

Audit & Governance Committee

Mon 23 Jan
2012
7.00 pm

Committee Room 2
Town Hall
Redditch



www.redditchbc.gov.uk

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- In addition, the public now has a right to be present when the Council determines “Key Decisions” unless the business would disclose confidential or “exempt” information.
- Unless otherwise stated, all items of business before the Executive Committee are Key Decisions.
- (Copies of Agenda Lists are published in advance of the meetings on the Council’s Website:
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Denise Sunman
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Welcome to today's meeting.

Guidance for the Public

Agenda Papers

The **Agenda List** at the front of the Agenda summarises the issues to be discussed and is followed by the Officers' full supporting **Reports**.

Chair

The Chair is responsible for the proper conduct of the meeting. Generally to one side of the Chair is the Committee Support Officer who gives advice on the proper conduct of the meeting and ensures that the debate and the decisions are properly recorded. On the Chair's other side are the relevant Council Officers. The Councillors ("Members") of the Committee occupy the remaining seats around the table.

Running Order

Items will normally be taken in the order printed but, in particular circumstances, the Chair may agree to vary the order.

Refreshments : tea, coffee and water are normally available at meetings - please serve yourself.

Decisions

Decisions at the meeting will be taken by the **Councillors** who are the democratically elected representatives. They are advised by **Officers** who are paid professionals and do not have a vote.

Members of the Public

Members of the public may, by prior arrangement, speak at meetings of the Council or its Committees. Specific procedures exist for Appeals Hearings or for meetings involving Licence or Planning Applications. For further information on this point, please speak to the Committee Support Officer.

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Do Not stop to collect personal belongings.

Do Not use lifts.

Do Not re-enter the building until told to do so.

The emergency Assembly Area is on Walter Stranz Square.

Declaration of Interests: Guidance for Councillors

DO I HAVE A "PERSONAL INTEREST" ?

- Where the item relates or is likely to affect your **registered interests** (what you have declared on the formal Register of Interests)

OR

- Where a decision in relation to the item might reasonably be regarded as affecting **your own** well-being or financial position, or that of your **family**, or your **close associates** more than most other people affected by the issue,

you have a personal interest.

WHAT MUST I DO? **Declare the existence, and nature, of your interest and stay**

- The declaration must relate to specific business being decided - a general scattergun approach is not needed
- **Exception** - where interest arises only because of your membership of another **public body**, there is no need to declare unless you **speak** on the matter.
- You **can vote** on the matter.

IS IT A "PREJUDICIAL INTEREST" ?

In general only if:-

- It is a personal interest **and**
- The item affects your **financial position** (or conveys other benefits), or the position of your **family, close associates** or bodies through which you have a **registered interest** (or relates to the exercise of **regulatory functions** in relation to these groups)

and

- A member of public, with knowledge of the relevant facts, would reasonably believe the interest was likely to **prejudice** your judgement of the public interest.

WHAT MUST I DO? **Declare and Withdraw**

BUT you may make representations to the meeting before withdrawing, **if** the public have similar rights (such as the right to speak at Planning Committee).



Audit & Governance Committee

23rd January 2012

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs: Bill Hartnett (Chair) Andrew Brazier
 Rebecca Blake Malcolm Hall
 (Vice-Chair) William Norton
 Peter Anderson Luke Stephens
 Michael Braley

<p>1. Apologies</p>	<p>To receive the apologies of any Member who is unable to attend this meeting.</p>
<p>2. Declarations of Interest</p>	<p>To invite Councillors to declare any interests they may have in items on the agenda.</p>
<p>3. Minutes (Pages 1 - 4)</p>	<p>To confirm as a correct record the minutes of the meeting of the Audit and Governance Committee held on 15th November 2011. (Minutes attached)</p>
<p>4. Annual Audit Letter 2010/11 (Pages 5 - 20) Exec Director (Finance and Corporate Resources)</p>	<p>To consider the Audit Commission Annual Audit Letter for 2010/11 and to note the action to the recommendations. (Report attached) (All Wards);</p>
<p>5. Internal Audit - Provisional Audit Annual Plan 2012/13 (Pages 21 - 30) Worcestershire Internal Audit Shared Service Manager</p>	<p>To consider:</p> <ul style="list-style-type: none"> a) the Redditch Borough Council Provisional Internal Audit Operational Plan for 2012/13 and b) the Internal Audit Shared Service's set of key performance indicators for 2012/13. <p>(Report attached) (No Specific Ward Relevance);</p>
<p>6. Benefits Fraud Team - Annual Report Head of Finance and Resources</p>	<p>To consider the Annual Report of the Benefits Fraud Team. (Report to follow) (No Specific Ward Relevance);</p>

