

Audit & Governance Committee

Mon 23 Apr
2012
7.00 pm

Committee Room 3
Town Hall
Redditch



www.redditchbc.gov.uk

Access to Information - Your Rights

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000, has further broadened these rights, and limited exemptions under the 1985 Act.

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- Automatic right to inspect agenda and public reports at least five days before the date of the meeting.
- Automatic right to inspect minutes of the Council and its Committees (or summaries of business undertaken in private) for up to six years following a meeting.
- Automatic right to inspect lists of background papers used in the preparation of public reports.
- Access, upon request, to the background papers on which reports are based for a period of up to four years from the date of the meeting.
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- Access to a summary of the rights of the public to attend meetings of the Council and its Committees etc. and to inspect and copy documents.
- 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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**If you have any queries on this Agenda or any of the decisions taken or wish to exercise any of the above rights of access to information, please contact
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.

Special Arrangements

If you have any particular needs, please contact the Committee Support Officer.

Infra-red devices for the hearing impaired are available on request at the meeting. Other facilities may require prior arrangement.

Further Information

If you require any further information, please contact the Committee Support Officer (see foot of page opposite).

Fire/ Emergency instructions

If the alarm is sounded, please leave the building by the nearest available exit – these are clearly indicated within all the Committee Rooms.

If you discover a fire, inform a member of staff or operate the nearest alarm call point (wall mounted red rectangular box). In the event of the fire alarm sounding, leave the building immediately following the fire exit signs. Officers have been appointed with responsibility to ensure that all visitors are escorted from the building.

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 April 2012

7.00 pm

Committee Room 3 Town Hall

Agenda

Membership:

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

<p>1. Apologies</p>	<p>To receive the apologies of any Member who is unable to attend the 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 - 6)</p>	<p>To confirm as a correct record the minutes of the meeting of the Audit & Governance Committee held on 23rd January 2012.</p> <p>(Minutes attached)</p>
<p>4. Audit Commission - Progress Report 2011/12 (Pages 7 - 22) Exec Director (Finance and Corporate Resources)</p>	<p>To consider the Audit Commission's progress update in relation to the 2011/12 Audit.</p> <p>(Copy attached)</p> <p>All Wards;</p>
<p>5. Audit Commission - Opinion Audit Plan 2011-12 (Pages 23 - 46) Exec Director (Finance and Corporate Resources)</p>	<p>To consider the Audit Commission's Opinion Audit Plan 2011-12.</p> <p>(Report attached)</p> <p>All Wards;</p>
<p>6. Audit Commission - Annual Grants Report 2010/11 (Pages 47 - 62) Exec Director (Finance and Corporate Resources)</p>	<p>To consider the Certificate of Claims and Returns Annual Report, that were undertaken during 2009/10 by the Audit Commission.</p> <p>(Report attached)</p> <p>All Wards;</p>

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<p>7. Internal Audit - Monitoring Report 2011/12</p> <p>(Pages 63 - 78)</p> <p>Exec Director (Finance and Corporate Resources)</p>	<p>To consider the Internal Audit Monitoring Report for the period 1st April to 31st March 2012; and the Internal Audit Operational Programme for 2012/13.</p> <p>(Report attached and Appendix 1, 2 and 4 attached. Appendix 3 to follow.)</p> <p>All Wards;</p>
<p>8. National Fraud Initiative (NFI) - Update</p> <p>(Pages 79 - 80)</p> <p>Head of Finance and Resources</p>	<p>To consider an update on the current position with regard to the work undertaken by officers in response to the NFI data matching exercise 2011/12.</p> <p>(Report attached)</p> <p>All Wards;</p>
<p>9. Risk Management - Update</p> <p>(Pages 81 - 84)</p> <p>Head of Finance and Resources</p>	<p>To consider the Corporate Risk Register and consider the current arrangements for risk management within the Council.</p> <p>(Report attached)</p> <p>All Wards;</p>
<p>10. Review of the Effectiveness of the Audit and Governance Committee - Chair's Report</p> <p>(Pages 85 - 88)</p>	<p>To consider a review of the work of the Audit and Governance Committee during the Municipal Year 2011/12.</p> <p>(Verbal report)</p> <p>(Constitution - Audit and Governance Committee Procedure Rules and Terms of Reference attached)</p>
<p>11. Committee Work Programme 2012/13</p> <p>(Pages 89 - 90)</p> <p>Chief Executive</p>	<p>To consider the Audit and Governance Committee's Work Programme for the Municipal Year 2012/13 and make any additions or amendments.</p> <p>(Report attached)</p> <p>(No Specific Ward Relevance);</p>

12. Exclusion of the Public

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:

“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 matter(s) on the grounds that it/they involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs (*to be specified*) of Part 1 of Schedule 12 (A) of the said Act, as amended.”

These paragraphs are as follows:

Subject to the “public interest” test, information relating to:

- Para 1 – any individual;
- Para 2 – the identity of any individual;
- Para 3 – financial or business affairs;
- Para 4 – labour relations matters;
- Para 5 – legal professional privilege;
- Para 6 – a notice, order or direction;
- Para 7 – the prevention, investigation or prosecution of crime;

may need to be considered as ‘exempt’.



Audit & Governance Committee

23rd January 2012

MINUTES

Present:

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

Also Present:

E Cave (Audit Commission)

Officers:

A Bromage (Worcestershire Internal Audit Shared Service), T Kristunas, J Pickering

Committee Services Officer:

D Sunman

24. APOLOGIES

Apologies for absence were received on behalf of Councillor Stephens.

25. DECLARATIONS OF INTEREST

There were no declarations of interest.

26. MINUTES

RESOLVED that

the minutes of the meeting of the Committee held on 15th November 2011 be confirmed as a correct record and signed by the Chair.

27. ANNUAL AUDIT LETTER 2010/11

The Committee received and considered the Annual Audit Letter for 2010/11 as prepared by the Council's external auditors.

.....
Chair

Audit & Governance

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23rd January 2012

The Letter provided a generally positive assessment of the Council's performance during the past financial year.

An unqualified opinion had been issued on the accounts of the authority in September 2011 and the Value for Money conclusion for the authority was also unqualified as the Council had been determined to have adequate arrangements to secure value for money.

The Letter noted that Bromsgrove District Council and Redditch Borough Council were part way through an ambitious programme of developing shared services and business transformation and that this was being carried out at a time of significant pressure on finances both because of the economic downturn and reductions in government support for local councils.

It noted that the timetable for completion of the programme for shared services had been brought forward and would be completed by April 2012. In addition the Business Transformation Project, which aims to significantly improve operational efficiency and customer service, would run alongside the implementation of the shared service programme. It was acknowledged that progress to date had been good but the accelerated timetable would be very challenging for both management and staff.

Members noted that the Letter for 2010/11 contained just two recommendations as follows:

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

The District Auditor updated the Committee on future provision of external audit services including the timetable for their introduction. She reported that all contracts were currently out to tender and that it was expected that the successful bidder would be identified in March for the West Midlands region. A period of consultation would then take place.

