

**AUDIT & GOVERNANCE COMMITTEE**

Date: 27<sup>th</sup> APRIL 2017

**THE 2017/18 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

|                                 |  |
|---------------------------------|--|
| Relevant Portfolio Holder       | Councillor John Fisher                         |
| Portfolio Holder Consulted      | Yes  |
| Relevant Head of Service        | Paul Field, Interim Financial Services Manager |
| Ward(s) Affected                | All Wards                                      |
| Ward Councillor(s) Consulted    | No   |
| Key Decision / Non-Key Decision | Non–Key Decision                               |

**1. SUMMARY OF PROPOSALS**

1.1 To present:

- the Redditch Borough Council Internal Audit Operational Plan for 2017/18;
- to confirm the performance indicators for the Worcestershire Internal Audit Shared Service for 2017/18

**2. RECOMMENDATIONS**

2.1 **The Committee is asked to approve the 2017/18 Annual Audit Plan.**

**3. KEY ISSUES**

**Financial Implications**

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

**Legal Implications**

3.2 The Council is required under the Accounts and Audit Regulations 2015 to “undertake an adequate and effective internal audit of its accounting records and

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of its system of internal control in accordance with the proper practices in relation to internal control”.

**Service / Operational Implications**

**Internal Audit Aims and Objectives**

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisational changes e.g. transformation.

**Formulation of Annual Plan**

The Internal Audit Plan for 2017/18, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purposes, risk priorities per discussions with the s151 Officer and the results of an independent risk assessment of the audit universe by Internal Audit. Dialogue will continue with and Heads of Service in regard to the audit plan and the risk exposure in their areas. The internal audit plan for 2017/18 has been considered by the council's section 151 officer and has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes. The provisional plan was brought before Committee in February to provide an opportunity for Member engagement and comment.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council the benefits this brings with joint working has been reflected in the plan with closely aligned plans and reduced/shared budgets to deliver the work. By taking this approach it will ensure

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that both Councils benefit from the efficiencies that can be derived from an even better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work before Members it allowed time for a positive input into the audit work programme for 2017/18 and provided an opportunity to make suggestions as to where audit resources could be deployed under the direction of the s151 Officer. As with all plans it may be subject to review and change as the year progresses in consultation with the s151 Officer.

**Resource Allocation**

To reflect the changing environment in regard to joint working and shared services the internal audit plan for 2017/18 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The coverage remains unchanged from 2016/17 figures due to outturns from certain reviews e.g. Post Contract Appraisal. There would have been a proposal to reduce the days if the issues had not been encountered in the last municipal year. The Head of the Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts.

The Internal Audit Plan for 2017/18 is set out at **Appendix 1**.

**Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2017/18 will be closely monitored by the Head of the Internal Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from partner organisations, on a quarterly basis and to the Audit and Governance Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the outturn against certain performance indicators which have been developed for the service and management. These have been agreed with the council's s151 officer and are included at **Appendix 2**.

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**Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

