at level 1 because the focus point of 'prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position' were not met because a qualified opinion was issued on the financial statements. Under the UOR assessment arrangements this means that the conclusion for this KLOE is that overall the Council performs poorly for this KLOE.</p> <p>The Council produces quarterly integrated performance and finance reports. The reports are presented to the Performance Management board reporting on the Council's financial position for the previous quarter, future pressures and where additional savings can be made. The report also shows forecast outturn for the financial year. Monthly reports are available to budget holders within 4 working days of the month-end. The 2008/09 accounts were approved before the deadline of the end of June. The audit of these accounts found that there was a significant error and uncertainty in relation to relation to the accounting treatment of intangible assets for the Spatial Project of £4.5 million. A qualified opinion was issued before the deadline of the end of September. The opinion was qualified on two counts. Firstly regarding uncertainty of £2.4 million as evidence for this expenditure to be capital was not available and secondly regarding a disagreement for £2.1 million of expenditure on management consultancy costs which should have been charged to revenue. An annual report is produced which is available in a number of formats and the Council publishes summary financial information in the local newspaper.</p>	

Table 6 Theme 2 - Governing the Business

Theme 2 - Governing the Business score	2
Key findings and conclusions	
<p>For the theme of Governing the Business the Council is performing adequately.</p> <p>The Council is improving its understanding of the market in relation to procurement and commissioning and has delivered improved outcomes as a result of working with partners. Different ways of procuring and commissioning services and goods have been considered and collaborative arrangements are in place with Redditch Borough Council. There is improved access to services for its customers.</p> <p>An overall framework is in place to produce relevant and reliable data and information to support decision making and manage performance. Quarterly performance reports including costs are made to members. Data quality procedures have been prepared for performance indicators which include checks by senior managers. The national indicator set was introduced from April 2008 and our spot checks on three of the national indicators found that arrangements for 2 were not in place by the end of the year. Standards and procedures are in place to make sure that data is secure and the Council has implemented the Government Connect gateway.</p> <p>The basics of good governance are in place including code of conduct for members, standing orders, financial instructions and scheme of delegation. Working relationships between members and staff have improved. The Council has a clear vision of what it wants to achieve based on a sound understanding of local need. Partnership arrangements are in place with the Local Strategic Partnership and the Voluntary Community Sector.</p> <p>The Council has embedded risk management procedures with member and staff champions. Risk management within project management is being developed and the approach is becoming more robust. The findings from the 2008/09 and the 2007/08 opinion audits were that the control environment is adequate. There is a small internal audit team supplemented by services from Worcester City Council and a dedicated Benefits Fraud investigation team.</p>	

<p>KLOE 2.1 (commissioning and procurement) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council performs adequately across this KLOE.</p> <p>The Council's understanding of the market in relation to procurement and commissioning is at an early stage. However there are some good examples of improved outcomes for people as a result of working with partners, eg the improved fitness suite at the Dolphin Centre where the Council learnt from its work with Wychavon District Council and consequently led to better products and more competitive prices being achieved. The Council considers different ways of procuring and commissioning services and goods. It is using collaborative arrangements with other Councils to deliver its payroll service which was introduced in September 2008 with some implementation problems and is pushing forward shared service arrangements with Redditch Borough Council with whom it has a shared Chief Executive.</p> <p>The Council has a clear understanding of the inequalities and diversity of its communities and this is reflected in the Sustainable Community Strategy (SCS). However the links between the Council's procurement strategy and the SCS are at an early stage of development. An example of an explicit link is the commissioning of community transport. The Council has identified the opportunity to work with partners in a number of areas to sharedly commission and procure services and goods.</p> <p>The Council has good arrangements in place to engage with stakeholders, service users and harder to reach groups. Services are now being reviewed taking account of the assessment of needs. This in turn is starting to impact positively on the commissioning and procurement of services, for example the work to deliver the high dependency toilets in the town centre.</p> <p>The improved access to services is improving customer's experience of services and satisfaction levels. For example, customers now find it easier to contact the Council by telephone and more services are web enabled eg the submission and viewing of planning applications on line and the payment of Council Tax bills on line.</p>	