RESOLVED that

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

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28. INTERNAL AUDIT - PROVISIONAL AUDIT ANNUAL PLAN 2012/13

The Committee received a report which sought approval for the Provisional Internal Audit Operational Plan 2012/13 and also the Internal Audit Shared Service's set of key performance indicators for the same period.

Officers reported that the Internal Audit Operation Plan had been based on a resource allocation of 484 chargeable days.

RESOLVED that

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

29. BENEFITS FRAUD TEAM - ANNUAL REPORT

The Committee considered a report on the performance of the Benefit's Service Fraud Investigation Service for the period 1st April to 31st December 2011.

Members were informed that there are approximately 8000 live benefits claims at any one time with, on average, 99 new claims and 557 changes in circumstances decided each week.

Officers reported that between 1st April and 31st December 2011 there had been 882 fraud referrals received by the team. Of these 25% had been referred by the public, 40% through data matching between Housing Benefits and the Department of Work and Pensions (DWP) and the remainder from internal sources.

Results of the investigation of these referrals during the period were as follows:

- a) 256 positive closures during the period and 6 negative closures where fraud / error was not proven;
- b) 12 customers were prosecuted:
- c) Cautions were accepted by customers in 26 cases, with the DWP recording the caution in their records.
- d) Administrative penalties were accepted by customers in 3 cases;

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- e) 147 cases were closed as fraud / error proven with a change to entitlement and / or overpayment of benefit established.

Members were advised that the team had identified £170,363.15 in overpaid Housing Benefit and £49,305.18 in excess Council Tax Benefit.

Officers reported that, as part of the Government's Welfare Reform plans, it has been proposed that local authority fraud investigation staff be combined with those of the DWP and Inland Revenue and Customs into a Single Fraud Investigation with local authority investigation staff moving to the DWP between 2015 and 2017.

Additional proposals include:

- i) Abolition of cautions as a penalty for fraud and increased seizure of assets;
- ii) Introduction of a three year loss of benefit for those convicted of serious fraud;
- iii) Imposition of a minimum fraud penalty of £350 and introduction of a Civil Penalty of £50 for customer negligence;
- iv) Work closely with Crimestoppers; and
- v) Name and shame local fraudsters.

A further impact of the Welfare Reform Bill would be that Council Tax Benefit would not form part of the Universal Credit with local schemes being introduced from April 2013. Consultation was ongoing to identify what investigative powers would be required to detect and investigate fraud within local schemes.

RESOLVED that

- 1) **the report be noted; and**
- 2) **Officers circulate a definition of negligence to members of the Committee.**

30. TREASURY MANAGEMENT, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION 2012/13

The Committee received report which sought approval of the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy for 2012/13.

Members were informed that the report included a number of significant changes resulting from the Department for Communities

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23rd January 2012

and Local Government (CLG) requirements as part of Housing Revenue Account reforms.

RECOMMENDED that

the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy for 2012/13, be approved.

31. COMMITTEE WORK PROGRAMME 2012

The Committee received an updated Work Programme for 2012/13.

In response to a Member's query in relation monitoring of corporate risk, and the proposal for a new joint Corporate Risk Register in relation to shared services and business transformation, the Committee agreed that this task should be included on the Work Programme at the meeting of this Committee on 28th June 2012.

RESOLVED that subject to the comments in the preamble above,

- 1) the report be noted; and**
- 2) monitoring of the Corporate Risk Register be added to the agenda for the meeting of the Audit and Governance Committee on 28th June 2012.**

32. EXCLUSION OF THE PUBLIC

RESOLVED 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 matter on the grounds that it involves the likely disclosure of exempt information as defined in the relevant paragraphs 3 and 7 of Part 1 of Schedule 12 (A) of the said Act, as amended:

- Internal Audit - Interim Monitoring Report 2011/12 (As detailed in Minute 33 below)**

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33. INTERNAL AUDIT - INTERIM MONITORING REPORT 2011/12

The Committee received an Internal Audit Interim Monitoring Report for the period 1st April to 31st December 2011 together with a Revised Internal Audit Plan for 2011/12.

Officers gave assurances that sufficient resources had been allocated to ensure delivery of the Revised Internal Audit Plan for 2011/12.

RECOMMENDED that

the report be noted.

(During consideration of this item Members discussed matters that necessitated the disclosure of exempt information. It was therefore agreed to exclude the press and public prior to any debate on the grounds that information would be revealed relating to the financial affairs (including the authority holding that information) and the prevention, investigation or prosecution of crime. However, there is nothing exempt in this record of the proceedings.)

The Meeting commenced at 7.00 pm
and closed at 8.45 pm

.....
Chair

AUDIT AND GOVERNANCE COMMITTEE

23rd April 2012

AUDIT COMMISSION - PROGRESS REPORT 2011/12

Relevant Portfolio Holder	Councillor Michael Braley, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director for Finance and Corporate Resources
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To present to members the Audit Commission progress update in relation to the 2011/12 Audit. A copy of this document is attached to this report as Appendix A.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

subject to any comments, the report be noted.

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £127k. This reflects an 11% reduction from 2010/11 Audit fee.

Legal Implications

- 3.2 The Council has a statutory responsibility to formally prepare accounts in compliance with national guidelines and ensure these are audited by an audited body.

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2011/12 Audit Progress Update. The report reflects the work undertaken in relation to the audit of the 2011/12 accounts and general information on the national issues that may impact on the Council. In addition the report updates members on the changes to external audit arrangements in the future.

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- 3.4 Officers will continue to work with the Audit Commission to ensure that accounts are produced in a timely and accurate way to enable the Audit to be undertaken as smoothly as possible.

Customer / Equalities and Diversity Implications

- 3.5 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. Risk management arrangements in place across the organisation ensure that risks are addressed and mitigated.

5. APPENDICES

Appendix 1 – Audit Progress report 2011/12.

6. BACKGROUND PAPERS

There were none identified.

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
E Mail: j.pickering@bromsgroveandredditch.gov.uk
Tel: 01527-881400

Audit and **Governance** **Committee** **update**

Redditch Borough Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the externalisation of the Audit Practice.

2 This paper also seeks to highlight key emerging national issues and developments which may be of interest to members of the Audit and Governance Committee. The paper concludes by asking a number of questions which the Committee may wish to consider in order to assess whether it has received sufficient assurance on emerging issues.

3 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.

4 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Liz Cave

District Auditor

30 March 2012

Progress report

Financial statements

5 My audit plan will be presented to the April Audit and Governance Committee. This plan outlines the key risks I have identified both in relation to my opinion on the accounts and the value for money conclusion.

6 My team is currently undertaking the interim visit. This involves updating our assessment of the Council's control environment and also reviewing the controls operating around the Council's key financial systems. We are also reviewing internal audit as part of that work.

7 We have agreed with officers the dates of our final accounts visit. We have also provided a copy of our suggested working papers requirements (draft testing schedule) to key officers involved in the audit to assist them in their closedown. We have arranged to meet with key officers involved in the audit in March and will continue to liaise with these officers in the run up to the production of the accounts and the audit.