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<p>7. Treasury Management, Prudential Indicators and Minimum Revenue Provision 2012/13</p> <p>Head of Finance and Resources</p>	<p>To consider the Treasury Management Strategy, Prudential Indicators and the Minimum Revenue Provision for the 2012/13 financial year prior to approval by full Council.</p> <p>(Report to follow)</p> <p>(No Specific Ward Relevance);</p>
<p>8. Committee Work Programme 2012</p> <p>(Pages 31 - 32)</p> <p>Chief Executive</p>	<p>To consider the Work Programme for 2012 and make suggestions for any additions or amendments.</p> <p>(Report attached)</p> <p>(No Specific Ward Relevance);</p>
<p>9. Exclusion of the Public</p>	<p>Should it be necessary, in the opinion of the Chief Executive, to consider excluding the public from the meeting in relation to any items of business on the grounds that exempt information is likely to be divulged it may be necessary to move the following resolution:</p> <p>“that, under S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matters on the grounds that they involve(s) the likely disclosure of exempt information as defined in of Part 1 of Schedule 12 (A) of the said Act, as amended.”</p> <p>[Subject to the “public interest” test, information relating to:</p> <ul style="list-style-type: none">• Para 1 – <u>any individual</u>;• Para 2 – the <u>identity of any individual</u>;• Para 3 – <u>financial or business affairs</u>;• Para 4 – <u>labour relations matters</u>;• Para 5 – <u>legal professional privilege</u>;• Para 6 – <u>a notice, order or direction</u>;• Para 7 – the <u>prevention, investigation or prosecution of crime</u>; <p>may need to be considered as ‘exempt’.]</p>

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10. Internal Audit - Interim Monitoring Report 2011/12

Worcestershire Internal Audit Shared Service Manager

To consider:

- a) the Internal Audit Interim Monitoring Report for the period 1st April to 31st December 2011; and
- b) the Revised Internal Audit Plan for 2011/12

(Report to follow)

(No Specific Ward Relevance);



Audit & Governance

Committee

15th November 2011

MINUTES

Present:

Councillor Bill Hartnett (Chair), Councillor Rebecca Blake (Vice-Chair) and Councillors Peter Anderson, Michael Braley, Andrew Brazier and Luke Stephens

Officers:

T Kristunas, J Pickering and G Tanfield - Worcestershire Internal Audit Shared Service Manager

Committee Services Officer:

D Sunman

20. APOLOGIES

There were no apologies for absence.

The Chair welcomed members to a special meeting of the Audit and Governance Committee, which had been called to provide an update on the Internal Audit Plan.

21. DECLARATIONS OF INTEREST

There were no declarations of interest.

22. MINUTES

RESOLVED that

the minutes of the meeting of the Committee held on 26th September 2011 be confirmed as a correct record and signed by the Chair.

.....
Chair

Audit & Governance

Committee

15th November 2011

23. INTERNAL AUDIT - UPDATE ON DELIVERY AGAINST 2011/12 PLAN

The Committee received a report that provided an update:

- a) on delivery against the 2011/12 Internal Audit Plan as at 30th October 2011; and
- b) on the actions that Internal Audit had taken to ensure the management and those charged with governance had been provided with the required coverage and assurances over the system for internal control for 2011/12.

Officers reported that significant progress had been made since 31st July 2011 towards delivering the Internal Audit Plan and achieving the targets set for 2011/12.

Members were informed that chargeability and productivity had increased from 17% to 55% and 33% to 48% respectively and that a total of 191 chargeable days had been delivered against a target of 479 days for 2011/12.

The Committee was informed that a number of steps had been put in place to ensure delivery against the Internal Audit Plan 2011/12 and to give the required assurances to Members, District Auditor (Audit Commission) and management over the system of internal control, the Annual Governance Statement and Statement of Accounts.