Appendix 2 – Use of resources key findings and conclusions

KLOE 2.2 (data quality and use of information) score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>Overall the Council performs adequately across this KLOE. Data quality procedures have been prepared for performance indicators including the carrying out of checks by the head of service to certify that the data is of good quality and information correct. There is regular challenge of service managers around data integrity and some evidence of scrutiny challenge on performance and quality of data. DQ awareness courses have been run ensuring staff understand the DQ strategy and their responsibilities including the consequences of inaccurate data. There is a performance champions group acting as gatekeepers for performance data. The risk register includes an entry regarding the implications of poor data quality and its management. The data quality spot checks showed that arrangements to support 2 of the 3 National indicators tested were not in place. There is a quarterly financial and performance report to Cabinet along with information on trends and comparatives which means senior officers and members are better placed to make well informed decisions.</p> <p>Information sharing protocols between the Council and partner organisations are not in place and resources have yet to be allocated to move forward.</p> <p>The quality of data given to members and officers to ensure that well informed decisions are made is reasonable. Information is often underpinned by diversity and equality issues and demographic information. Performance targets are set and reported on. These targets are monitored to ensure that they are appropriate to ensure outcomes are met.</p> <p>Standards and procedures are in place to make that systems are secure. There is an IT security policy and the compliance with policies and procedures is checked. The code of connection to the Government gateway was approved and these standard policies are being incorporated into the Council.</p>	

<p>KLOE 2.3 (good governance) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council performs adequately across this KLOE. Working relationships between members, senior management and where appropriate, with staff have improved and are generally good. Senior roles and responsibilities are set out in the constitution along with delegated powers. Induction and development opportunities for members are good with compulsory training for certain statutory committees and diversity and equalities.</p> <p>A clear vision of what the Council wants to achieve exists based on a sound understanding of local need. The improved relationship between members and staff has led to more public confidence in decisions which may be unpalatable for some, for example the Foyer Scheme half way hostel for young people going from prison to living independently. Planning was approved however the Chief Executive offered to mediate for residents between partners which led to people feeling they had been listened to and action taken.</p> <p>Codes of conduct are in place for members and training on ethics is undertaken by all members. There is publicity about the role of the standards committee. The receipt of gifts and hospitality for members is monitored. Whistleblowing procedures are not widely communicated and there are areas of governance arrangements around staff conduct which could be improved for example declarations of interest.</p> <p>Good governance arrangements are in place with the Local Strategic Partnership. Key partners are invited to Cabinet/corporate management team away days to give their views on budget expectations. The involvement in partnerships is reviewed and the Council will withdraw where the partnership is not providing VFM or the service could be better provided elsewhere. There are close working relations with the Voluntary Community Sector partners.</p>	

Appendix 2 – Use of resources key findings and conclusions

<p>KLOE 2.4 (risk management and internal control) score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>Overall the Council performs adequately across this KLOE. Procedures are in place to identify and manage corporate risks with departmental and service risk registers being maintained and monitored. Risks are assessed for likelihood and impact with individuals leading on actions. The medium term financial plan includes a risk matrix which highlights the risks for the three-year period together with clear and concise actions which are required to either eliminate or minimise the risk. There is an officer and member risk champion. The risk management process within project management is not effective and the Council has recognised that its current approach needs to be more robust with the use of issues logs, options appraisals, identification of resource requirements and the consideration of value for money in projects.</p> <p>The Council has a counter fraud and corruption strategy. During 2008/09 the internal audit section covered fraud and corruption as part of their role. The Benefits section has a fraud team investigating allegations, securing repayment of fraudulently claimed benefit and successfully taking prosecutions. The Council is piloting a Voice Recognition Analysis tool to provide indicators of fraud. This tool analyses responses by claimants who call the office and uses markers to prompt further follow up. The Council participated in the National Fraud Initiative 2008.</p> <p>The core functions of an audit committee are provided by the Audit Board. There is an internal audit section which has an approved plan of work which regularly reports to members. Standing orders, financial instructions and a scheme of delegation are in place. All reports to members are approved by the monitoring officer and the Section 151 responsible finance officer. The findings from the opinion audits for 2008/09 and 2007/08 are that the control environment is adequate.</p>	

Table 7 Theme 3 - Managing Resources

Theme 3 - Managing Resources score	2
Key findings and conclusions	
Overall the basic requirements are in place. The Council is Investors in People accredited and operates a Modern Managers Framework setting out the standards required of managers. Organisational change is effectively managed through visible and open leadership. Arrangements have been made to prepare a workforce plan to be implemented in winter 2009 and the Council's position is not considered different to that of other district Councils. The Council has achieved Level 3 of the Equality Standard and Job Evaluation was implemented in May 2009.	
KLOE 3.1 (use of natural resources) [not applicable to district Councils in 2008/09]	N/A
KLOE 3.2 (strategic asset management) [not applicable to district Councils in 2008/09]	N/A