VFM conclusion

8 I have completed my risk assessment and this has influenced the areas to be considered as part of the work. We have started this work and plan to complete it by mid April 2011.

I will report any matters arising from our interim work to the next Audit and Governance Committee in June.

Other areas of work

9 We undertake certification of claims work in the autumn, when we have completed the majority of the opinion work. This year we will be transferring our work to the new auditors in November 2012. It is likely that our work on the benefits claim will not be complete at this stage and arrangements will be put in place to hand over this work, we will endeavour to minimise the impact on the Council.

Government response to consultation on the future of local public audit

10 In August 2010, the government announced its intention to bring forward legislation to abolish the Audit Commission and put in place a new framework for local public audit. In March 2011 the government published a consultation paper and, in January 2012, announced its response to the consultation to which it received 453 responses, the majority from audited bodies.

11 The Audit Commission has recently announced the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice for the period 2012/13 to 2016/17 (see 'update on the externalisation of the Audit Practice' below). The government envisages the retention of the Audit Commission as a small residuary body until the end of those contracts, to oversee them and to make any necessary changes to individual audit appointments.

12 Thereafter, the government proposes that a new local public audit regime will apply, the key features of which are as follows.

- Local government bodies will appoint their own auditor on the advice of an independent audit appointment panel, with a maximum of two terms of five years permissible.
- The audit will continue to cover arrangements for securing economy, efficiency and effectiveness, but without imposing further burdens on audited bodies. There will be further consultation on the approach to value for money.
- The power to issue a public interest report will be retained.
- Audit firms will be able to provide non-audit services to audited bodies, subject to complying with ethical standards and gaining approval from the independent auditor appointment panel.
- The National Audit Office will be responsible for developing and maintaining audit codes of practice and providing support to auditors.
- The National Fraud Initiative will continue. Discussions on how this will be achieved are ongoing.

13 The government response provides little detail on the audit arrangements for local health bodies. The Department of Health is working through the implications of Monitor's changing role and the proposed establishment of Clinical Commissioning Groups, and will specify the detailed arrangements for the audit of local health bodies, under the new framework, in due course.

14 The government is holding further discussions with audited bodies and audit firms to develop its proposals. The government intends to publish draft legislation for pre-legislative scrutiny in Spring 2012.

Update on the externalisation of the Audit Practice

15 The Audit Commission's Managing Director, Audit Policy wrote to audited bodies on 6 March 2012 on the outcome of the procurement exercise to outsource the work currently undertaken by the Audit Practice and on the process for making auditor appointments for 2012/13 and subsequent years.

16 The key points are as follows.

- Contracts will be let from 2012/13 on a five-year basis to the following firms.

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst and Young	Eastern South East
Grant Thornton	North West West Midlands London (South), Surrey & Kent South West
KPMG	Humberside & Yorkshire East Midlands London (North)

- The Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years. The savings secured will be passed back to audited bodies through significant reductions in scales of audit fees. The Commission intends to publish the final scales of audit fees for 2012/13 in April 2012.
- The Commission Board will confirm the 'interim' auditor appointments for the first five months of 2012/13 on 22 March 2012.
- The Commission will then write to all audited bodies on or shortly after 23 April 2012 to set out its proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. Where a body is currently audited by an auditor from the Audit Practice, the Commission will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate.

- To support the consultation process, the Commission is arranging a series of introductory meetings in each contract area between 30 April 2012 and 16 May 2012. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

17 The Commission is working with auditors to ensure a smooth transfer between the Audit Practice and the incoming firm. In particular, the new auditor will be expected to place maximum reliance on the work of the current auditor. Audited bodies can also help by ensuring they plan their 2011/12 accounts closedown effectively to enable auditors to issue their opinion by the statutory deadline for publication of accounts, 30 September 2012.

18 Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

19 Further details are available on the Commission's website. We will continue to keep you updated on developments.

20 Against this background, the Audit Practice's focus remains.

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Other matters of interest

Annual fraud and corruption survey 2011/12

21 On 2 April 2012 the Audit Commission will be issuing its annual survey to collect information regarding all detected fraud and corruption for the 2011/12 financial year.

22 The electronic survey will be open for audited bodies to complete and submit between 2 April 2012 and 11 May 2012.

National Fraud Initiative consultation

23 The Audit Commission is currently consulting on its proposed work programme and scales of fees for the 2012/13 National Fraud Initiative (NFI).

24 The NFI, which takes place biannually, has helped trace over £650 million in fraud, error and overpayments since it began in 1996 and has attracted international recognition.

25 The work programme will remain unchanged from NFI 2010/11 and, in recognition of the financial pressures that public bodies are facing, the Audit Commission proposes that the scale of fees for mandatory participants will remain the same as for NFI 2010/11. For Redditch Borough Council this is £2,200.

26 The consultation will close on 23 March 2012 and the final work programme and scales of fees will be published in May 2012.

Local government capital finance system

27 In late 2011 the Department for Communities and Local Government (DCLG) issued a consultation document on proposed changes to the Local Government capital finance system.

28 A summary of the consultation responses was published on 8 February 2012 and the Regulations, which come into force on 31 March and 1 April 2012, have been laid before Parliament.

29 DCLG's commentary confirms the intended effects of the amended Regulations are:

- to bring securitisation (the exchange of future revenues for an immediate lump sum payment) within the capital finance framework;

- to relax the rules on bond investments; and
- to clarify the definition of capital expenditure.

30 DCLG has also published an updated edition of Capital Finance: Guidance on Minimum Revenue Provision. The amendments to the statutory guidance relate to Housing Revenue Account (HRA) reform only and impact from 2012/13. The changes to the guidance are to ensure that authorities taking on new debt do not face any inappropriate increase in their minimum revenue provision liability.

Openness and accountability in local pay

31 On 17 February 2012 DCLG published guidance which sets out the key policy principles that underpin the pay accountability provisions in the Localism Act.

32 For each financial year, beginning with 2012/13, the Council will be required to prepare a pay policy statement that must articulate its policies on the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

33 The statement must be:

- approved by full Council; and
- published on its website.

Accounting for HRA Self Financing

34 In March 2012 CIPFA produced guidance on the required accounting entries for councils making or receiving settlement payments to or from the Secretary of State in preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012. These transactions take place in the 2011/12 financial year and will therefore be reflected in the Council's financial statements for the year ended 31 March 2012.

Key considerations

35 The Audit and Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council completed the Audit Commission's annual fraud and corruption survey?
- Has the Council considered the implications of the amendments to the capital financing regulations?
- Has the Council considered the guidance from CIPFA regarding the settlement payment to the Secretary of State in preparation for the commencement of self-financing of the HRA?

Contact details

36 If you would like further information on any items in this briefing, please feel free to contact either your District Auditor or Audit Manager.

