

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

19TH FEBRUARY 2007

AUDIT BOARD OPERATIONS

Responsible Portfolio Holder	Councillor Mrs. M. M. T. Taylor
Responsible Head of Service	Head of Financial Services

1. Summary

1.1 To present:

- An update on the completed Audit Committee CIPFA Self Assessment document, as presented at to the Audit Board on the 21st November 2006.
- The updated Audit Board Terms of Reference.

2. Recommendation

2.1 The Audit Board is recommended to note and agree the:

- Necessary action following the completed Audit Committee CIPFA Self Assessment document, as presented at to the Audit Board on the 21st November 2006.
- Updated Audit Board Terms of Reference.

3. Background

3.1 During October 2006, CIPFA's Audit Committees: Practical Guidance for Local Authorities Self Assessment was completed and presented to the Audit Board on the 21st November 2006. The completed assessment showed that although the Audit Board has only been operating for just under twelve months, it already complies with the majority of the CIPFA guidance. However, consideration needed to be given to completing further work in order to ensure full compliance.

3.2 At the 28th March 2006 Audit Board meeting, the Terms of Reference for the Board were agreed. However, following on from the CIPFA Audit Committees: Practical Guidance for Local Authorities Self Assessment, a review of the Audit Board's Terms of Reference was completed during January 2007. Following the review, a number of updates have been identified.

4. CIPFA Audit Board Self Assessment

4.1 During October 2006, CIPFA's Audit Committees: Practical Guidance for Local Authorities Self Assessment was completed. The assessment identified that further work needed to be completed to ensure full compliance and a number of

points were raised at the 21st November Audit Board meeting. An update on the outstanding issues is attached in Appendix A, although specific areas to note are:

- The Audit Board's Terms of Reference have been amended and include "To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance";
- The Council's revised Confidential Reporting Code will be reported to the Audit Board on the 19th February 2007;
- The Audit Board need to consider whether cross membership with other scrutiny functions is acceptable; and
- To consider Audit Board training as part of the Modern Member training programme. Work has also begun on seeking external input or mentoring for the Audit Board, as discussed at the Government Monitoring Board on the 26th November 2006.

5. Audit Board Terms of Reference

5.1 A review of the Audit Board's Terms of Reference was completed during January 2007. To ensure full compliance with the CIPFA guidance, as summarised in section 4, and to reflect increased responsibilities with risk management, the following key updates are proposed:

- The board will monitor Council policies on 'Raising Concerns at Work', including the Confidential Reporting Code, Anti Fraud and Corruption Strategy and the Council's complaints procedure.
- The board will monitor the effective development and operation of risk management.
- To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

6. Financial Implications

6.1 Following discussions with the Head of Financial Services, there will be a financial implication if:

- an external member of the Audit Board is required; or
- external training or mentoring of Audit Board members is decided.

There is no specific budget available for the costs arising from external members being appointed to a Council Board or Committee.

There is an allocation in respect of member training which may be available for additional training for the Audit Board.

Additionally, audit and financial awareness training is intended to be provided to members internally, at no extra cost.

7. Legal Implications

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

8. Corporate Objectives

8.1 Council Objective 04: Improvement.

9. Risk Management

9.1 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 practices in relation to internal control". Not fulfilling this requirement would have a negative impact on the Authority.

10. Customer Implications

10.1 No customer implications.

11. Other Implications

11.1

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

12. Others Consulted on the Report

12.1

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

13. Appendices

13.1 Appendix A: CIPFA Audit Board Self Assessment.

13.2 Appendix B: Updated Audit Board Terms of Reference.

Background Papers

Audit Board agenda and reports - 28th March and 21st November 2006.

