

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 21st June 2012

2011/12 INTERNAL AUDIT ANNUAL REPORT

Relevant Portfolio Holder	Councillor Roger Hollingworth
Relevant Head of Service	Teresa Kristunas, Head of Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To present:

- The 2011/12 Internal Audit Annual Report for the period 1st April 2011 to 31st March 2012.

2. RECOMMENDATION

2.1 That the Audit Board considers and notes:

- the 2011/12 Internal Audit Annual Report

3. BACKGROUND

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective 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 The Internal Audit Plan for 2011/2012 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their ‘opinion’ and other corporate systems for example governance and

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- a number of operational systems, for example waste collection and s106's, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 3.4 In accordance with best practice the plan is subject to review each year to ensure that identified changes, for example, external influences, risk assessment and process re-engineering are taken into consideration within the annual plan.
- 3.5 The purpose of the 2011/12 Annual Plan was to aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assisted the Authority in meeting its objectives by reviewing the high risk areas, systems and processes,
 - Audit plan delivery was monitored, appropriate action taken and performance reports 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 feeds into the Annual Governance Statement which is presented with the statement of accounts.
- 3.6 2011/12 was a demanding year for Worcestershire Internal Audit Shared Service (WIASS) team, with the implementation of a new methodology (1st April 2012), the implementation of a new structure (1st April 2011), the procurement of new internal audit management software, a significant proportion of the year with the Service Manager on maternity leave, vacancy managed posts for the first six months and the departure of staff as part of the efficiency gains. In addition there was unforeseen long term sickness absence which placed further pressure on the service and its ability to deliver the internal audit programme. Internal Audit also took a risk based approach and concentrated on "pure" audit work, minimising the amount of time allowed for in the plan for activity such as team meetings, technical reading and training. As part of the monitoring of the delivery of the audit plan throughout the year it became apparent that small changes were required due to the changing environment in Bromsgrove District Council. Discussions with the Executive Director (Finance and Corporate Resource) who is the s151 agreed some minor changes to the plan delivery but the overall coverage remained focussed on 'high' and 'medium' risk areas as well as core financials.

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4. KEY ISSUES

- 4.1 As can be seen in Appendix 1 during 2011/2012 there were 207 productive audit days. This equates to productivity of 53% against a productivity target for the year of 64%. The lower than expected productivity is accounted for by a number of influencing factors indicated earlier in the report.
- 4.2 **Appendix 2** provides a breakdown of the audits completed and the overall assurance.
- 4.3 The Internal Audit section has achieved the majority of what was required according to the 2011/2012 audit plan. Due to the impact of long-term sickness within Internal Audit team and the need to share financial and operational impact of this between the participating councils within the Internal Audit Shared Service, a small number of the audits were not delivered in 2011/12 but have either been brought forward to the 2012/13 audit plan or as part of the risk based assessment been classified as 'low' priority. These included Committee Reporting Alignment BDC & RBC, Strategic Alliance of BDC & RBC, climate change and shared service. Climate change and shared service have been rolled into 2012/13. The decision to not deliver these audits in 2011/12 was taken based upon a risk analysis of the work that still needed to be delivered within the plan at the time the decision was taken and the changing requirements of the Bromsgrove District Council. This decision was taken with the agreement of the council's section 151 officer.
- 4.4 Internal Audit was able to use a piece of work the Audit Commission produced in respect of ICT from which assurance could be taken.

Quality Measures

- 4.5 Managers are asked to provide feedback on systems audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire is sent to the Responsible Manager and an analysis of those returned during the year shows very high satisfaction with the audit product – see Appendix 2.
- 4.6 To further assist the Board with their assurance of the overall internal audit standards applied the CIPFA Self Assessment questionnaire has been considered and applied to the shared service. The outcome has indicated that there is a sound basis from which the shared service will work and which will be enhanced as certain key developments are implemented, for example the audit management software, over the next twelve months and further development of the Shared Service. Any areas of non-compliance

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with the Code would be reported as exceptions to the Client Officer Group and Audit Committee. There are no exceptions to report.

5. FINANCIAL IMPLICATIONS

5.1 None as a direct result of this report.

6. LEGAL IMPLICATIONS

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

7. POLICY IMPLICATIONS

7.1 None as a direct result of this report.

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

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

- Non-compliance with statutory requirements.

10. CUSTOMER IMPLICATIONS

10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

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

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13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None as a direct result of this report.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective overall governance process.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Nothing to report for this Board.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No

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Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	No
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards.