37 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

Liz cave

District Auditor

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Zoe Thomas

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



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AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

AUDIT COMMISSION OPINION - AUDIT PLAN 2011/12

Relevant Portfolio Holder	Councillor Michael Braley, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director for Finance and Corporate resources
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To present to members the Audit Commission 2011/12 Opinion Plan. A copy of this document is attached to this report as Appendix A.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

the 2011/12 Audit Opinion Plan be noted and approved.

3. KEY ISSUES

Financial Implications

- 3.1 The fee associated with the External Audit Opinion and audit of accounting statements and consideration of the Councils arrangements for securing economy, effectiveness and efficiency is £127k. This reflects an 11% reduction from 2010/11 Audit fee.

Legal Implications

- 3.2 The Council has a statutory responsibility to formally prepare accounts in compliance with national guidelines and ensure these are audited by an audited body.

Service / Operational Implications

- 3.3 Attached at Appendix A is the 2011/12 Audit Opinion Plan. The Plan sets out work that the Audit Commission propose to undertake in 2011/12 in relation to the Audit and any significant and specific risks that have will require additional review and consideration.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

- 3.4 There is 1 significant risk and 3 specific risks that have been identified by the Audit Commission which will be reviewed by the Commission as part of the Audit. These include:

Significant:

- HRA Reform and the financial transactions relating to the funding of the new arrangements

Specific

- Abbey Stadium development and the capital costs relating to the project
- Shared service allocation of costs between the Councils
- Disclosure of Heritage Assets

- 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.

Customer / Equalities and Diversity Implications

- 3.6 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. Risk management arrangements in place across the organisation ensure that risks are addressed and mitigated.

5. APPENDICES

Appendix 1 – Annual Audit Plan 2011/12

6. BACKGROUND PAPERS

None identified.

AUTHOR OF REPORT

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Audit plan

Redditch Borough Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

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 you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Account

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- 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 Authority's information systems.

Identification of significant and specific risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: Risks

Risk	Audit response
<p>Significant Risks</p> <p>HRA reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off settlement payment to or from central government on or before 28 March 2012. This will adjust the HRA debt of the Authority. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by the Authority. Due to the complexity, magnitude and timing of the HRA reform there is risk that the financial statements will be materially misstated.</p>	<p>Review of management oversight of HRA reforms and transactions required by the Authority.</p> <p>Tests of detail on the settlement payment or receipt and accounting entries.</p>
<p>Specific Risks</p>	
<p>Leisure centre development</p> <p>The Council has a major capital scheme this year; the development of Abbey Stadium at a planned cost of £6.7m. It is likely that expenditure will be material in the accounts. There is a risk that this may not be accurately reflected in the financial statements.</p>	<p>I will substantively test the capital expenditure associated with this project to supporting evidence including invoices and contract schedules. I will test payments at the year end to ensure they are reflected in the correct financial year and correctly classified in the accounts.</p>
<p>Shared Services</p> <p>The Council shares much of its support services and staff with Bromsgrove Council. This arrangement is continuing to develop. There is an inherent risk in such an arrangement that the actual costs of services are not accurately reflected in each of the Council's accounts.</p>	<p>I will substantively test the basis of the cross charges and ensure they are consistent with formal agreements between the two organisations and are supported by clear working papers outlining a clear methodology for apportionment.</p>
<p>Heritage Assets</p> <p>There is a new requirement for the Council to identify and disclose any Heritage assets in its financial statements.</p>	<p>I will review the Council's arrangements for establishing and valuing Heritage assets and consider whether there is appropriate disclosure in the financial statements.</p>

Testing strategy

My audit involves:

- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors where it is judged efficient to do so; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: Proposed work

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	payroll - re Wyre Forest DC	general ledger journals			Support services recharges opening balances
Final visit	Financial systems reports		FRS17 and IAS19 disclosure and PPE valuation – Audit Commission	Pensions liabilities and assets – Worcestershire County Council and our own consulting actuary Valuation of property, plant and equipment – Worcestershire County Council	All material accounts balances and amounts Year-end feeder system reconciliations Capital expenditure and cut off HRA settlement and financing

Working Papers

I will agree with you a schedule of working papers required to support the entries in the accounting statements. It is very important that the working papers prepared are subject to thorough independent management review prior to the audit to ensure they meet appropriate quality standards. This has been a weakness in previous years and has resulted in errors in the accounts, additional work by your staff during the audit to justify figures in the accounts and additional audit time, which could have been avoided had there been a quality review of working papers.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. I have identified the following significant risks that I will address through my work.

Table 3: Significant risks

Risk	Audit response	Separate audit output?
<p>Financial Resilience: Medium Term Financial Plan: the MTFP is subject to annual revision to reflect new assumptions about corporate priorities and changes to expected income, including grants and</p>	<p>I will consider the revision to the MTFP to assess whether it reflects:</p> <ul style="list-style-type: none"> ■ national changes to income from the council tax freeze and reductions in grant ■ impact of the new requirement for the HRA to be self financing 	<p>By exception or Annual Audit Letter</p>

Risk	Audit response	Separate audit output?
<p>council tax. In my review last year I concluded that the council is financially resilient for the next 12 months. In the medium term there were some gaps in funding that had yet to be adequately addressed.</p>	<ul style="list-style-type: none"> ■ realistic assumptions around savings 	
<p>Financial Resilience: Savings Plans: the MTFP includes significant savings. Much of these are to be achieved through changes to support services arrangements and through the transformation project. There is a risk that the savings will not be delivered in time to enable the Council to maintain a balanced budget.</p>	<p>I will review the arrangements the Council has in place to deliver these savings to establish that there are::</p> <ul style="list-style-type: none"> ■ detailed plans to support the identified savings. ■ adequate arrangements for management of individual savings plans, including monitoring and control. ■ Adequate risk management arrangements 	<p>By exception or Annual Audit Letter</p>
<p>Securing Economy, Efficiency and effectiveness: Transformation project: the council has brought forward its plans for transformation. Some of the individual projects are well developed and well progressed.</p>	<p>I will review the council's overall project plan for transformation. I will review one service (housing benefits) and consider what arrangements the council has in place to manage the review process, implement the recommendations, measure success and the impact on performance.</p>	<p>By exception or Annual Audit Letter</p>

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: Proposed timetable and planned outputs

Activity	Date	Output
Audit Plan 2011/12	January 2012	Report to Audit and Governance Committee
Opinion: controls and early substantive testing	January - March 2012	Report by Exception
Opinion: receipt of accounts and supporting working papers	accounts – 30 June 2012 Working papers – 16 July 2012	
Opinion: substantive testing	July & August 2012	
Value for money: financial resilience - review of savings plans	March 2012	VFM conclusion
Value for money: Securing economy, efficiency and effectiveness	March 2012	VFM conclusion
Present Annual Governance Report at the Audit Committee	27 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **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 quality of reports, signing the auditor's report and liaison with the Chief Executive.
Zoe Thomas Audit Manager	z-thomas@audit-commission.gov.uk 0844 798 7557	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £127,300, as set out in my letter of April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £127,300 which represents an 11 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Executive Director for Finance and Corporate Resources and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I will continue to work with your officers to identify actions that can be taken to reduce the fee.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	127,300*	143,320*	(16,020)
Certification of claims and returns	41,000	35,000 (estimate)**	6000
Non-audit work	Nil	Nil	Nil
Total	168,300	178,320	(10,020)

* Fees were reduced further by a rebate from the Audit Commission centrally.