These steps had included:

- (i) the Worcestershire Internal Audit Shared Service Manager had met with Executive Director of Finance and Resources, in her role as the Council's Section 151 Officer, to discuss progress against the plan and actions taken to assist with the delivery of the plan;
- (ii) two experienced auditors had been recruited to the team and resource within the team had been managed to accelerate delivery against the plan and ensure effective service. ;
- (iii) the plan would continue to be rigorously monitored to ensure performance and continued improvement and that risk would be managed effectively; and
- (iv) absenteeism had been proactively and rigorously managed.

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Members were assured that Officers were confident that, with continued monitoring of performance, delivery against the Audit Plan for 2011/12 would continue to accelerate and would include all high and medium risk areas.

Officers would be meeting to further discuss delivery of the remainder of the Plan. Officers agreed to inform Members of the Committee, by the end of November 2011, of any changes to the Plan.

Members requested that the district auditors (the Audit Commission) be kept informed of all discussions regarding amendments to the Audit Plan for 2011/12.

RESOLVED that

- 1) the report be noted;**
- 2) Members receive electronic updates on any amendments to the Audit Plan by the end of November 2011 following Officer meetings;**
- 3) the District Auditor (Audit Commission) be kept informed of any decision to make amendments to the Audit Plan.**
- 4) that a further update report be prepared for the next meeting of this Committee.**

The Meeting commenced at 6.00 pm
and closed at 6.55 pm

.....
Chair

AUDIT & GOVERNANCE COMMITTEE

23rd January 2012

AUDIT COMMISSION ANNUAL AUDIT LETTER 2010/11

Relevant Portfolio Holder	Cllr Mike Braley
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To enable Members to consider the Audit Commission Annual Audit Letter for 2010/11 and to note the action to the recommendations.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

the recommendations included in the Annual Audit Letter 2010/11 be noted.

3. KEY ISSUES

Financial Implications

- 3.1 None as a direct result of this report. The work undertaken to Audit the Accounts and prepare the Annual Audit Letter is included in the 2011/12 Audit Commission fee of £134k.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2011 defines the legislation that Authorities have to comply with in preparing their accounts.

Service / Operational Implications

- 3.3 The Annual Audit Letter as attached at Appendix 1 summarises findings from the 2010/11 Audit. This considers 2 elements:

- Audit of financial statements;
- Assessment of Value for Money arrangements.

- 3.4 A number of conclusions have been made by the Commission in relation to these elements. These include:

- The Council manages risk effectively;
- The Council produces a realistic medium term financial plan;
- The savings from shared services have been delivered;

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23rd January 2012

- the Council has a clear plan of addressing financial pressures with the shared service and transformation plans;
- the Council has maintained improvements in financial planning and budgeting;
- there were no significant weaknesses in internal control.

3.5 There were 2 adjustments that were required following identification by the Audit Commission these included:

- Accounting treatment of the lease associated with Threadneedle House;
- Applying the reduced value factor for social housing.

The adjustments were made in the accounts to reflect the correct treatment.

3.6 There were 2 recommendations made by the Commission in the Audit Letter. As members are aware the Council is undertaking a transformation in all services to realise efficiencies whilst improving customer service. The recommendations reflect the need to identify savings and to monitor performances, both which form part of regular reports to Members.

3.7 Officers will continue to work with the Audit Commission to ensure the Councils accounts and financial management arrangements will deliver compliant and informative accounts and policies in the future.