Contact officer

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

CIPFA Audit Board Self Assessment

No.	Issue	Yes	No	N/A	Self Assessment (Oct. '06)	Current Position (Jan. '07)
1.	Terms of Reference					
3.2	Does the committee input into the external audit programme?		✓		The 2006/2007 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.	The Audit Board's Terms of Reference have been amended to include: "To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance."
4.	General					
4.2	Does the committee take a role in overseeing: - Risk Management Strategies; - Internal Control Statements; - Anti-Fraud Arrangements; and	✓ ✓ ✓			- Corporate Risk Register is due to be presented, but the Council's Risk Strategy has not been presented; - 2005/2006 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	- N/A. - N/A. - N/A

No.	Issue	Yes	No	N/A	Self Assessment (Oct. '06)	Current Position (Jan. '07)
	- Whistle-Blowing Strategies.		✓		- The Council's Confidential Reporting Code has not been presented, although it has not been updated since September 2004.	- The Council's Confidential Reporting Code will be reported following its next update.
5. Membership						
5.3	Are members sufficiently independent of the other key committees of the council?		✓		<p>Councillor S. J. Baxter - Planning Committee, Performance Management Board.</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>The CIPFA guidance describes key committees are the executive and scrutiny functions.</p> <p>The Audit Board complies with the CIPFA guidance that states:</p> <p>- The audit committee chair should not be, expressly, a member of the executive</p> <p>However, current Audit Board membership does not comply with the guidance that states:</p> <p>- The audit committee needs to be independent from executive and scrutiny. The link with the scrutiny function can be beneficial but the ultimate power of the audit committee could be compromised by too much cross-membership.</p> <p>- The audit committee needs to retain the ability to challenge the executive on issues and to report to it on major</p>

No.	Issue	Yes	No	N/A	Self Assessment (Oct. '06)	Current Position (Jan. '07)
					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.	issues and contraventions. Therefore cross-membership should not be the norm, and if it is seen as necessary should be restricted to one member from each.
5.4	Have all members' skills and experiences been assessed and training given for identified gaps?		✓		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.	To be considered as part of the Modern Member training programme. Work has also begun on seeking external input or mentoring for the Audit Board, as discussed at the Government Monitoring Board on the 26th November 2006.
7.	Training					
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	As per 5.4 above, to be considered as part of the Modern Member training programme and the ongoing work in seeking external input into the Audit Board.

No.	Issue	Yes	No	N/A	Self Assessment (Oct. '06)	Current Position (Jan. '07)
					<p>which summarised best practice guidance for Audit Boards; and</p> <p>- 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.</p>	
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.	As per 5.4 above, to be considered as part of the Modern Member training programme and the ongoing work in seeking external input into the Audit Board.

APPENDIX B

AUDIT BOARD

Operating Arrangements

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
1	The Audit Board will be a fully constituted Authority Committee.	No	1	The Audit Board will be a fully constituted Authority Committee.
2	It will meet at least four times per year.	No	2	It will meet at least four times per year.
3	It will comprise seven elected members.	No	3	It will comprise seven elected members.
4	The board will have the authority to require the attendance of any elected member or officer of the Authority.	No	4	The board will have the authority to require the attendance of any elected member or officer of the Authority.
5	The Audit Services Manager may report directly to the Chair of the board if deemed necessary.	No	5	The Audit Services Manager may report directly to the Chair of the board if deemed necessary.
6	The administration of the board will be provided by Legal and Democratic Services.	No	6	The administration of the board will be provided by Legal and Democratic Services.
7	The board may report directly to full Council where it believes there have been improprieties.	Yes	7	The board may report directly to full Council if deemed necessary.
8	The Audit Board's minutes and recommendations to be reported to the next available meeting of the Cabinet.	No	8	The Audit Board's minutes and recommendations to be reported to the next available meeting of the Cabinet.