** Grant claims work is not yet finalised. I will bring our Grant Claims annual report to the next Audit and Governance Committee and this will include a summary of the actual fees.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid 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. The appointed auditor and senior members of the audit team must not take part in political activity for 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.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>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.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively;
 - [I secure the co-operation of other auditors];
 - [...]
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- [Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be provided by 18 July 2012;
 - other information requested within agreed timescales;
 - prompt responses to draft reports; and
 - there are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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



AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

AUDIT COMMISSION - ANNUAL GRANTS REPORT 2010/11

Relevant Portfolio Holder	Councillor Michael Braley, portfolio Holder for Corporate Services
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering, Executive Director for Finance and Corporate Resources
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To advise the Committee of the Certification of Claims and Returns – Annual Report, that were undertaken during 2009/10 by the Audit Commission.

2. RECOMMENDATIONS

Members are asked to RESOLVE that

- 1) the Certification of Claims and Returns – Annual Report be considered; and**
- 2) Officers be requested to respond to the recommendations following the Committee meeting.**

3. KEY ISSUES

Financial Implications

- 3.1 A review is undertaken on all grant related claims that the Council submits. There are 5 claims that are subject full reviews by External Audit due to their value; Housing Benefit Claim, Pooling of Housing Capital Receipts, HRA Subsidy, National Non Domestic Rates claim and Disabled Facilities Grants claims. The cost associated with the Audit is £34k.

Legal Implications

- 3.2 The Council has a statutory responsibility to include an audit certificate alongside certain grant claims due to the scheme terms and conditions.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

Service / Operational Implications

- 3.3 The Audit Commission have recognised that the Council has good arrangements in place to ensure claims are prepared compliantly and the officers cooperate well with their auditors.
- 3.4 A number of recommendations have been made by the commission in previous years and progress against these are included within the report.

Housing and Council Tax Benefits Claim

- 3.5 This claim was subjected to a full review as it was valued at £29 million.
- 3.6 An estimated error of £68k was identified which represents 0.3% of the value and is within the parameters of error for the claims of this size and complexity. A qualification letter was issued as the guidelines state any overpayment error found results in a qualification of the claim.

HRA Subsidy Base Data Return

- 3.7 A qualification letter was received in relation the lack of supporting evidence in relation to the housing numbers and therefore the Commission could not complete their testing. Officers are looking into this issue with the aim to respond to the DCLG and the Audit Commission shortly.

National Non Domestic Claim

- 3.8 A qualification letter was received in relation to the additional level of assurance that was sought by the Commission which was not prepared for the claim. This is to be addressed by the Revenues Manager.

Disabled Facilities Grant

- 3.9 No concerns were raised. The claim was certified.

Customer / Equalities and Diversity Implications

- 3.10 None as a direct result of this report.

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

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 Grant Claim report

6. BACKGROUND PAPERS

None identified.

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
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Certification of claims and returns - annual report

Redditch Borough Council

Audit 2010/11



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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Council has performed well in preparing its claims and returns.

The Council has good arrangements to ensure that claims and returns that require certification are prepared in accordance with the grant paying bodies relevant terms and conditions. Officers co-operate well with external audit to enable claims to be audited by the required deadlines. The housing benefits claim takes the most amount of audit time and therefore incurs the largest fee. Over the last few years we have worked effectively with officers to reduce the external audit input and thus fee charged for this claim. It is possible for this to be reduced still further and this has been discussed with Officers.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified	68,894,503
Number of claims and returns amended due to errors	2
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	3
Total cost of certification work	34,252

Housing Benefits Claim.

The housing Benefit claim (BEN01) had a value of over £28 million. The Audit Commission has agreed with the Department of Work and Pensions a prescriptive programme of work to certify the claim. One small amendment was made to the claim and a qualification letter was issued detailing a number of errors found during the certification process. These errors were very similar to those found in the 2009/10 audit.

- The council carried out reconciliations following the software provider's instructions but there was a difference overall between the benefit granted per the claim and that granted according to the software reconciliation.
- Testing of individual cases and cells within the claim found a number of errors. The initial number of errors required further testing of HB cases. The errors were reported in detail but no amendment was made to the claim. In line with DWP requirements, we have extrapolated the errors and calculated the impact on the subsidy claimed.

The estimated error has been reported to DWP in the qualification letter and is approximately £68,000, which represents less than 0.3 per cent of the total value of the claim. This is within the parameters of error that is common in a claim of this size and complexity.

HRA Subsidy Base Data Return

The HRA subsidy Base Data return (HOU02) was tested in line with the certification instructions agreed between the Audit Commission and Department of Communities and Local Government (CLG). A qualification letter was issued in a similar vein to the ones issued in the preceding three years, highlighting that as part of our audit procedures we are required to agree the number of properties per the claim to the council's housing management system. However, the council could not support the numbers on the housing management system with either a property survey or other supporting records that could be practically tested. Without this supporting information we were unable to complete all the testing as required in the certification instructions, and thus I am required to report.

On 20 October 2011, in response to the qualification letter, CLG wrote to the Council highlighting that they had originally asked the Council to rectify the problem in 2008. They also stated that *it is important that the information the Council provides is accurate as it will be used in calculating the valuation of the business for the self-financing settlement*. However, they recognised that *providing certifiable evidence within the current timeframe for the implementation of self-financing would not be practical*. For that reason they proposed the following courses of action.

- *For gaps in evidence identified by your auditor we will seek discussions with you following the commencement of self-financing and before 31 December 2012.*
- *We will expect you, in due course, to provide satisfactory evidence to the Department.*
- *Where that evidence does not support the data in your return we reserve the right to use the powers we are taking under the Localism Bill to adjust your valuation to reflect the debt deemed supportable by your actual stock composition (as reflected in the revised evidence). This action is necessary in order to maintain the fairness of the settlement between councils.*

A response to the CLG letter is required by December 2012.

In addition to the qualification letter, I made two small changes to the claim. Firstly a property was included that had previously not been identified and secondly to correct an error in the stock valuation, that was identified through the reconciliation process.

National Non Domestic Rates

A qualification letter was issued for this claim. Certification Instruction LA01 (10-11)(5-11) requires us to confirm that the Council can demonstrate that the entry in Part II line 1 reflects the RV of non-domestic properties appearing in the valuation list for each day in 2010/11 multiplied by the small business rate relief multiplier.

The purpose of this test is to provide some assurance that the figures in Part II line 1 are of the right order. In previous years the Council's Revenues Manager has provided a spreadsheet showing the Gross Rates value of all properties in order that we can compare to the amount in Part II Line 1. However, this year such a spreadsheet was not produced because officers felt that the exercise offered nothing in terms of assurance and thus our qualification letter high lights that we are unable to complete all the specified tests.