Customer / Equalities and Diversity Implications

3.8 None as a direct result of this report

4. RISK MANAGEMENT

The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

5. APPENDICES

Appendix 1 – Annual Audit Letter

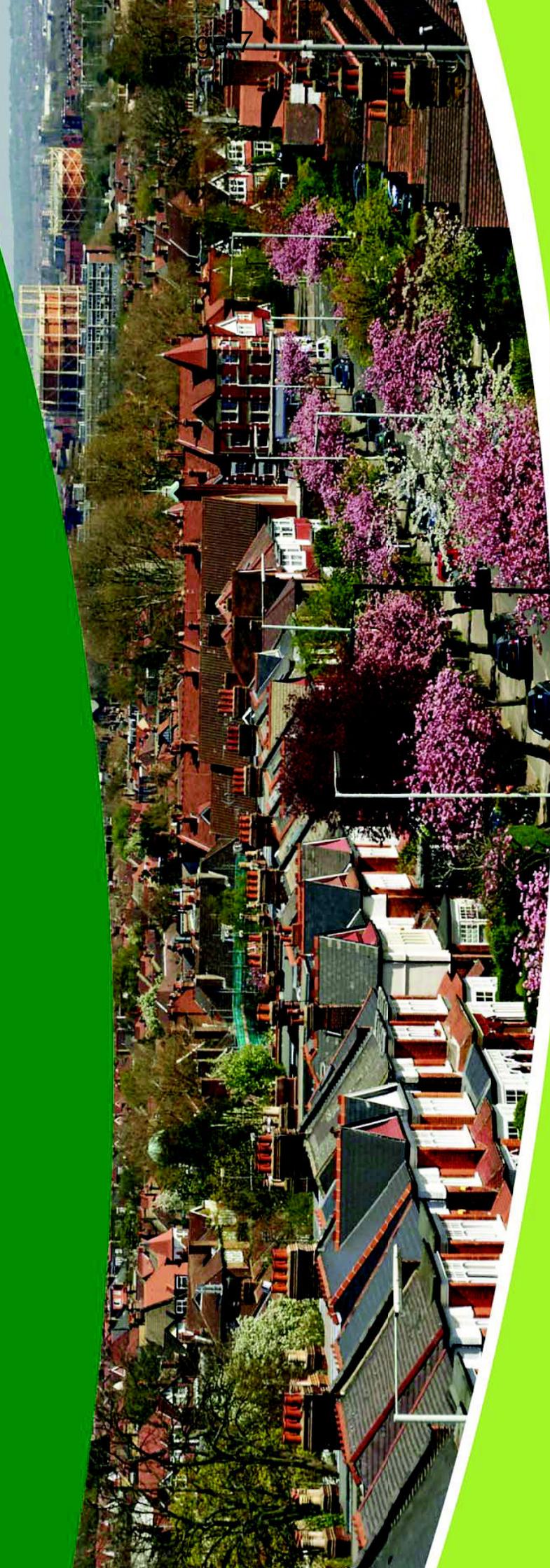
AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
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Tel: 01527-881400

Annual Audit Letter

Redditch Borough council

Audit 2010/11



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Traffic light explanation
Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

- I issued an unqualified opinion on the financial statements on 30 September 2011.
- There were two material adjustments to the accounts. One resulted from the incorrect accounting treatment of a property lease and the other resulted from an incorrect valuation of council dwellings.
 - I identified another non-material error which did not affect my audit opinion and was not adjusted.

Value for money

- I gave an unqualified conclusion on your arrangements to secure value for money on 30 September 2011.
- The council has systems and processes in place to manage financial risk.
 - The council produces realistic medium term financial plans which are modified as conditions change.
 - The council has budget setting and monitoring processes which enable prompt action to be taken to resolve any problems.
 - Performance against key operational targets is reasonable.
 - The planned savings from shared services are being delivered.

Current and future challenges

Bromsgrove and Redditch are part way through an ambitious programme of developing shared services and business transformation. This is being carried out at a time of significant pressure on finances both because of the economic downturn and because of reductions in government support for local councils.

Redditch BC and Bromsgrove DC began sharing services and a senior management team in August 2008. After a trial period the full shared services began in April 2010. In August 2011 the timetable for completion was brought forward and it is planned that all services will be shared by April 2012. In addition the business transformation project which aims to significantly improve operational efficiency and customer service will run alongside the implementation of the shared services programme. Progress to date has been good but the accelerated timetable will be very challenging for management and staff.

The Council has responded to the pressures on its spending but it will become increasingly difficult to maintain services and make further savings. Following the Government's Comprehensive Spending Review, plans for savings have been substantially increased. In 2010/11 the Council identified and delivered savings of £1.370 million. The budget for 2011/12 includes savings of £1.211 million, of which £577k relates to the shared services.

In January 2011 the council received its two year financial grant settlement from government. This showed that funding for the two years 2011/12 and 2012/13 will be £1.3 million less than was originally estimated. The revised savings targets have been established as £1.8 million in 11/12, with over £3 million required over the next three years. There will need to be increased focus on council objectives and members will have to decide between competing priorities.