**4. RISK MANAGEMENT**

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

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

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

**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan 2017/18  
Appendix 2 ~ Performance indicators 2017/18

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/a

**AUTHOR OF REPORT**

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**APPENDIX 1**

**Detailed Programme of Work for 2017/18**

| <b>Audit Area</b>                                       | <b>Planned Days<br/>2016/17</b> | <b>Planned Days<br/>2017/18</b> | <b>Difference<br/>= + or -</b> | <b>Comment</b>   |
|---|---------------------------------|---------------------------------|--------------------------------|--|
| <b>CHARGEABLE AND PRODUCTIVE</b>                        |                                 |                                 |                                |  |
| <b>Core Financial Systems</b>                           |                                 |                                 |                                |  |
| Council Tax   | 12                              | 12                              | 0                              | holding steady as historical indications show as being approximately correct |
| Benefits  | 15                              | 15                              | 0                              | holding steady as historical indications show as being approximately correct |
| NNDR  | 12                              | 12                              | 0                              | holding steady as historical indications show as being approximately correct |
| Payroll (inc allowances, starters, leavers)             | 17                              | 17                              | 0                              | holding steady as historical indications show as being approximately correct |
| Creditors   | 8                               | 8                               | 0                              | holding steady as historical indications show as being approximately correct |
| Cash Collection   | 10                              | 10                              | 0                              | holding steady as historical indications show as being approximately correct |
| Debtors   | 7                               | 7                               | 0                              | holding steady as historical indications show as being approximately correct |
| Treasury Management                                     | 7                               | 7                               | 0                              | holding steady as historical indications show as being approximately correct |
| Main Ledger inc Budgetary Control & Bank Reconciliation | 16                              | 16                              | 0                              | holding steady as historical indications show as being approximately correct |
| VAT   | 0                               | 4                               | 4                              | Increase due to cyclical requirement   |
|   |                                 |                                 |                                |  |
| <b>CORE FINANCIAL TOTAL</b>                             | <b>104</b>                      | <b>108</b>                      | <b>4</b>                       |  |
|   |                                 |                                 |                                |  |
| <b>Corporate</b>  |                                 |                                 |                                |  |
| Risk Management   | 5                               | 5                               | 0                              | holding steady due to joint working  |
| Fraud, Special Investigations incl NFI                  | 19                              | 25                              | 6                              | small increase due to additional demands on this budget during 2016/17       |

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| Audit Area   | Planned Days<br>2016/17 | Planned Days<br>2017/18 | Difference<br>= + or - | Comment   |
|--|-------------------------|-------------------------|------------------------|---|
| Advisory and Consultancy / Contingency                   | 14                      | 14                      | 0                      | holding steady as historical indications show as being approximately correct  |
| Previous Year Work completion                            | 10                      | 14                      | 4                      | small increase due to knock on effect during 2016/17 re. additional work; there will be some slippage which will impact next year |
| Statement of Internal Control                            | 3                       | 3                       | 0                      | holding steady as historical indications show as being approximately correct  |
| Follow Up on recommendations                             | 15                      | 20                      | 5                      | small increase as an increasing number of recommendations are being revisited on more than one occasion                           |
| <b>CORPORATE TOTAL</b>                                   | <b>66</b>               | <b>81</b>               | <b>15</b>              |   |
|  |                         |                         |                        |   |
| <b>Other Systems Audits</b>                              |                         |                         |                        |   |
| <b>2017/18</b>   |                         |                         |                        |   |
| <b>Service Area:</b><br><b>Planning and Regeneration</b> | 20                      | 10                      | -10                    | Decreased as reasonable coverage in this area during 2016/17 and risk deemed to be elsewhere                                      |
|  |                         |                         |                        |   |
| Building Control   |                         |                         |                        |   |
|  |                         |                         |                        |   |
| <b>Service Area:</b><br><b>Housing</b>                   | 35                      | 40                      | 5                      | Increased due to recent review findings and broader coverage  |
|  |                         |                         |                        |   |
| Statutory Compliance                                     |                         |                         |                        |   |
| St David's House   |                         |                         |                        |   |
| Contract Management (Health Check)                       |                         |                         |                        |   |
|  |                         |                         |                        |   |
| <b>Service Area:</b><br><b>Community Services</b>        | 14                      | 12                      | -2                     | Decreased as single focus and reasonable coverage during 2016/17  |
|  |                         |                         |                        |   |
| Disabled Facilities Grants                               |                         |                         |                        |   |
|  |                         |                         |                        |   |