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	29,179,312	N/a – DWP specify tests	£450	Yes – for a sample of cases an overpayment had been made.
Pooling of housing capital receipts	617,868	yes	£nil	No
HRA subsidy	5,908,536	yes	1 property increase	No
Housing finance base data return	n/a – various data	No	1 property increase Increase in valuation by £9k	yes
National non-domestic rates return	32,897,787	yes	No	Yes – evidence to support reasonableness test of entry in Part II line 1.

Table 3: Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities	£291,000	nil	No

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

No specific recommendations were made in the 2009/10 Grant claims report.

Table 4: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Housing Benefits subsidy	H/M/L			
	M	Ensure that the routine post verification checks include a focus on the areas identified as weak in our qualification letter.	March 2012	Benefits Manager
NNDR 3	M	To avoid a future qualification letter the Council should ensure it can demonstrate that the entry in Part II line 1 reflects the RV of non-domestic properties appearing in the valuation list for each day in 2010/11 multiplied by the small business rate relief multiplier	June 2012	Revenues Manager
Housing Subsidy base data return	H	The council should ensure that it responds to the letter from CLG by the required deadline.	December 2012	Chief Finance Officer

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 5: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£25,875	£37,719	General Reduction in days necessary to complete the work.
Pooling of housing capital receipts	£771	£970	
HRA subsidy	£980	£815	
Housing finance base data return	£4,131	£3,990	Some extra testing undertaken compared with the prior year to reflect our assessment of risks associated with the move to self financing of the HRA.
National non-domestic rates return	£1,990	£2,176	
Disabled facilities	£505	£480	
Total	£34,252	£46,150	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



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INTERNAL AUDIT – MONITORING REPORT 2011/12

Relevant Portfolio Holder	Councillor Michael Braley, Corporate Management
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 Internal Audit Monitoring Report for the period 1st April 2011 to 31st March 2012; and
- b) the Internal Audit Operational Programme for 2012/13

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 1) the report be noted; and**
- 2) the Annual Audit Operational Plan for 2012/13 be approved**

3. KEY ISSUES

Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

Legal Implications

- 3.2 The Accounts and Audit (Amendment) (England) Regulations 2006 state that Local Authorities must maintain an adequate and effective system of Internal Audit to ensure its systems of internal control are operating effectively. The interim audit report is one way the Council can monitor its Internal Audit Service.

Service/Operational Implications

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

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Customer / Equalities and Diversity Implications

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

Performance against Internal Audit Plan 2011/12.

3.5 **AUDIT REPORTS ISSUED/COMPLETED FOR 2011/12 SINCE
JANUARY 2012:**

- a) Council Tax: This was a high level overview audit with testing concentrating on the interaction with Housing Benefits, application of discounts and exemptions and pro-active pursuit of arrears.

Testing identified that the control environment could be improved by proactively monitoring inactive recovery suppressions and monitoring the performance of the Bailiff regarding pursuit of debts.

Moderate Assurance

- b) Non Domestic Rates: This was a high level overview audit with testing concentrating on reconciliations and pro-active pursuit of arrears.

Testing identified that the control environment could be improved by proactively monitoring and actioning historic arrears, fully utilising 4Risk and reconciliation of declarations of interests in relation to user access.

Moderate Assurance

- c) Benefits: This was a high level overview audit with testing concentrating on new claims, changes in circumstances, overpayments and backdated claims.

Areas where the control environment could be improved include restricting user access to prevent staff accessing the accounts of friends and family and enhanced quality control reviews.

Moderate Assurance

- d) Payroll: This review concentrated on authorisation of starters, leavers and amendments, accuracy of records and user access to the Payroll system.

There is generally a sound system of control in operation; however, testing identified that security around user access to the

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Payroll system could be improved and there is a lack of any associated risk being recorded within the Council's risk management system.

Moderate Assurance

- e) Housing – Rent Arrears, Payments and Collection: This was a full system audit focusing on the collection and allocation of rents received, adjustments to tenants' rent accounts and collection of arrears.

The control environment is robust and arrears collection rates are adequate. Rent arrears stood at 2.97% as at January 2012 which, although above the target of 2.39%, is considered satisfactory in the current economic climate. Procedures and processes are working well with the exception of the control and actioning of current tenant credits. Further recommendations have been made to strengthen procedural controls and regarding the utilisation of the Saffron rent system.

Moderate Assurance

- f) Vehicles and Plant: This was a full system audit which focused on the procurement and disposal of vehicles, maintenance including repairs, servicing and M.O.T., utilisation and budgetary control.

Areas where the control environment could be improved include: proactive communication with customers in relation to stock management, ongoing budget monitoring and management information in relation to ongoing monitoring of vehicle usage and efficiency.

Moderate Assurance

- g) Housing Capital Contracts – Interim Valuation and Post Contract Appraisal: The audit concentrated on payments made to contractors and contracts that have concluded between April and November 2011.

A number of audit recommendations have been made to clarify procedures and ensure a consistent approach is taken to the allocation and payment of works to contractors.

Moderate Assurance

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- h) Housing – Rent Control and Rent Debit: This was a health check audit and concentrated on calculation of the rent debit, system reconciliations, documentation to support and authority to action amendments (specifically reductions) to the rent debit.

Testing indicated that the overall control environment is robust with reconciliations being performed timely and accurately, and variances are identified and cleared promptly.

Full Assurance

- i) Treasury Management: This was a high level overview audit focusing on investment and borrowing transactions (specifically short term), bank and General Ledger reconciliations, management information, system access and authorisation levels.

All of the key controls tested are in place and operating effectively and no weaknesses were identified in the design or operation of the system.

Full Assurance

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
Council Tax	Moderate
Non Domestic Rates	Moderate
Benefits	Moderate
Payroll	Moderate
Housing – Rent Arrears, Payments and Collection	Moderate
Vehicles and Plant	Moderate
Housing Capital Contracts – Interim Valuation and Post Contract Appraisal	Moderate
Housing – Rent Control and Rent Debit	Full
Treasury Management	Full

3.6 **AUDITS IN PROGRESS AS AT 5th April 2012:**

The following audits are currently at the completion stage:

- a) Creditors: this was a high level overview audit focusing on supplier amendments, reconciliations and user access to financial system.

Current status: draft report issued 29.03.12

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- b) Sundry Debtors (including former tenant arrears): This review concentrated on the setting up of sundry debtor accounts, raising of invoices, the debt collection and write off processes.

Current status: draft report issued 19.03.12

- c) Bank Reconciliations: This audit concentrated on the resolution of anomalies, aged items in suspense and user access.

Current status: draft report issued 07.03.12

- d) Procurement: The review assessed whether the previous audit recommendations have been implemented, specifically; all relevant Council documents have been revised and compulsory officer Contract Procedure Rules training is robust, ongoing and assessed for its effectiveness.

Additionally, a 'high level' assessment was made as to how it can be demonstrated that the procurement principles of Contract Procedure Rules have been adopted by officers of the Authority.