22. APPENDICES

Appendix 1 ~ Delivery against plan 2011/12
Appendix 2 ~ Audits complete with assurance

23. BACKGROUND PAPERS

None.

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APPENDIX 1

Delivery against Internal Audit Plan for 2011/12
1st April 2011 to 31st March 2012

Audit Area	DAYS USED TO 31/03/12	2011/12 PLANNED DAYS
Core Financial Systems	71	86
Corporate Audits (Note 1)	8	55
Other Systems Audits	128	130
TOTAL	207	271
Audit Management Meetings	6	15
Corporate Meetings / Reading	3	5
Annual Plans and Reports	7	8
Audit Committee support	8	6
Other chargeable	16	0
TOTAL	40	34
TOTAL	247	305

Note 1

Due to the continuing transformation a number of the corporate audits have been under consideration / review as to whether there will be any value added at this time. Some audit areas have been deemed that no value added at this time can be demonstrated therefore they have been deferred/considered as part of the 2012/13 plan.

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APPENDIX 1

Performance against Key Performance Indicators as at 31st March 2012

	KPI	As at 31st March 2012	Target	Frequency of monitoring	Frequency of reporting
1	Chargeability %	63%	72%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
2	Productivity %	53%	64%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
3	% Plan delivered excluding overruns	68%	95% for year	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
4	Overruns as a % of time spent	16%	5%	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
5	Customer satisfaction surveys	100%	95% Good or above	Monthly by WIASS management	Monthly to Client Officer Group Quarterly to Audit Committee
6	Number of audits delivered compared to plan	2010/2011 5 2011/2012 14 1x investigation	19	Annually by WIASS management	Annually to Client Officer Group and Audit Committee
7	Annual survey of Internal Audit Service	Monitored by Client Officer Group	Good or above	Annually by WIASS management	Annually to Client Officer Group and Audit Committee

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 will also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code will be reported as exceptions to the Client Officer Group and Audit Committee.

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Appendix 2

**Audit Opinion Analysis ~
Audits completed during financial year 2011/2012:**

Audit Report / Title	Final Report issued	Assurance
Creditors	12.12.11	Full
Treasury Management	21.02.12	Full
Budgetary Control & Strategy	21.02.12	Full
Cash, General ledger and Bank reconciliation	22.03.12	Full
Council Tax	29.02.12	Significant
Non Domestic Rates	29.02.12	Significant
Debtors	12.12.11	Significant
Garden Waste	15.09.11	Significant
Benefits	28.03.2012	Moderate
Waste Collection 2010/11	June 2011	Significant
S106's	To be confirmed	To be confirmed
Asset Management	To be confirmed	To be confirmed
Regulatory Services (Regulatory Shared Service)	To be confirmed	To be confirmed
Marlbrook Tip	16.12.11	N/a
ICT inc. project auditing	May 2011	Assurance taken from Audit Commission work undertaken
Governance inc Procurement & WETT Programme	Due to changing circumstances the audit was deferred	N/a
Arts Development	Due to changing circumstances the audit was deferred	N/a
Strategic Alliance of RBC & BDC	Due to changing circumstances the audit was deferred	N/a

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Committee Reporting Alignment BDC & RBC	Due to changing circumstances the audit was deferred	N/a
Climate Change	Due to changing circumstances the audit was rolled into 2012/13	N/a
Shared Service Client	Due to changing circumstances the audit was rolled into 2012/13	N/a

Summary of 2011/12 Audits Assurance Levels.

2011/12	Number of BDC Audits	Assurance	Overall %
From 14 audits	4	Full	29
(not including ICT or deferred)	5	Significant	36
	1	Moderate	7
	0	Limited	0
	0	No	0
	3	To be confirmed	21
	1	N/a	7

Client Feedback Analysis ~ IA Reporting

Feedback is sought after the issue of the final audit report either verbally or via a feedback questionnaire. The feedback is used to assess the effectiveness of internal audit and to help improve and enhance the internal audit function. Feedback during the 2011/12 financial year indicated that:

- The majority of auditees were more than happy with the process and format of the audits. This continues to be further developed.
 - Recommendations made would help to add value and increase efficiency and effectiveness.
 - There is a high satisfaction rate with the audit product from the data received.
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Overall Conclusions:

- 72% of the audits undertaken for 2011/12 which have received an assurance allocated returned an assurance of 'moderate' or above.
- Clients are satisfied with the audit process and service from the data received.