Appendix 2 – Use of resources key findings and conclusions

KLOE 3.3 (workforce planning) score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council is improving its services to the public. Gaps in staff skills are identified through the performance management framework and Personal Development review which identifies training and development needs to increase performance and standards. Each member of staff has a monthly one to one with their manager. The Council has improved the way it is perceived as an employer. The level of employee satisfaction is important to senior officers and members and annual surveys of satisfaction are carried out. There are effective performance management arrangements to support management including sickness absence.</p> <p>A workforce plan is being developed in collaboration with Redditch Borough Council with implementation during winter 2009. The Council is Investors in People accredited and operates a Modern Managers Framework setting out the standards required of managers supported by a comprehensive training program.</p> <p>Organisational change is effectively managed through visible and open leadership. The Chief Executive meets staff and gives clear messages whether good or bad and any members of staff can meet with him individually. This is supported by staff and manager forums.</p> <p>There are established policies and practices to support diversity. There is an Inclusive Equalities scheme and an Equality and Diversity Forum has been operating over the last couple of years. The workforce reflects the local population in relation to age and ethnicity, though not in terms of disability. The Council has achieved Level 3 of the Equality standard. Job Evaluation has been implemented in May 2009.</p>	

Appendix 3 – Action plan

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
8	R1 Ensure that my agreed Annual Governance report recommendations are implemented by the agreed deadlines.	3	Head of Financial Services			
12	R2 Ensure actions plans are in place to address the key improvement areas from my Use of Resources review.	3	Head of Financial Services			
14	R3 The members should monitor delivery of savings expected from shared services and ensure any outstanding legal issues resolved.	3	Chief Executive			
16	R4 Ensure that my agreed Your Business @ Risk report recommendations are implemented by the agreed deadlines.	3	Head of Financial Services/Head of E-Government and Customer Service			

Appendix 3 – Action plan

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
16	R5 Ensure that my agreed Project Management report recommendations are implemented by the agreed deadlines.	3	Assistant Chief Executive/ Improvement Manager			

The Audit Commission

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Page 66

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

RISK MANAGEMENT TRACKER

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services
Key Decision / Non-Key Decision	

1. Summary

- 1.1 To present an overview of the current progress in relation to Actions/Improvements (actions) as detailed in business area risk registers for the period 1st April to 31st December 2009.

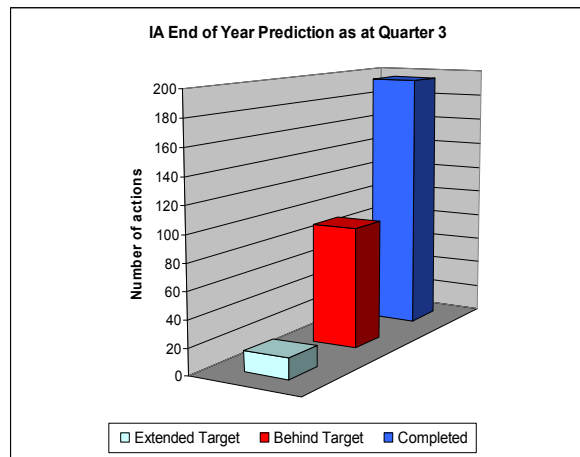
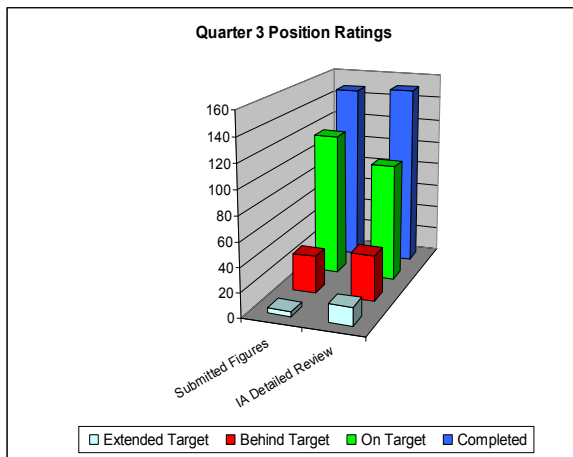
2. Recommendation

- 2.1 The Audit Board is recommended to note progress to date against all business area risk register actions for Quarter 3 2009/10 (April 2009 – December 2009).

