

AUDIT & GOVERNANCE COMMITTEE

Date: 16th January 2014

**THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER
OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, 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 monitoring report of internal audit work as at 30th November 2013.

2. RECOMMENDATIONS

2.1 **The Committee is asked to RESOLVE that the report be noted.**

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 Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Service / Operational Implications

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

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This section of the report provides commentary on Internal Audit's performance for the period 01st April 2013 to 30th November 2013 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT (26th September 2013):

2013/2014 Audits:

Development and Building Control

The review was a full systems audit concentrating on the receipt, payment and processing of Building Control applications as operated on behalf of Redditch Borough Council. This audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service. The review found there is a sound system of control in place. Audit testing highlighted no significant delays in the processing of building control applications and all income was traced to the relevant financial ledgers. In addition, there is regular monitoring of performance including the number of applications processed and level of work load per Building Control Officer. However, one high priority recommendation has been made regarding the lack of a financial charging statement in accordance with the Building (Local Authority Charges) Regulations 2010. It should be noted however, although this is a requirement under the regulations it no longer forms part of the final account process as with previous years.

Current Status: Final Report issued 29th October 2013

Assurance: Significant

Disabled Facilities Grants (DFG's)

The review was a health-check audit and was limited to controls in place at the time of the audit including whether the Disabled Facilities Grants are awarded in accordance with defined eligibility criteria and fully documented, payments are correct and made on a timely basis following a formal review of work quality and completion of the contract, and, there is evidence of effective budget monitoring practices. The review found there is generally sound system of internal control in place in particular the approval and review process of grant applications as well as the monitoring of case works. However, testing has identified isolated weaknesses with a few areas, including the process for registering the Council's financial interests for larger claims whereby the Council is entitled to claw-back monies should an applicant breach the conditions of the grant claim. In addition, the storage of case file documentation needs to be reviewed to ensure adequate controls are in place to minimise the risk of loss. Further work and training is required to

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address the use of the 4Risk risk register system, to effectively record and monitor risks affecting the Service. There has also been a reduction in the monitoring of capital budget information extracted from the Finance system, although this process is currently under review.

Current Status: Final Report issued 10th December 2013
Assurance: Significant

Allotments

The review was a full system audit concentrating on areas of the Allotments including the adequacy of procedures and controls over the cash collections for all allotment payments, fair procedures are in place with regard to the allotment waiting list, there is an approved system/agreement in place for associations that have been appointed to manage the Council's allotments and there is an effective debt recovery process in operation. The audit did not cover future developments of the Allotments system and the budget monitoring process. The review found overall there is a sound system of control in place but some of the expected controls are not in place and/or operating effectively. Testing identified that although Allotment Associations are run under the Redditch Borough Council's Leisure and Cultural Services team, there is no formal agreement in place to govern their operation. Internal Audit also identified that the Allotment Associations are in regular communication with the Council in regards to any concerns and/or issues raised on their site. The resolutions of these queries are being met by the Council adequately although evidence of this was not always found recorded on the Colony system used for Allotments. A Draft Redditch Allotment Strategy (2013-2018) has been drawn up and is under review.

Current Status: Final Report issued 24th October 2013
Assurance: Moderate

Palace Theatre

The review was a full system audit concentrating on areas of the Palace Theatre including controls over security and access to the cash float, takings and safe, all income received for box office ticket sales, kiosk and bar takings are receipted and banked correctly and shows in the main ledger, and, adequate controls are in place regarding the purchasing of goods bought for resale and stock taking procedures. The review did not cover the recruitment and induction of staff and volunteers of the Palace Theatre. The review found there is a system of control in place but some of the expected controls are not in place and others are not operating effectively. The Haven system is being used adequately to ensure that income received into the Palace theatre is being recorded and banked accurately. The controls around the purchasing

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of goods for resale are operating effectively although the stock taking procedures were not being implemented fully for the stock used for resale and the Palace theatre Money-off vouchers. Audit also identified although there was a lack of sufficient regular review of the floats the use of floats that had been approved by senior management. There are some areas relating to lost property, bankings, cashing up records, stock procedures and the 'Haven' system where controls could be strengthened to help reduce the risk to the Council.

Current Status: Final Report issued 25th October 2013

Assurance: Limited

Summary of assurance levels for 2013/14:

<u>Audit</u>	<u>Assurance Level</u>
<u>2013/14</u>	
Development Control	Significant
Disabled Facilities Grants	Significant
Allotments	Moderate
Palace Theatre	Limited

2012/13 AUDITS NEARING FINAL COMPLETION 30th November 2013

Rent Arrears, Payment and Collection

The review is a limited scope audit and will concentrating on procedures relating to the collection of rent arrears and procedures relating to the monitoring and control of rent arrears. Housing Services are currently undergoing a full Transformation Review and a trial introducing procedural changes being considered effecting the collection and control of rent arrears is about to commence; however management expectations in relation to the actioning and collection of rent arrears are broadly in line to those currently followed, with the emphasis changing in relation to initial/on-going contact with tenants in arrears.