Current status: draft report issued 06.03.12

- e) Renovation Grants - Festival Housing Contract: This was a high level overview audit focusing on contract compliance, eligibility of applicants, quality of works undertaken and management reporting.

Current status: draft report issued 05.04.12

- f) Budgetary Control: This was a 'light touch' review which focuses on the budget setting and approval process, the effectiveness of the budget monitoring process and reporting levels and procedures.

Current status: Clearance meeting to be arranged

- g) Market Service (follow up): The review assessed whether the previous audit recommendations have been implemented, specifically; reconciliation and recording of income, traders' insurance records, reporting of new stall allocations and income collection procedures.

Current status: Clearance meeting to be arranged

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- h) Maintenance Contracts: The review concentrates on contracts are in line with an appropriate framework, quality monitoring and certification of works, invoicing of scheduled and referral works, recharges to tenants and Health & Safety risk assessments.

Current status: Clearance meeting to be arranged

The following audits are currently at the fieldwork stage:

- i) Section 106 Agreements: This is a full scope review to assess the effectiveness of controls that are operated within the Planning, Finance and Legal sections. A key area is to review controls in connection with the collection of monies and ensuring that they are used for the stated purpose.

The following audit is currently at the planning stage:

- j) Value Added Tax: This is a high level overview audit with testing concentrating on compliance with legislation, reconciliations and documentation.

As work on the above audits is on going an 'Assurance' level will be assigned on completion. As soon as these audits have been finalised the revised plan that was brought before and agreed by Committee in January 2012 has been fully completed.

- 3.7 The tables in Appendices 1 and 2 show the progress made towards delivering the Internal Audit Plan. For example chargeability has continued to increase; from 59% to 70%. As at 31st March 2012 a total of 511 chargeable days had been delivered against a target of 487 days for 2011/12. In addition to this 100% of the customer satisfaction surveys received have been good or above.
- 3.8 Appendix 2 shows the performance indicators for the service. These indicators were agreed by Committee.
- 3.9 Appendix 3 shows the 'high' and 'medium' priority recommendations which have been reported against 2011/12 audits and are reported to the Committee for information.
- 3.10 Appendix 4 shows the 2012/13 Internal Audit Operational Plan.

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3.11 Other Key Audit Work

Much internal audit work is carried out “behind the scenes” but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- a) Governance for example assisting with the Annual Government Statement
- b) Risk management
- c) Dissemination of information regarding potential fraud cases likely to affect the Council
- d) Drawing managers’ attention to specific audit or risk issues
- e) Audit advice and commentary
- f) Internal audit recommendations: follow up review to analyse progress
- g) Day to day audit support and advice for example control implications, etc.
- h) Networking with audit colleagues in other Councils on professional points of practice
- i) National Fraud Initiative.

4. RISK MANAGEMENT

4.1 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.

4.2 These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area. The Acting 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.

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5. APPENDICES

Appendix 1 Delivery against the plan for 2011/12 as at 31st March 2012.

Appendix 2 Performance against Key Performance Indicators for 2011/12 at 31st March 2012.

Appendix 3 'High' and 'Medium' priority recommendations.

Appendix 4 Operational Audit Programme 2012/13.

6. BACKGROUND PAPERS

Individual Internal Audit reports.

AUTHOR OF REPORT

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Internal Audit Shared Service

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APPENDIX 1**Delivery against Internal Audit Plan for 2011/12 as at 31st March 2012**

Audit Area	DAYS USED TO 31/03/12	2011/12 PLANNED DAYS
Core Financial Systems	158	122
Corporate Audits	16	43
Other Systems Audits	269	269
TOTAL PRODUCTIVE	443	434
Audit Management Meetings	17	23
Corporate Meetings / Reading	2	9
Annual Plans and Reports	8	12
Audit Committee support	14	9
Other chargeable	27	0
TOTAL CHARGEABLE	511	487
Annual leave	67	75
Statutory leave	27	23
Sickness	35	21
Other leave	10	5
Training	14	16
General administration	37	32
General management	17	12
Attendance at general meetings	11	8
WIASS projects	5	4
	223	196
TOTAL	734	683

**AUDIT & GOVERNANCE
COMMITTEE**23rd APRIL 2012**APPENDIX 2****Performance against Key Performance Indicators as at 31st March 2012**

KPI	As at 31 st March 2012	As at 30 th October 2011	As at 31 st December 2011	As at 31 st March 2012	Original Target	Frequency of monitoring	Frequency of reporting
1 Chargeability %	17%	55%	59%	70%	71%	Monthly by WASS management	Monthly to Client Officer Group Quarterly to Audit Committee
2 Productivity %	35%	48%	51%	60%	63%	Monthly by WASS management	Monthly to Client Officer Group Quarterly to Audit Committee
3 % Plan delivered excluding overruns	12%	29%	51%	86%	95% for year	Monthly by WASS management	Monthly to Client Officer Group Quarterly to Audit Committee
4 Overruns as a % of time spent	35%	25%	18%	19%	5%	Monthly by WASS management	Monthly to Client Officer Group Quarterly to Audit Committee
5 Customer satisfaction surveys	100%	100%	100%	100%	95% Good or above	Monthly by WASS management	Monthly to Client Officer Group Quarterly to Audit Committee
6 Number of audits delivered compared to plan	N/a (Annual)	N/a (Annual)	3 (9 in progress)	12 (10 in progress)	41	Annually by WASS management	Annually to Client Officer Group and Audit Committee
7 Annual survey of Internal Audit Service	N/a (Annual)	N/a (Annual)	N/a (Annual)	Monitored by Client Officer Group	Good or above	Annually by WASS 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 has also been completed at the end of the annual cycle.

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APPENDIX 4**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	186	214
Completion of prior year's work	10	12
Advisory / Consultancy inc NFI, Fraud & investigations	44	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	484	479

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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
Energy Monitoring	8
Arrow Vale Sports Centre	8
Abbey Stadium	15
Grants to voluntary bodies	10
Housing / Homelessness incl accommodation	12

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Audit Area	Planned days 2012/13
Garages	9
Bus Service Operators Grant	5
Previous Year Work completion	10
Statement of Internal Control	5
Follow Up on recommendations	20
Fraud, Special Investigations incl NFI	20
Advisory and Consultancy / Contingency	24
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

KEY PERFORMANCE INDICATORS 2012/13

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	29	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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NATIONAL FRAUD INITIATIVE (NFI) - UPDATE

Relevant Portfolio Holder	Councillor Michael Braley, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	No
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To provide members of the Audit and Governance Committee with an update on the current position with regard to the work undertaken by officers in response to the NFI data matching exercise 2011/12.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

subject to any comments, the contents of the report be noted.