3. Background

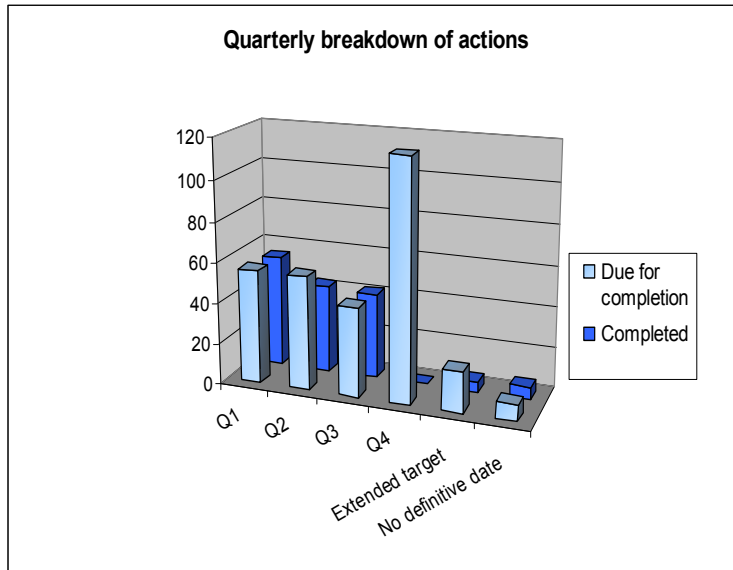
- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7th 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 Each service area has submitted to Internal Audit the quarter 3 position for each action detailed on their risk register.
- 3.8 A detailed review of each action, target date, quarter 3 position rating and commentary has been carried out and based on the number of actions completed during the period 1st April to 31st December 2009 we have predicted an overall position rating for the end of the financial year.



- 3.9 As part of the detailed review we have analysed the number of actions due for completion each quarter. The rationale is that this analysis puts the end of year prediction into perspective and aids management of actions

The total quarterly breakdown is illustrated in the chart below.



In quarter 3 we predicted that a high proportion of actions (48%) would be due to be completed in quarter 4.

Analysis of the position at the end of quarter 3 has confirmed 47% of actions are currently outstanding. As previously advised, this significantly increases the likelihood that a high percentage may not be completed by year end.

3.10 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. The actions include:

- Carry out Customer Satisfaction Survey to inform service delivery and identify areas for improvement
- Review achievements against new Equality Framework and establish position
- To create and circulate to all staff a Corporate Anti-Fraud and Corruption Policy, and Corporate Fraud Referral process.
- Further development of remote disaster recovery site.
- Finance : Implementation of the e-billing and on-line access to the customer. Survey customers who have used the system with the aim to improve take up over the year.
- Legal: As part of ethical governance, review local assessment process

3.11 In order to highlight service area successes, Internal Audit have selected three actions that have been completed during quarter 3.

Relevant Key Obj.	Action/Improvement
Corporate Communications, Policy and Performance	
Support the Council's VFM Strategy, in	Lean Systems pilot; Disabled Facilities Grant (DFG) pilot completed and reported to Chief Executive.

particular, the Joint CEO project.	
Financial Services	
Effective Anti Fraud Culture.	Corporate Anti-Fraud & Corruption Policy and online fraud reporting facility have been created and communicated to all staff via e-Connect, Fraud Newsletters and intranet.
Street Scene & Community	
Effective and efficient collection of domestic refuse, recycling and green waste service, street cleansing service and grounds maintenance service.	Business Continuity plan has been implemented in conjunction with Executive Director Services.

Overall Summary

3.12 As at quarter 3 Internal Audit's predictive end of year position rating has identified:

- 3 risk registers with an Excellent rating;
- 3 risk registers with a Good rating
- 2 risk registers with a Fair rating; and
- 1 risk register with a Weak rating.

3.13 All risk registers were submitted by the services areas either before the required deadline or on time. This has assisted Internal Audit in carrying out the quarter 3 analysis and was very much appreciated

4 Financial Implications

4.1 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.

5 Legal Implications

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

6 Corporate Objectives

6.1 Council Objective 02: Improvement.

7 Risk Management including Health & Safety Considerations

7.1 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.

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

8 Customer Implications

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

9 Equalities and Diversity Implications

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

10 Value For Money Implications

10.1 The delivery of Value for Money across the Council is identified as one of the key objectives in the Financial Services Risk Register.

11 Climate Change and Carbon Implications

11.1 None as a direct result of this report.

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
Biodiversity: None

13 Others Consulted on the Report

Portfolio Holder	Yes
Joint Chief Executive	Yes
Executive Director – Partnerships and Projects	Yes
Executive 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 HR & Organisational Development	Yes
Corporate Procurement Team	No

14 Wards Affected

All wards

15 Appendices

None.

16 Background Papers

16.1 Departmental risk registers – available from Heads of Service.

Contact officer

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

INTERNAL AUDIT PERFORMANCE AND WORKLOAD

Responsible Portfolio Holder	Councillor Geoff Denaro
Responsible Head of Service	Head of Financial Services
Key Decision / Non-Key Decision	

1. SUMMARY

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

2. RECOMMENDATION

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

- Current status and work completed in the 2009/10 Audit Plan.
- Work completed by the Internal Audit Section during the first three quarters of the year, i.e. to end of December 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:

- 2009/10 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. 2009/10 AUDIT PLAN – CURRENT STATUS

4.1 The 2009/10 Audit Plan came into effect on the 1st April 2009. Detailed below is the work completed to date on the audit reviews detailed in the plan.