Current Status: Draft Report Stage

Corporate Governance ~ Shared Service

The review is a full systems audit concentrating on documentation provided to the Shared Services Committee and the financial data surrounding recharges to the individual councils. The review has included areas such as savings made as a result of Shared Services/Transformation being clearly and accurately recorded, reports being issued to Members/Boards of all

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Shared Services/Transformation are accurate, clear and timely with savings against projected targets displayed, and, all related recharges to relevant Council's are accurate and timely.

This audit had reached draft report stage but in discussion the s151 Officer requested further work to be undertaken in this area. The audit, therefore, is progressing and will be reported in the near future.

Current Status: Additional work requested by s151

As work on the above audits is nearing completion an 'Assurance' level will be assigned on completion.

2013/14 AUDITS ONGOING AS AT 30th November 2013

Playing Field and Football Pitches

The review is a critical review and challenge audit concentrating on the controls in operation at Playing fields and football pitches with regard to the system in place for booking, billing and collection of income for Playing fields and football pitches, to review the arrangements in place for the ground maintenance of Playing fields and pitches to ensure they are appropriate, and, to review and assess any complaints and compliments in relation to this. The review will not include the marketing strategies or staffing issues involved in the playing field and football pitches process.

Current Status: Draft Report Stage

Kingsley Sport Centre

The review is a full systems audit concentrating on the controls in operation at Kingsley Sports centre to ensure security and access to the cash float, takings and safe, all income received for activity bookings are receipted and banked correctly, there are adequate controls in place regarding cashing up, a reconciliation is carried out to ensure all income is banked, agrees to the Council's bank account and is reflected in the main ledger correctly, and, hours claimed by staff (including overtime) agree to rotas, sickness, annual leave records and "booking in and out" records.

Current Status: Clearance Meeting Stage

Council Tax

The review is a full system audit concentrating on areas of the Council Tax system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, there are regular reconciliations from Council Tax system

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to feeder systems i.e. Cash Receipting, the Benefits system and Financial ledger, empty properties are regularly monitored and billed promptly where necessary, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and there are appropriate controls in place for account transfers and refunds, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, systems access is appropriate.

Current Status: Clearance Meeting Stage

NDR

The review is a full system audit concentrating on areas of the NNDR system to ensure there is a reconciliation of the opening debit at the beginning of the financial year, empty properties are regularly monitored and billed promptly where necessary, there are regular reconciliations from NNDR system to feeder systems i.e. Cash Receipting, the Benefits system and Financial ledger, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and there are appropriate controls in place for account transfers and refunds, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, system access is appropriate.

Current Status: Clearance Meeting Stage

Benefits

The review is a full system audit. The review is concentrating on areas including Overpayments occurring as a result of Local Authority error, Essential Living Fund payments, Fraud Identification, assessment and recovery, and, reconciliations of Benefits, Council Tax and General Ledger entries.

Current Status: Clearance Meeting Stage

S106's

The review is a full system audit concentrating on S106 Planning Obligations from the point the agreement is signed and will consider areas such as procedures are in place for the allocation and use of S106 monies including

appropriate authorisation, records are in sufficient details to provide management information that, where applicable, can be acted upon in a timely manner, Redditch Borough Council is recording and monitoring all S106 Planning Obligations i.e. where cash and related contributions are sought as well as planning agreements which have been put in place as a means of regulating development activities (where no contribution is sought) and plans are in place to ensure that the Council is ready for or will be in a position to implement the Community Infrastructure Levy (CIL).

Current Status: Fieldwork Stage

IT

The review is a full systems audit concentrating on the controls in operation by IT Services with regard to measures of success including ICT helpdesk functionality since the merging of the Redditch Borough Council and Bromsgrove District Council, there are adequate controls around the starters and leavers from the point where network access is requested, and there are effective and efficient controls around the disposal of IT equipment.

The audit will not cover starters and leavers procedures covered under Human Resources, and, controls around the acquisition of IT equipment as this is covered under Procurement.

Current Status: Fieldwork Stage

Treasury Management

The review is a full system audit of Treasury Management concentrating on areas of control to ensure Treasury Management is undertaken in line with Statutory and Internal procedures, all monies not immediately required by the Council are invested prudently and that funds are available for use by the Authority when required, there is a complete audit trail for all transactions from the point where the monies are paid out/received into the Council's bank account to the point where the monies are repaid into/out of the Council's bank account, all transactions are clearly recorded in the Council's financial recording system, regular reconciliations are undertaken between the ledger and Treasury Management records by an independent person, and, the computer system is subject to basic I.T. controls. The audit will not cover the rate of interest obtained for individual investments/loans or the ratings of the financial institutions used to invest in or obtain loans from.