3. KEY ISSUES

- 3.1. The NFI exercise compares data from the following sources, payroll, creditors, concessionary travel passes, council tax, electoral register, licences, tenancy details, pensions, housing benefits and insurance claimants. In total 1,954 matches were passed to Redditch Borough Council for investigation. Of these 1,943 were cleared.
- 3.2. In terms of Benefits, 824 data matches were examined, 8 cases of fraud were identified and 3 cases of errors. In total this amounted to overpayments of £27,362.25. For Council Tax, 332 data matches were examined resulting in 23 single persons discounts being cancelled totalling £10,564. The data matches referred to the Creditors and Payroll Teams did not result in any matters for further investigation.

Financial Implications

- 3.3 Overpayments of £26,806.88 were identified as part of the above exercise of which 5 totalling £6,824.10, are in recovery.

Legal Implications

- 3.4 There are no legal implications.

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Service/Operational Implications

- 3.5 The volume of referrals does result in a significant amount of officer time being taken up investigating the matches. However, the low number of cases requiring further more detailed examination does provide some assurance regarding the level of fraud affecting the Authority.

Customer / Equalities and Diversity Implications

- 3.6 There are no implications identified.

4. RISK MANAGEMENT

Any exposures to risk identified through this process should be reflected in the relevant service Risk Register.

5. APPENDICES

None.

6. BACKGROUND PAPERS

The National Fraud Initiative (NFI) began in 1993. District Audit, in conjunction with representatives of the local authority treasurers' societies, ran a pilot exercise at 13 London boroughs to detect housing benefit and student award fraud. More than 500 cases of fraud were detected, and in 1994, all London boroughs were invited to join in.

More information can be found on the Audit Commission website.

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AUDIT & GOVERNANCE COMMITTEE

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RISK MANAGEMENT - UPDATE

Relevant Portfolio Holder	Councillor Michael Braley, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	
Relevant Head of Service	Teresa Kristunas, Head of Finance and Resources
Wards Affected	All Wards
Ward Councillor Consulted	No
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To provide members of the Audit and Governance Committee with an opportunity to consider the Corporate Risk Register and consider the current arrangements for risk management within the Council.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

subject to any comments, the report be noted.

3. KEY ISSUES

- 3.1. The Corporate Risk Register attached at Appendix 1 has been considered by the Corporate Management Team. Apart from the item relating the self-financing for the HRA, all other items within the Corporate Risk Register apply to both Redditch Borough Council and Bromsgrove District Council.
- 3.2. A number of risks previously included in the Corporate Risk Register have been downgraded and either removed completely or transferred to service based risk registers. Examples would include failure to deliver on the Council's procurement agenda and failure to manage the impact of job evaluation.
- 3.3. In addition to the corporate risks, all reports to Members include a section for the consideration of any risk implications arising from the proposals contained within the report. In addition risks in relation to shared services are for reported to the Shared Services Board.
- 3.4. Moving forward the proposal is for the process for managing risk to be reviewed now that more services are shared. There are benefits to be gained from standardising the approach to risk management across both Bromsgrove District Council and Redditch Borough Council.

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Financial Implications

- 3.5 The Corporate Risk Register recognises the need to monitor the budget to ensure that the Council is able to deliver against the base budget. All reports to members include a section requiring officers to consider the financial implications of any proposals.

Legal Implications

- 3.6 There are no legal implications.

Service/Operational Implications

- 3.7 Departmental risk registers include service/operational risks.

Customer / Equalities and Diversity Implications

- 3.8 Failure to manage the risks contained with the Corporate Risk Register could have implications for customers.

4. RISK MANAGEMENT

The consideration and management of risk is good practice for any business. Risks need to be considered in order that they can be monitored and action taken to minimise the impact on the organisation. The aim of the risk management process is to encourage a downward shift from Very High to High and then to Medium/Low risk status through the continued effort of service managers in managing their risks to bring them down to a corporately acceptable level.

5. APPENDICES

Corporate Risk Register

6. BACKGROUND PAPERS

Risk Register held on 4Risk system.

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Corporate Risk Register

Risk ref	Risk Title	Risk Owner	Inherent Risk Priority	Residual Risk Priority
1	Unable to deliver the base budget	Jayne Pickering	High	Low
4	Failure to implement effective business continuity arrangements	John Staniland	High	High
32	Failure to realise the potential benefits of implementing shared services	Kevin Dicks	High	High
34	Failure to develop a vibrant Town Centre.	Ruth Bamford	Very High	High
36	Impact on the Council of a change in political direction.	Kevin Dicks	High	High
190	Failure to realise Self-financing for the HRA (RBC only)	Teresa Kristunas	High	Medium
192	Failure to realise the benefits of the Transformation Programme	Deb Poole	High	Medium

AUDIT & GOVERNANCE COMMITTEE PROCEDURE RULES

These rules are under construction and will be added at a later date.

1. Terms of Reference

- 1.1 The Council will appoint An Audit & Governance Committee.
- 1.2 The Terms of Reference of the Committee are set out in Table 2 of Part 3 of the Constitution.

AUDIT & GOVERNANCE COMMITTEE – TERMS OF REFERENCE

Number of members	7
Politically Balanced Y/N	Y
Quorum	3 (new - to include at least one member of the Majority Group)
Procedure Rules applicable	Council Procedure Rules (with the exception of Council Procedure Rules 1-4, 10, 14, 18.2, 20.1 and 22)
Terms of Reference	<ul style="list-style-type: none"> a. To review and monitor the annual audit plans of both the internal and external auditors. b. To receive and comment upon the external auditors' reports. c. To monitor the adequacy and effectiveness of the Council's system of internal control by ensuring that an adequate and effective system of internal financial controls is maintained, that financial procedures are regularly reviewed. d. To consider and approve the Council's Annual Statements Of Accounts. e. To consider, monitor and review the Council's overall corporate governance arrangements. f. To ensure that a corporate risk management strategy is in place, to consider, monitor and review the effectiveness of the Council's risk management arrangements and seek assurances that action is being taken to address identified risk related issues.

	<ul style="list-style-type: none"> g. To consider any report from the Internal Audit Manager in pursuance of Financial Regulations. h. To ensure good stewardship of the Council's resources and assist the Council to achieve value for money in the provision of its services. i. To enhance the profile, status and authority of the internal audit function which will demonstrate its independence. j. To contribute towards making the Council, its Committees and Directorates more responsive to the audit function. k. To focus audit resources by agreeing, and periodically reviewing, audit plans and monitoring delivery of the audit service. l. To receive and consider such internal audit reports that the Chair and/or Acting Deputy Chief Executive considers necessary. m. To keep under review and make recommendations on proposed amendments to Financial Regulations. n. To consider and make recommendations if appropriate on, the Annual Governance Statement.
<p>Special provisions as to the Chair</p>	<p>For the sake of independence, the Chair will be an "Opposition" Member.</p>
<p>Special provisions as to membership</p>	<p>The Committee to comprise elected Members representing all interests of the Authority, preferably with relevant areas of expertise, where possible (such areas as accountancy, audit, business and commerce.)</p> <p>Can be members of the Executive Committee.</p>

AUDIT & GOVERNANCE COMMITTEE

23rd April 2012

WORK PROGRAMME 2012/13

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 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

23rd April 2012

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