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
<u>Audit Reviews</u>						
Corporate Governance: Complaints System	Corporate Comms	Qtr 1			✓	Completed
IT Audit: ICT Services (incl Helpdesk)	E-Gov. & CS	Qtr 1			✓	Completed – reported to Audit Board 28.9.09
Parks & Open Spaces	St. Scene & Commtty	Qtr 1			✓	Completed
Events: Spadesbourne Suite	Legal & Demo.	Qtr 1			✓	Completed
Corporate Governance: Member Allowances	Legal & Demo.	Qtr 3		✓		Audit started
Dolphin Centre	St. Scene & Commtty	Qtr 2		✓		Testing underway
Creditors	Financial Srvs	Qtr 2				Taken out of 09/10 audit plan as per previous quarterly report
General Ledger & Bank Reconciliations	Financial Srvs	Qtr 2		✓		Testing underway
Treasury Management	Financial Srvs	Qtr 2	✓			Agreed with auditee to delay audit to early 10/11 to include new Treasury Management Strategy
Grants & Concessions: Travel Concessions	St. Scene & Commtty	Qtr 2		✓		Testing underway
Car Parks	St. Scene & Commtty	Qtr 2			✓	Completed – reported to Audit Board 14.12.09.

2009/10 Plan Description	Section	Start Date	Current Status			Comments
			To Start	Ongoing	Complete	
Economic Development: Town Centre Development	Planning & Env Srvs	Qtr 3		✓		Testing underway
Budgetary Control & Strategy	Financial Srvs	Qtr 3		✓		Audit started
Payroll	HR & OD	Qtr 3	✓			Not started
NNDR	Financial Srvs	Qtr 3			✓	Completed
Council Tax	Financial Srvs	Qtr 3			✓	Completed
Procurement & Contracts	Financial Srvs	Qtr 3		✓		Audit started
Benefits	Financial Srvs	Qtr 4	✓			Not started
Asset Management	Legal & Demo.	Qtr 4	✓			Not started
Debtors	Financial Srvs	Qtr 4				Taken out of 09/10 audit plan as per previous quarterly report
Projects						
Risk Management	Corporate	Qtr 1 – 4		✓		Ongoing facilitation and support.

5. **AUDIT WORK COMPLETED**

2009/10 Audit Plan

- 5.1 The Table at 4.1 above shows that seven of the audits in the 2009/10 audit plan have been completed with a further seven audits started, some of these with testing well under way.
- 5.2 As reported to the December meeting of this Board, a number of factors have had an impact on the current audit plan, including training block release and the advent of shared services, particularly the WETT programme for Internal Audit. An interim review of the plan and the requirements for the remainder of the year has shown that:
- a) fewer days will be required for the Fundamental System Reviews with the exclusion of the Debtors and Creditors audits and the putting back of the Treasury Management audit (at the request of the auditee);
 - b) a small number of extra days are required on Other System Reviews to accommodate small overruns where further work has been required (e.g. because the system has not been reviewed for a number of years);

- c) a small number of additional days will be required for Risk Management in order to update the Risk Management Strategy and to integrate the changes to the Council's management structure under the programme of shared services with Redditch BC;
- d) an increase in the number of Management days is required to facilitate additional demands including the preparation necessary for the WETT Internal Audit Shared Service and the block release days.

5.3 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 Responsibility for investigations has now been transferred to the Council's Corporate Fraud Team. Hence, fraud work has been taken out of the Audit Plan for 2009/10.

7. 2009/10 INTERNAL AUDIT PERFORMANCE INDICATORS

7.1 The performance indicators for internal audit have been reduced to four:

- i) Actual time compared with planned time,
- ii) Percentage of productive time,
- iii) Number of jobs planned for the year actually finished,
- iv) Number of customer surveys returned that scored the service as 'good'.

7.2 The first two performance indicators will be monitored and reported quarterly (see table below); the latter two indicators will be measured and reported annually.

7.3 The table below sets out the planned time compared with the actual time used in the first and second quarters of 2009/10, split between the different areas of audit work. Different areas of work are concentrated in different parts of the year (as shown). The figures indicate that Internal Audit is on target to complete most of the audit reviews planned for 2009/10, subject to the comments already made at 5.2 above.

