

# **BROMSGROVE DISTRICT COUNCIL**

## **AUDIT BOARD**

**21st NOVEMBER 2006**

### **AUDIT BOARD SELF ASSESSMENT**

Responsible Portfolio Holder	Councillor Margaret Taylor
Responsible Head of Service	Head of Financial Services

#### **1. Summary**

- 1.1 To present the completed CIPFA Audit Board Self Assessment. The document helps measure the effectiveness of the Council's Audit Board and details the level of compliance with the CIPFA guidance.

#### **2. Recommendation**

- 2.1 The Audit Board is recommended to:
1. Note the completed CIPFA Self Assessment document.
  2. Agree any action, following the self assessment, to ensure further compliance with the CIPFA Audit Board guidance.

#### **3. Background**

- 3.1 Following a request at the 28th March 2006 Audit Board meeting, a copy of CIPFA's Audit Committees: Practical Guidance for Local Authorities was circulated to each Audit Board member.
- 3.2 At the 25th April 2006 Audit Board meeting, it was resolved "that the Self Assessment Checklist on measuring the effectiveness of the Audit Board, as set out in CIPFA's Audit Committees: Practical Guidance for Local Authorities, be completed by the Board in six months' time". The aim of this exercise was to measure the effectiveness of the Council's Audit Board against the expectations detailed in the CIPFA guidance.

#### **4. CIPFA Audit Board Self Assessment Summary**

- 4.1 During October 2006, CIPFA's Audit Committees: Practical Guidance for Local Authorities Self Assessment was completed. The document is attached in Appendix A.

4.2 The completed assessment shows that although the Audit Board has only been operating for just over six months, it already complies with the majority of the CIPFA guidance. However, to ensure full compliance, consideration needs to be given to completing further work in the following areas:

- The Audit Board approving the Council’s Whistle-Blowing Strategy;
- A full member skills and experience assessment should be considered;
- A formal induction and training programme should be considered; and
- Additional advanced Audit Board training could be offered on a needs basis.

**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 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. Corporate Objectives**

7.1 Council Objective 04: Improvement.

**8. Risk Management**

8.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 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”. Not fulfilling this requirement would have a negative impact on the Authority.

**9. Customer Implications**

9.1 No customer implications.

**10. Other Implications**

10.1

Procurement Issues	None
Personnel Implications	None
Governance / Performance Management	None
Community Safety including Section 17 of the Crime and Disorder Act 1998	None
Policy	None
Environmental	None
Equalities and Diversity	None

## 11. Others Consulted on the Report

### 11.1

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

## 12. Appendices

### 12.1 Appendix A: CIPFA Audit Board Self Assessment

#### Background Papers

Audit Board agenda and reports - 25th April 2006.

#### Contact officer

Neil Shovell - Audit Services Manager  
E Mail: [n.shovell@bromsgrove.gov.uk](mailto:n.shovell@bromsgrove.gov.uk)  
Tel: (01527) 881667

No.	Issue	Yes	No	N/A	Comment
<b>1.</b>	<b>Terms of Reference</b>				
1.1	Have the committee's terms of reference been approved by Full Council?	✓			The Audit Board's Terms of Reference were approved by: <ul style="list-style-type: none"> <li>- Executive Cabinet on the 30th November 2005;</li> <li>- Full Council on 7th March 2006; and</li> <li>- Audit Board on the 28th March 2006.</li> </ul>
1.2	Do the terms of reference follow the CIPFA model?	✓			The Audit Board Terms of Reference are based on the CIPFA "Internal Audit Manual: Audit Committee Terms of Reference".
<b>2.</b>	<b>Internal Audit Process</b>				
2.1	Does the committee approve the strategic audit approach and the annual programme?	✓			On the 28th March 2006, the Audit Board approved the: <ul style="list-style-type: none"> <li>- The 2006/07 Internal Audit Plan;</li> <li>- Internal Audit Manual;</li> <li>- Internal Audit Protocol;</li> <li>- Internal Audit Charter; and</li> <li>- Internal Audit Performance Indicators.</li> </ul>
2.2	Is the work of internal audit reviewed regularly?	✓			At each meeting the following information is provided: <ul style="list-style-type: none"> <li>- 2006/07 Audit Plan - Current Status;</li> <li>- Audit Work Completed since the previous Audit Board meeting;</li> <li>- Summary of Investigations and - Recommended Improvements;</li> <li>- Performance Indicator statistics; and</li> <li>- New or updated audit documents.</li> </ul>

No.	Issue	Yes	No	N/A	Comment
2.3	Are summaries of quality questionnaires from managers reviewed?	✓			<p>One of Internal Audit's Performance Indicators is the "Customer feedback rating". Each month, current performance against target is reported.</p> <p>Specific comments made on returned quality questionnaires are also reported to the Audit Board.</p>
2.4	Is the annual report, from the head of audit, presented to the committee?	✓			The 2005/06 Internal Audit Opinion report was approved by the Audit Board on the 18th September 2006.
<b>3.</b>	<b>External Audit Process</b>				
3.1	Are reports on the work of external audit and other inspection agencies presented to the committee?	✓			<p>The following reports have been presented to the Audit Board to date:</p> <ul style="list-style-type: none"> <li>- External Audit Presentation;</li> <li>- 2003/04 and 2004/05 Final Accounts Memorandums;</li> <li>- 2004/05 Annual Audit and Inspection Letter;</li> <li>- 2005/06 Letter of Management Representations;</li> <li>- 2005/06 Interim Memorandum; and</li> <li>- 2006/07 Audit and Inspection Plan.</li> </ul>
3.2	Does the committee input into the external audit programme?		✓		The 2006/07 Audit and Inspection Plan was presented to the Audit Board on the 13th June 2006. However, the Audit Board does not currently request specific areas to be included in the programme.