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| Audit Area                                      | Planned Days<br>2016/17 | Planned Days<br>2017/18 | Difference<br>= + or - | Comment   |
|---|-------------------------|-------------------------|------------------------|---|
| <b>Service Area:</b>                            |                         |                         |                        |   |
| <b>Environmental</b>                            | 22                      | 15                      | -7                     | Decreased as single focus, reasonable coverage during 2016/17 and risk deemed to be elsewhere |
| Waste Management                                |                         |                         |                        |   |
| <b>Service Area:</b>                            |                         |                         |                        |   |
| <b>Leisure and Culture</b>                      | 24                      | 20                      | -4                     | Decreased as reasonable coverage during 2016/17 and two clear audits                          |
| Golf Course                                     |                         |                         |                        |   |
| Palace Theatre                                  |                         |                         |                        |   |
| <b>Service Area: (Corporate)</b>                |                         |                         |                        |   |
| <b>Including Legal and Democratic</b>           | 20                      | 25                      | 5                      | Increase as main emphasis to be on procurement  |
| Elections or Land Charges                       |                         |                         |                        |   |
| Procurement                                     |                         |                         |                        |   |
| <b>Service Area:</b>                            |                         |                         |                        |   |
| <b>IT</b>                                       | 16                      | 16                      | 0                      | No change - two specific audit areas for coverage   |
| Transformation assistance                       |                         |                         |                        |   |
| Records Management                              |                         |                         |                        |   |
| <b>Service Area:</b>                            |                         |                         |                        |   |
| <b>Customer Services</b>                        | 12                      | 11                      | -1                     | Decreased as reasonable coverage during 2016/17 and single focus                              |
| One Stop Shops/reception Services channel shift |                         |                         |                        |   |
| <b>Sub Total (Service Areas)</b>                | <b>163</b>              | <b>149</b>              | <b>-14</b>             |   |
| Bus Operators Grant                             | 8                       | 8                       | 0                      | Cyclical requirement  |
| Insurance                                       | 5                       | 0                       | -5                     | No further work required in this area   |
| <b>SERVICE AREA TOTAL</b>                       | <b>176</b>              | <b>157</b>              | <b>-19</b>             |   |
| Audit Management Meetings                       | 20                      | 20                      | 0                      |   |
| Corporate Meetings / Reading                    | 9                       | 9                       | 0                      |   |
| Annual Plans and Reports                        | 12                      | 12                      | 0                      |   |
| Audit Committee support                         | 13                      | 13                      | 0                      |   |
| <b>SUPPORT TOTAL</b>                            | <b>54</b>               | <b>54</b>               | <b>0</b>               | No change - deemed sufficient coverage  |
| <b>TOTAL CHARGEABLE</b>                         | <b>400</b>              | <b>400</b>              | <b>0</b>               | No overall change   |

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Summary of Days per Overall Audit Group for 2017/18.

| <b>Planned Days for 2017/18</b> | <b>2016/17</b> | <b>2017/18</b> |
|---------------------------------|----------------|----------------|
| Core Financial Systems          | 104            | 108            |
| Corporate Work                  | 66             | 81             |
| Other Systems Audits            | 176            | 157            |
| Sub Total                       | 346            | 346            |
|                                 |                |                |
| Audit management meetings       | 20             | 20             |
| Corporate meetings / reading    | 9              | 9              |
| Annual plans and reports        | 12             | 12             |
| Audit Committee support         | 13             | 13             |
|                                 | 54             | 54             |
| <b>TOTAL Audit Days</b>         | <b>400</b>     | <b>400</b>     |



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#### Appendix 2

#### **PERFORMANCE INDICATORS 2017/18**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. governance indicators. The position will be reported on a cumulative basis throughout the year.

|                         | KPI  | Trend/Target requirement/Direction of Travel              | 2017/18 Position (as at XXXXXXXX)     | Frequency of Reporting                      |
|-------------------------|--|---|---------------------------------------|---|
| Operational             |  |   |                                       |   |
| 1                       | No. of audits achieved during the year                 | Per target  | Target = Minimum 18<br>Delivered = XX | When Audit and Governance Committee convene |
| 2                       | Percentage of Plan delivered                           | >90% of agreed annual plan                                | XX                                    | When Audit and Governance Committee convene |
| 3                       | Service productivity                                   | Positive direction year on year (Annual target 74%)       | XX                                    | When Audit and Governance Committee convene |
| Monitoring & Governance |  |   |                                       |   |
| 4                       | No. of 'high' priority recommendations                 | Downward (minimal)  | XX                                    | When Audit and Governance Committee convene |
| 5                       | No. of moderate or below assurances                    | Downward (minimal)  | XX                                    | When Audit and Governance Committee convene |
| 6                       | 'Follow Up' results                                    | Management action plan implementation date exceeded (<5%) | XX                                    | When Audit and Governance Committee convene |
| Customer Satisfaction   |  |   |                                       |   |
| 7                       | No. of customers who assess the service as 'excellent' | Upward (increasing)                                       | XX                                    | When Audit and Governance Committee convene |

WASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.