Terms of Reference

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
1	The board is charged with monitoring the good stewardship of the Authority's resources through the work of the Internal Audit function.	No	1	The board is charged with monitoring the good stewardship of the Authority's resources through the work of the Internal Audit function.
2	The board will support the profile, status and authority of the Internal Audit function and will demonstrate its independence.	No	2	The board will support the profile, status and authority of the Internal Audit function and will demonstrate its independence.
3	The board will contribute towards making the Authority, its committees and departments more responsive to the Internal Audit function.	No	3	The board will contribute towards making the Authority, its committees and departments more responsive to the Internal Audit function.
4	The board is charged with the responsibility for promoting internal control by the systematic appraisal of the Authority's internal control mechanisms, by the development of an anti-fraud culture and by the review of financial procedures.	No	4	The board is charged with the responsibility for promoting internal control by the systematic appraisal of the Authority's internal control mechanisms, by the development of an anti-fraud culture and by the review of financial procedures.
		New	5	The board will monitor Council policies on 'Raising Concerns at Work', including the Confidential Reporting Code, Anti Fraud and Corruption Strategy and the Council's complaints procedure.

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
5	The board is charged with the responsibility for focusing audit resources, by agreeing the audit plans and monitoring delivery of the Internal Audit function.	No	6	The board is charged with the responsibility for focusing audit resources, by agreeing the audit plans and monitoring delivery of the Internal Audit function.
6	The board will monitor both internal and external audit performance by ensuring auditor/officer collaboration within the agreed timescales, by securing the timely preparation and response to audit reports, by ensuring the implementation of audit recommendations and by monitoring the finalisation of the annual accounts.	No	7	The board will monitor both internal and external audit performance by ensuring auditor/officer collaboration within the agreed timescales, by securing the timely preparation and response to audit reports, by ensuring the implementation of audit recommendations and by monitoring the finalisation of the annual accounts.
7	To receive and consider a summary of internal audit work undertaken since the last meeting, plus the current status of this work.	Yes	8	The board will consider the Audit Services Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of Council's corporate governance arrangements.
8	The board will monitor compliance with the Authority's standards, codes of practice and policies through the work of the Internal Audit function.	Yes	9	The board will consider the Council's compliance with its own and other published standards and controls.
		New	10	The board will maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
9	The board will monitor compliance with relevant legislative requirements through the work of the Internal Audit function.	No	11	The board will monitor compliance with relevant legislative requirements through the work of the Internal Audit function.
10	The board will ensure that it acts within the policies and strategies of the Authority.	No	12	The board will ensure that it acts within the policies and strategies of the Authority.
		New	13	The board will monitor the effective development and operation of risk management.

Board Remit

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
1	Agree the annual and strategic audit plans.	No	1	Agree the annual and strategic audit plans.
2	Review Internal Audit's progress against the audit plan and consider Internal Audit performance measures.	No	2	Review Internal Audit's progress against the audit plan and consider Internal Audit performance measures.
3	Receive and consider a summary of work undertaken by Internal Audit since the last meeting, plus current status.	No	3	Receive and consider a summary of work undertaken by Internal Audit since the last meeting, plus current status.
4	Receive and consider executive summaries of process reviews.	Yes	4	Receive and consider executive summaries of process reviews, as requested.
5	Receive and consider executive summaries of VFM reports.	Yes	5	Receive and consider executive summaries of VFM reports, as requested.

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
6	Receive and consider executive summaries of contract audit reports.	Yes	6	Receive and consider executive summaries of contract audit reports, as requested.
7	Receive and consider executive summaries of any special investigations undertaken by Internal Audit.	Yes	7	Receive and consider executive summaries of any special investigations undertaken by Internal Audit, as requested.
8	Receive and consider a chronological summary of internal audit reports awaiting departmental response and address any evident problems.	Yes	8	To receive quarterly "Recommendation Tracker" reports which detail outstanding key recommendations that require attention.
9	Monitor the proportion of key recommendations actioned since the previous meeting.	Yes	N/A	Remove.
		New	9	To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
		New	10	To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
		New	11	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.

No.	Previous Statement	Amendments (Yes / No)	No.	New Statement
10	Consider all external audit reports.	Yes	12	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
		New	13	To comment on the scope and depth of external audit work and to ensure it gives value for money.
		New	14	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
		New	15	To liaise with the Audit Commission over the appointment of the Council's external auditor.