Detailed savings plans for 2012/13 are currently being worked on by service managers and will be underpinned by savings as part of the Business Transformation Project. All detailed savings plans need to be in place by the start of the 2012/13 financial year.

Performance reports for 2010/11 show that 49 per cent of performance indicators have improved whilst 44 per cent have deteriorated. Current performance needs to be maintained during the implementation of the Business Transformation Project.

Recommendation

R1 Council members should ensure

- All savings for 2012/13 are identified before the start of the financial year.
- Council members should keep focussed on performance and ensure it does not deteriorate.

Financial statements and annual governance statement

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

Overall conclusion from the audit

I concluded that there were no material errors in the accounts and I issued an unqualified opinion on 30 September 2011. As for many other councils, in this first year of accounting under IFRS there were a large number of numerical and disclosure errors that have been adjusted in the accounts.

Two material errors were also adjusted. These are described below.

- As part of the transfer to accounting under IFRS the Council was required to assess all of its leases to decide whether they would be accounted for as an operational or finance lease. Threadneedle House was originally incorrectly assessed as an operating lease and the value of the property included in investment properties. The lease has now been re-assessed and is now treated as a finance lease. This required an adjustment of £1.836 million to take the value of the property out of investment properties and the creation of a long term debtor which is released to revenue over the life of the lease.
- The Council undertakes a cyclical revaluation of its property assets and in 2010/11 council dwellings were revalued. There is a nationally specified percentage reduction that is applied to the value of social housing to recognise that they are let and this reduction factor was increased for 2010/11. The correct factor was not applied by the valuer the Council engaged to carry out the work which resulted in an overvaluation of Council Dwellings of £91.8 million in the draft accounts.

There was little change to gross expenditure or net assets apart from the two adjustments described above.

There was only one error which management declined to amend. There was a small error in applying the proper rent increases for 2010/11 within the SAFFRON system. Although only a small amount for each tenant it meant that the rent disclosed as income in the Housing revenue account was overstated by £241k for the year. The impact on tenants has been corrected by marginally reducing the rents charged to tenants in 2011/12. However, the overstatement in the financial statements remains. I am satisfied that this does not materially misstate the position.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The council has systems and processes in place to manage financial risk. The council produces realistic medium term financial plans which are modified as conditions change. The council has maintained the improvement in financial planning, budgeting and monitoring made in recent years.</p> <p>The annual updating of the medium term financial plan identifies budget gaps at an early stage. In 2009 significant future budget gaps were identified and a basket of savings options and delivery timetable was produced for member consideration. Service directorates were tasked with identifying savings. These totalled £1.4 million and were delivered in full in 2010/11 accounting period.</p>

Criterion

Key messages

Both budget monitoring and budget reporting to Executive Committee are adequate for management to take necessary action on any potential over spends.

Reductions in government grants from 2011/12 coupled with unavoidable commitments resulted in further significant budget gaps. Savings plans are in place to address these gaps and are mainly being addressed by staff savings identified in the shared services business planning. A further £0.5 million have been identified by directorates in their base budgets. These savings targets are currently on target to being met

There remains a risk that 2012/13 savings will not be achieved. Savings rely on those identified as part of the transformation project which is still at an early stage.

There is a robust risk management process so that financial risks are identified, addressed and monitored. Management will need to brief members on risks as they arise.

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Costs have been reviewed and savings identified as part of the shared services programme.

Shared service savings are based mainly on savings from pay budgets. Redditch BC has detailed plans and monitoring arrangements in place for the delivery of the shared service agenda.

The shared services programme has proceeded according to plan so far. The following services are now shared: payroll, procurement, community safety/CCTV services, electoral services, ICT, corporate policies and communications and leisure services. In addition regulatory services are now part of the Worcestershire wide shared service hosted by Bromsgrove District council. The implementation timetable has now been revised so that all services will be shared by April 2012. There are detailed savings plans in place which are monitored on a regular basis. These overall planned savings of £1.179 million were achieved in 2010/11. Redditch's share of these savings was approximately £629,000.

Savings for 2012/13 are being worked on by service managers and are underpinned by the Business Transformation project. It is planned that business efficiency and customer focus will be improved by this project.