2009/10 Quarters 1, 2 & 3 (April – December 09)	Planned (days)	Actual (days)	% used	Comments
Operational days:				
Completion of 08/09 audit work	21	21.53	103%	Completed in July 2009
Fundamental systems reviews, i.e. annual audits of key financial systems, usually concentrated in the latter half of the year (quarters 3 & 4) to enable assurance to be given for the year.	152	41.53	27%	It is anticipated that fewer days than planned will be used as two audits have been omitted and one put back – see 5.2a) above.
Other systems reviews	143	100.72	70%	A small overrun is anticipated – see 5.2b) above.
Projects (Risk Management)	70	66.93	96%	Ongoing – inc. end of year reporting for 08/09. Additional days will be required here – see 5.2c) above.
Contingency (Consultancy)	40	29.07	73%	As required
Sub-total	426	259.78	61%	
Non-operational days:				
Administration	24	18.01	75%	
Management	80	108.95	136%	A significant overrun is anticipated – see 5.2d) above.
Leave/approved absences	90	71.23	79%	
Sub-total	194	198.18	102%	
Total	620	457.96	74%	Period covered is 39 weeks, i.e. 75% of a year
Performance indicator: percentage of productive time				
Percentage of operational days (i.e. productive time): (N.B. Benchmark is 65%)	69%	57%		The percentage of productive time is increasing (it was 51% at the end of the first quarter) and is likely to have increased further by the end of the fourth quarter. However, it is unlikely to reach its planned target of 69% for the reasons outlined at 5.2 above.

8. NEW OR UPDATED AUDIT DOCUMENTS

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

9. RECOMMENDATIONS TRACKER

9.1 This is a separate report.

10. FINANCIAL IMPLICATIONS

10.1 None as a direct result of this report

11. LEGAL IMPLICATIONS

11.1 None as a direct result of this report

12. COUNCIL OBJECTIVES

12.1 Council Objective 02: Improvement

13. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

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 The internal control and assurance framework ensures that the services delivered by the Council to the customer are undertaken with a robust and effective framework of processes and procedures

15. EQUALITIES AND DIVERSITY IMPLICATIONS

15.1 None as a direct result of this report

16. VALUE FOR MONEY IMPLICATIONS

16.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

17. CLIMATE CHANGE AND CARBON IMPLICATIONS

17.1 Climate Change is included as a risk to be managed on the corporate risk register.

18. OTHER IMPLICATIONS

Procurement Issues – None
Personnel - none
Governance/Performance Management - none
Community Safety including Section 17 of Crime and Disorder Act 1998 – none
Policy - none
Biodiversity – none

19. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Joint Chief Executive	No
Executive Director - Partnerships and Projects	No
Executive Director - Services	No
Assistant Chief Executive	No
Head of Service	Yes
Head of Financial Services	Yes

Head of Legal, Equalities & Democratic Services	Yes – where relevant recs are included
Head of Organisational Development & HR	Yes – where relevant recs are included
Corporate Procurement Team	n/a

20. WARDS AFFECTED

All Wards

21. APPENDICES

None

22. BACKGROUND PAPERS

None

CONTACT OFFICER

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

2010/11 INTERNAL AUDIT ANNUAL PLAN

Responsible Portfolio Holder	Geoff Denaro
Responsible Head of Service	Jayne Pickering
Key Decision / Non-Key Decision	

1. SUMMARY

1.1 To present for approval the detailed Internal Audit Plan for 2010/11.

2. RECOMMENDATION

2.1 The Audit Board is recommended to consider and approve the detailed Internal Audit Plan for 2010/11, as set out in the report and appendix.

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”.

3.3 A revised three year plan was approved by the Audit Board at its meeting of 28th September 2009. The purpose of the three year plan is to ensure that all of the Council’s key systems are audited at least once during three years, thus providing an assurance that the Council’s systems are operating as intended.

3.4 The annual plan for 2010/11 is the second year of this three year plan. However, it is good practice to review each year of planned work to ensure that there have not been any changes since the approval of the three year plan (e.g. in the way the Council works) that require adjustment to the annual plan.

4. PLANNING PROCESS

4.1 Consultation into the production of the 2010/11 Internal Audit Plan involved discussions with the following:

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

4.2 Internal Audit has adopted an Audit Risk Model Policy which 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 revised areas:
 - Value of income and expenditure.
 - Number of employees involved.
 - Impact on the Council.
 - Volume of transactions.
 - Impact of management and staff.
 - Third party sensitivity.
 - Standard of internal control.
 - Effectiveness of other assurance providers
 - Complexity of system.
 - Involvement of other organisations.
 - Risk Register entry.
 - Potential for fraud.
 - Length of time since last audit review.
- The auditable areas are then ranked in order of risk, with the highest scoring areas being given earlier and/or more audit attention in the audit plan, although it is intended to cover all auditable areas over a three year period.