No.	Issue	Yes	No	N/A	Comment
<b>4.</b>	<b>General</b>				
4.1	Does the committee ensure that officers are acting on and monitoring action to implement recommendations?	✓			At each meeting a "Priority 1 Recommendation Tracker" report is presented to the Audit Board which details progress on key recommendations.
4.2	Does the committee take a role in overseeing: - Risk Management Strategies; - Internal Control Statements; - Anti-Fraud Arrangements; and - Whistle-Blowing Strategies.	✓ ✓ ✓	✓		- Corporate Risk Register is due to be presented, but the Council's Risk Strategy has not been presented; - 2005/06 Statement of Internal Control was approved by the Audit Board on the 13th June 2006. - An update of completed and ongoing fraud investigations is presented at each meeting. Progress against the Audit Commission's NFI data matching exercise will also be reported; and - The Council's Confidential Reporting Code has not been presented, although it has not been updated since September 2004.
<b>5.</b>	<b>Membership</b>				
5.1	Has the membership of the committee been formally agreed and a quorum set?	✓			Audit Board membership was agreed at Full Council on the 9th May 2006, and consists of:  - Four Conservative members; - One Labour member; - One Independent member; and - One Wythall Ratepayers & Residents Association.  The quorum for the Audit Board is set out for committees in the Council Procedure Rules.

No.	Issue	Yes	No	N/A	Comment
5.2	Is the chair free of executive or scrutiny functions?	✓			
5.3	Are members sufficiently independent of the other key committees of the council?		✓		<p>Councillor G. N. Denaro - Local Development Framework Working Party.</p> <p>Councillor C. B. Lanham - Performance Management Board.</p> <p>Councillor A. N. Blagg - Performance Management Board, Licensing Committee.</p> <p>Councillor A. J. Dent - Scrutiny Steering Board, Licensing Committee.</p> <p>Councillor J. T Duddy - Scrutiny Steering Board.</p> <p>Councillor G. H. R. Hulett - Planning Committee, Licensing Committee, Local Development Framework Working Party.</p> <p>Councillor N. Psirides - Scrutiny Steering Board, Planning Committee, Licensing Committee, Local Development Framework Working Party.</p> <p>However, Audit Board's current membership and quorum complies with the Council Procedure Rules for committees and is due for review at Full Council on the 14th November 2006.</p>
5.4	Have all members' skills and experiences been assessed and training given for identified gaps?		✓		<p>A full member skills and experience assessment has not been completed. However, as part of the Modern Member programme a training needs analysis will be completed.</p>
5.5	Can the committee access other committees as necessary?	✓			<p>Within the Audit Board's Terms of Reference it states that the:</p> <ul style="list-style-type: none"> <li>- Board may report directly to full Council where it believes there have been improprieties; and</li> <li>- Audit Board's minutes and recommendations to be reported to the next available meeting of the Cabinet.</li> </ul>

No.	Issue	Yes	No	N/A	Comment
<b>6.</b>	<b>Meetings</b>				
6.1	Does the committee meet regularly?	✓			Audit Board meetings are held at least quarterly.
6.2	Are separate, private meetings held with the external auditor and the internal auditor?	✓			The Chairman of the Audit Board meets separately with the Audit Services Manager.  The Audit Board also have the opportunity to meet with Internal and/or external audit, when required.
6.3	Are meetings free and open without political influences being displayed?	✓			
6.4	Are decisions reached promptly?	✓			
6.5	Are agenda papers circulated in advance of meetings to allow adequate preparation by members?	✓			Audit Board papers are circulated at least five clear working days before each meeting, in accordance with the Local Government Act 1972.
6.6	Does the committee have the benefit of attendance of appropriate officers at its meetings?	✓			Meetings are attended by: <ul style="list-style-type: none"> <li>- The Acting Chief Executive;</li> <li>- The Head of Financial Services;</li> <li>- The Audit Services Manager;</li> <li>- The Accountancy Services Manager (as required);</li> <li>- A representative from the Council's Committee Services section;</li> </ul> and <ul style="list-style-type: none"> <li>- Any elected member or officer of the Authority, as detailed in the Audit Board's Terms of Reference (as required).</li> </ul>



No.	Issue	Yes	No	N/A	Comment
<b>7.</b>	<b>Training</b>				
7.1	Is induction training provided to members?		✓		Although no formal induction training has taken place, the following action has been completed: - A copy of the CIPFA "Audit Committees: Practical Guidance for Local Authorities" booklet was circulated to all Audit Board members following the 28th March 2006 Audit Board meeting; - KPMG completed a presentation at the 25th April 2006 Audit Board meeting which summarised best practice guidance for Audit Boards; and - A report summarising the Internal Audit process and how Audit Boards feed into that process was presented at the 28th March 2006 Audit Board meeting.
7.2	Is more advanced training available as required?		✓		No advanced Audit Board training has been completed, although it could be offered on a needs basis.
<b>8.</b>	<b>Administration</b>				
8.1	Does the s151 officer or deputy attend all meetings?	✓			Meetings are attended by: - The Head of Financial Services (Section 151 Officer); or - Acting Chief Executive (Deputy Section 151 Officer).
8.2	Are the key officers available to support the committee?	✓			Support to the Audit Board is provided by the Committee Services section, in accordance with internal policies and procedures.