Operational targets are closely monitored and reported to members on a quarterly basis. Performance reports for 2010/11 show that 49 per cent of performance indicators have improved, 7 per cent have stayed the same and 44 per cent have deteriorated. Current performance needs to be maintained as the transformation project progresses.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Executive Director of Finance and Resources. I will present this letter at the Audit and Governance Committee on 23 January 2011 and will provide copies to all board members.

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.

Report	Date issued
Audit Plan	May
Annual governance Report	September
Audit opinion	September
Annual Audit Letter	November

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

Elizabeth Cave

District Auditor

30 November 2011

Appendix 1 – Fees

	Actual	Proposed	Variance
Scale fee	134,000	134,000	0
Grant certification	40,000	40,000	0
Total	174,000	174,000	0

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



REDDITCH BOROUGH COUNCIL**AUDIT & GOVERNANCE
COMMITTEE**23rd January 2012**INTERNAL AUDIT - PROVISIONAL AUDIT ANNUAL PLAN - 2012/13**

Relevant Portfolio Holder	Councillor Michael Braley
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director (Finance and Corporate Resources)
Wards Affected	All Wards
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present to Members:

- a) the Redditch Borough Council Provisional Internal Audit Operational Plan for 2012/13 for approval, see Appendix 1; and
- b) the Internal Audit Shared Service's set of key performance indicators for 2012/13 for approval, see Appendix 2.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE

that the provisional programme of work attached at Appendix 1 be approved.

3. BACKGROUND**Internal Audit Aims and Objectives**

3.1 The objectives of the Worcestershire Internal Audit Shared Service are to:

- a) examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- b) examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- c) examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;

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**AUDIT & GOVERNANCE
COMMITTEE**

23rd January 2012

- d) undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
 - e) advise upon the control and risk implications of new systems or other organisational changes.
- 3.2 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”.
- 3.3 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”.

Formulation of Annual Plan

- 3.4 The Internal Audit Plan for 2012/13, which is included **at Appendix 1**, is a risk based plan which takes into account the adequacy of the council’s risk management, performance management and other assurance processes. It has been based upon the risk priorities per discussions with Directors and Heads of Service as well as upon an independent risk assessment of the audit universe by Internal Audit. The Internal Audit Plan for 2012/13 has been agreed with the council’s section 151 officer.
- 3.5 By bringing a provisional plan of work to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2012/13 and make suggestions as to where they feel audit resources should be directed. As with all plans it may subject to review as the year progresses in consultation with the section 151 Officer.

4. KEY ISSUES

Resource Allocation

- 4.1 The Internal Audit Plan for 2012/13 has been based upon a resource allocation of 484 chargeable days, a resource allocation which has been agreed with the council’s section 151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, she can provide management, external audit and those charged with governance

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with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts.
The Internal Audit Plan for 2012/13 is set out at **Appendix 1**.

Financial implications

- 4.2 The agreed charge to the council for the delivery of the Internal Audit service for 2012/13 is £144,947. The charge for the delivery of the service in 2011/12 was also £144,947.

Monitoring and reporting of performance against the Plan

- 4.3 Operational progress against the Internal Audit Plan for 2012/13 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the section 151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.
- 4.4 The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's section 151 officer and are included at **Appendix 2**.

5. OTHER IMPLICATIONS

Financial Implications

- 5.1 There are no direct financial implications arising out of this report as the provision is in line with that agreed with the council's section 151 officer in December 2010 as part of the restructuring of the Internal Audit Shared Service.

Legal Implications

- 5.2 See 3.2 above.

Service/Operational Implications

- 5.3 There are no direct operational implications arising out of this report.

Customer / Equalities and Diversity Implications

- 5.4 There are no implications arising out of this report.

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6. RISK MANAGEMENT

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

- a) Failure to complete the planned programme of audit work within the financial year; and
- b) The continuous provision of an internal audit service is not maintained.

6.2 These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area. The Service Manager for the Worcestershire Internal Audit Shared Service is confident that these risks are being managed appropriately to ensure that such that management, external audit and members are provided with the assurances that they require over the system of internal control and for the Annual Governance Statement and Statement of Accounts.