4.3 The 2010/11 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 The WETT Internal Audit Shared Service is due to come into effect on 1st June 2010, i.e. two months into the financial year covered by the plan. Hence, the plan for 2010/11 has also been compiled in accordance with the detailed business case for the IA shared service.

4.5 During the period of transition to the shared management team officers will review the plan with the team to ensure it best meets the objectives of the improvements across the Council. Any revisions to the plan will be reported to members when finalised.

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 INCLUDING HEALTH & SAFETY CONSIDERATIONS

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. CLIMATE CHANGE AND CARBON IMPLICATIONS

12.1 None.

13. OTHER IMPLICATIONS

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

14. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Joint Chief Executive	Yes – At CMT
Executive Director - Partnerships and Projects	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 Organisational Development & HR	Yes – At CMT
Corporate Procurement Team	

15. WARDS AFFECTED

15.1 All wards are affected

16. APPENDICES

Appendix 1 2010/11 Internal Audit Annual Plan

17. BACKGROUND PAPERS

17.1 Internal Audit Three Year Plan as approved by the Audit Board at its meeting of 28th September 2010.

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2010/11 Internal Audit Plan

APPENDIX 1

Audit Reviews

Description	Risk Score (max = 100)	Directorate	Service	No. of days	Proposed Start Date	Options/Suggestions/ Comments
Completion of previous year's work	-	as per individual audits	as per individual audits	26	Quarter 1	
Corporate Governance	77	Chief Executive	Corporate Communication, Policy & Performance	15	Quarter 1	Governance arrangements for combined BDC/RBC.
ICT	79	Services	E-Government & Customer Services	15	Quarter 1	
Environmental Health (commercial & pollution)	65	Partnerships & Projects	P & ES	15	Quarter 1	
Performance Indicators and Data Quality	58	Chief Executive	Corporate Communication, Policy & Performance	10	Quarter 1	re 2009/10 data
Shared Services	82	tba	tba	25	Quarter 2	Impact of shared services on the control environment.
Civil Contingencies	70	Partnerships & Projects	P & ES	15	Quarter 2	
Treasury Management	65	Services	Financial Services	15	Quarter 2	Fundamental audit
General Ledger & Bank Reconciliations	62	Services	Financial Services	15	Quarter 2	
HR Services & Policies	58	Services	HR & OD	15	Quarter 2	
Equality & Diversity	51	Services	LEDS	15	Quarter 2	
Value for Money Study	-	Across all Directorates/Services of the Council		30	Quarter 2	

Description	Risk Score (max = 100)	Directorate	Service	No. of days	Proposed Start Date	Options/Suggestions/ Comments
Payroll	78	Services	HR & OD	10	Quarter 3	Fundamental audit
Council Tax	69	Services	Financial Services	15	Quarter 3	Fundamental audit
Budgetary Control & Strategy	68	Services	Financial Services	10	Quarter 3	Fundamental audit
NNDR	67	Services	Financial Services	15	Quarter 3	Fundamental audit
Creditors	65	Services	Financial Services	10	Quarter 3	Fundamental audit
Waste Collection	63	Services	SS & C	15	Quarter 3	
Licensing & Taxi Licensing	57	Partnerships & Projects	P & ES	15	Quarter 3	I
Benefits	70	Services	Financial Services	20	Quarter 4	Fundamental audit
Asset Management	66	Services	Legal, Equalities & Democratic Services	10	Quarter 4	
Debtors	64	Services	Financial Services	12	Quarter 4	Fundamental audit
Petty Cash	44	Services	Financial Services	10	Quarter 4	Low risk

Projects

Description	Service	Details	No. of days	Proposed Start Date	Options/Suggestions/ Comments
Risk Management	Financial Services	Risk management facilitation/support	60	Quarters 1 – 4	Ongoing

Other

Description	Service	Details	No. of days	Proposed Start Date	Options/Suggestions/Comments
Audit reviews/contingency	All	To deal with unexpected demands (e.g. more time than anticipated required for an audit).	5	Quarters 1 – 4	As required
Consultancy	All	Advice on controls for new or changing systems.	10	Quarters 1 – 4	As required

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

15TH MARCH 2010

UPDATE ON THE PREPARATION FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

1. SUMMARY

- 1.1 To inform members of the current position of this Council with regard to the transition to International Financial Reporting Standards (IFRS).

2. RECOMMENDATION

- 2.1 That the Council's preparations for the introduction of International Financial Reporting Standards are noted.

3. BACKGROUND

- 3.1 The Audit Board is an important part of Corporate Governance being a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance. As part of this function the Audit Board should be aware of the requirements of IFRS to ensure that the transition project is given suitable corporate priority.

A failure to achieve successful transition to IFRS would cause significant reputational damage to the Council, and will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion.