7. APPENDICES

- Appendix 1 Provisional Internal Audit Plan for 2012/13
- Appendix 2 Key Performance Indicators for Internal Audit Shared Service 2012/13

8. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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APPENDIX 1

23rd January 2012**DETAILED PROVISIONAL AUDIT PLAN FOR 2012/13****SUMMARY OF DETAILED PROVISIONAL PLAN
2012/13**

Planned Days for 2012/13	2012/13	2011/12
Core Financial Systems	70	69
Revenues and Benefits	44	47
Corporate Work	77	43
Other Systems Audits	192	214
Completion of prior year's work	10	12
Advisory / Consultancy inc NFI, Fraud & investigations	38	41
Sub Total	431	426
Audit management meetings	20	23
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	12	9
	53	53
TOTAL Audit Days (70% productivity equals 484 days)	484	479

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APPENDIX 1

23rd January 2012**DETAILED PROVISIONAL PLAN FOR 2012/2013 AUDIT PROGRAMME**

Audit Area	Planned days 2012/13
A – CHARGEABLE AND PRODUCTIVE	
Core Financial Systems	
Council Tax	15
Benefits	15
NNDR	14
Payroll (inc allowances)	14
Creditors	12
Cash Collection	7
Main Ledger inc Budgetary Control	12
Debtors	12
Bank Reconciliation	6
Treasury Management	7
TOTAL	114
Corporate	
Procurement / Contract Compliance	11
IT Services	14
Corporate Governance incl Shared Service arrangements	19
Risk Management	15
Transition Arrangement (Critical Friend)	18
TOTAL	77
Other Systems Audits	
Crematorium and Cemeteries	11
Landscape & Grounds maintenance	10
Workshop & Fleet	10
One Stop Shop / Reception Services	10
Rent Arrears/Payment & Collection	12
Waste inc Recycling & Refuse	11
Stores, Depot and Small Plant	15
Street Scene	15

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Energy Monitoring	8
Arrow Vale Sports Centre	8
Abbey Stadium	15
Markets	8
Grants to voluntary bodies	10
Housing / Homelessness incl accommodation	11
Garages	7
Threadneedle House	5
Bus Service Operators Grant	4
Previous Year Work completion	10
Statement of Internal Control	5
Follow Up on recommendations	17
Fraud, Special Investigations incl NFI	20
Advisory and Consultancy / Contingency	18
TOTAL	240
Audit Management Meetings	20
Corporate Meetings / Reading	9
Annual Plans and Reports	12
Audit Committee support	12
TOTAL	53
TOTAL Audit Days	484

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APPENDIX 2

23rd January 2012**KEY PERFORMANCE INDICATORS 2011/12**

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13.

	KPI	Target	Frequency of reporting
1	% Plan delivered excluding overruns	90% for year	Quarterly
2	Customer satisfaction surveys	90% Good or above	Quarterly
3	Number of audits delivered compared to plan	Tbc	Quarterly
4	Annual survey of Internal Audit Service	Good or above	Annually

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

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26th September 2011

WORK PROGRAMME 2012/13

23rd April 2012

- Review of partnership governance framework and toolkit
- Review of effectiveness of Audit & Governance Committee
- Risk reporting
- Draft annual audit plan (Internal and External Audit)
- Annual review of effectiveness of Internal Audit
- End of Year review of operation of Committee.

28th June 2012

- Scrutiny of the Annual Governance Statement
- Risk reporting
- Annual audit plan
- Annual statement of accounts
- Annual audit report, including outturn
- Annual report of Risk Monitoring Group
- Statement of Accounts

27th September 2012

- Audited Statement of Accounts
- Scrutiny of the Annual Governance Statement
- Risk reporting
- Annual audit letter action plan

24th January 2013

- Review of effectiveness of Audit & Governance Committee
- Risk reporting
- Annual report of Risk Monitoring Group
- Draft annual audit plan (Internal & External Audit)
- Annual report of Benefit Fraud Team

11th April 2013

- Review of partnership governance framework and toolkit
- Review of effectiveness of Audit & Governance Committee
- Risk reporting
- Draft annual audit plan (Internal and External Audit)
- Annual review of effectiveness of Internal Audit
- End of Year review of operation of Committee

AUDIT & GOVERNANCE COMMITTEE

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To Be Allocated To Suitable Available Dates, Dependent On Agenda

- VFM Steering Group reports
- Anti-fraud and corruption update
- Training on Use of Resources assessment
- Best practice – speaker from another authority on operation of their Audit & Governance Committee