- 3.2 The annual financial statements for this council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice(UK GAAP).
- 3.3 In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, local government bodies are to move to preparing their financial statements using International Financial Reporting Standards(IFRS). These standards will be adapted as necessary for the public sector.

- 3.4 The 2010/11 financial year will be the first year for IFRS based local authority accounts, but prior to that date preparation is required for transition to this new basis, this includes the restatement of the 2009/10 comparative figures.
- 3.5 Even though IFRS is to be effectively implemented in the 2010/11 financial year there will be a stepped transition to the production of the council's statement of accounts on a solely IFRS basis. There are three key stages in this transition:
- Restate the opening balance sheet as at 1 April 2009 to comply with IFRS.
 - Prepare the accounts for the 2009/10 financial year in accordance with UK GAAP and also restate these accounts to comply with IFRS meaning that the 2009/10 financial statements will be prepared in both UK GAAP and IFRS formats.
 - Prepare the 2010/11 financial statements on an IFRS basis only.

4. CURRENT POSITION

- 4.1 Consultation on the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (Based on IFRS) concluded in September 2009. The final version of this Code has recently been made available.
- 4.2 A number of the initial tasks have been carried out such as training and attendance at seminars and working groups. Work on this project is now accelerating to ensure compliance with accounting requirements.
- 4.3 Key staff that have input into the transition have been identified and inevitably centre around the Finance Section, but the Council's Valuation Service have been consulted on offering assistance with Property and Lease Valuations. Where required guidance/support has been sought from outside the Council, where possible this has been done through the Hereford and Worcester Finance Managers Group, but in addition KPMG are offering advice on IFRS through a joint purchasing arrangement with Redditch.
- 4.4 Work is underway on the translation of the opening balance sheet (1/4/09), this includes a review of the accounting treatment of the Fixed Assets and leases -, additional guidance has been sought on their valuation and accounting treatment from both the County Valuation Service and Grant Thornton.
- 4.5 The Finance Section through the Finance Managers Group has carried out an impact assessment, comparing current accounting standards to those proposed under IFRS.

The table below summarises the areas where the most impact is anticipated and outlines the progress made to date:

Area of Impact	Progress to Date
Property Plant & Equipment	An exercise is underway to reclassify all operating and non-operating assets under IFRS definitions (as opposed to UK GAPP definitions as at present)

	Advice is being sought from the Valuation Service as to the method of valuation to be used for each class of asset.
Leases	Lease information has been obtained and classification of these leases as finance or operating leases is being sought from external sources.
Payroll	Under IFRS employee benefits such as untaken annual leave and flexitime, at the end of the financial year must be accounted for. Work has already been undertaken in this area for the opening balance as at the 1 April 2009 in preparation of the comparatives that will be required.
First-time adoption of IFRS	The opening balance sheet as at 1 st April 2009 needs to be restated. This exercise has begun but we are awaiting the conclusion of work on leases
Changes required to accounting policies and disclosure	Work is underway at this time to review the accounts and the IFRS requirements to determine the amendments that are needed to this area of the accounts.

5. KEY ACTIONS TO BE TAKEN

- 5.1 Although the council's 2010/11 accounts will be the first to be prepared on an IFRS basis, there will be a number of key tasks to be undertaken prior to that time. These include:
- Restating the 2009/10 accounts on an IFRS basis;
 - The opening balances at 1 April 2009 will need to be on an IFRS basis;
 - Whole of Government Accounts (WGA) will be on an IFRS basis from 2009/10;
 - The impact on budgets, the council tax, our systems and staff training are all areas which need to be considered; and
 - Ensuring the Council's financial system is configured to support the transition to IFRS based accounting.
- 5.2 It is important that we engage with our external auditors, the Audit Commission throughout the transition period in order to establish any audit trail or working paper expectations, materiality considerations, preliminary views on accounting treatment, audit timetable and arrangements for ongoing communication.
- 5.3 Officers have attended a number of seminars and are of members of Countywide working groups to assess the impact of the introduction of IFRS. It is envisaged that further seminars will be attended over the coming months as further clarification of its application is given.

6. FINANCIAL IMPLICATIONS

- 6.1 None outside existing budgets.

7. LEGAL IMPLICATIONS

7.1 The Council has a statutory obligation to produce its Statement of Accounts, income and expenditure and record of receipts and payments each year under the Accounts and Audit Regulations 2003 (as amended 2006).

8. COUNCIL OBJECTIVES

8.1 Council Objective 02: Improvement.

9. RISK MANAGEMENT

The main risks associated with the details included in this report is the non-compliance with statutory requirements.

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	No
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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

None.

17. BACKGROUND PAPERS

17.1 None.

CONTACT OFFICER

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