Current Status: Fieldwork Stage

Creditors

The review is a full system audit concentrating on the controls over the Creditor System ensuring orders have been authorised and the goods/service have been received before the invoice is authorised and paid to the correct

creditor, purchase orders are raised prior to the receipt of goods/services unless specifically excluded, supplier details for new creditors and amendments to these records are authorised and subject to internal checks, invoices are paid once and are recorded correctly and accurately in the main ledger, reconciliations between the main ledger and the creditors ledger are carried out in a timely manner, adequate controls exist over BACS payments, appropriate access controls are in place for the Council's E-procurement/Cedar system, requirements of the HMRC's Real Time Information reporting are met in relation to any payments made to sub-contractors, and, payment of invoices are monitored on a regular basis to ensure there are no late payment penalties incurred by the Council under the "The Late Payment of Commercial Debts 2013" regulations. The audit will not cover the procurement process.

Current Status: Fieldwork Review Stage

Debtors

The review is a full system audit concentrating on the controls from the point where the invoice is raised to entry onto the main ledger. The review will assess the system is operated in accordance with the Council's Financial Regulations and agreed procedures, Debtors invoice requests are raised onto the IBS system correctly and in a timely manner, all accounts raised and payments made to the Council are in a timely manner, cancellation and 'Write off' of debts are controlled independently and carried out in accordance with the Council's Financial Regulations and justifiable reasons provided, there is an effective debt recovery system in operation, inhibits and recovery suppressions are controlled and monitored independently, all accounts and payment details are recorded correctly and accurately in the main ledger and regular reconciliations are undertaken, and, basic IT Controls are in place. The audit will not look at the Cash collection procedures as this will be covered in a separate audit.

Current Status: Fieldwork Review Stage

Main Ledger

The review is a full system audit concentrating on the control of the Main Ledger to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, (for example from the feeder systems, procurement cards and direct debits), the timely locating/correcting of errors and omissions within the system (for example the use of suspense codes), sufficient, relevant, reliable information is available to budget holders and budget holders are managing, monitoring and controlling their budgets effectively in accordance with approved procedures, all budget journals and virements are controlled effectively in accordance with agreed procedures and the Council's

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Financial Regulations, and, bank reconciliations are undertaken on a regular basis and any balancing items are investigated and dealt with promptly. The VAT process will not be covered by the review and will be audited separately.

Current Status: Fieldwork Review Stage

Cash Collection

The review is a full system audit concentrating on the control of the cash collection from the point where the cash is received by the Council to entry onto the main ledger. The audit is to ensure adequate controls are in place regarding the cashing up process undertaken by the One Stop Shops and the Town Hall Cash Office, all income receipted in the 'Paris' system is credited to the Council's bank account correctly and in a timely manner, the cash receipting suspense account is reviewed on a regular basis ensuring all payments are allocated correctly to the general ledger in a timely manner, and, controls are in place regarding the collection of cash by G4S.

Current Status: Fieldwork Review Stage

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2013/14 Internal Audit Plan and achieving the targets set for the year. As at 30th November 2013 a total of 233 days had been delivered against an overall target of 484 days for 2013/14. The target days to the end of quarter 3 are in line with the target figure for the year as part of the key performance indicators for the service.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Committee on the 18th March 2013 for 2013/14.

Appendix 3 shows the tracking of completed audits.

Appendix 4 shows the 'high' and 'medium' priority recommendations which have are reported to the Committee for information.

3.5 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:

- Governance for example assisting with the Annual Government Statement
- Risk management

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- Transformation review providing support as a 'critical appraisal'
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

Customer / Equalities and Diversity Implications

3.6 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 delivery 2013/14
Appendix 2 ~ Key performance indicators 2013/14
Appendix 3 ~ Tracking analysis of previous audits
Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

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N/a

AUTHOR OF REPORT

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APPENDIX 1

Delivery against Internal Audit Plan for 2013/14
1st April 2013 to 30th November 2013

Audit Area	DAYS USED TO 30/11/13	2013/14 PLANNED DAYS	Target Days to 31/12/13
Core Financial Systems (Note 1)	63	114	93
Corporate Audits(Note 2)	46	155	64
Other Systems Audits	92	161	100
TOTAL	201	430	257
Audit Management Meetings	13	20	15
Corporate Meetings / Reading	6	9	7
Annual Plans and Reports	1	12	6
Audit Committee support	7	13	10
Other chargeable	5	0	0
TOTAL	32	54	38
GRAND TOTAL	233	484	295

Note 1

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts.

Note 2

A number of the budgets in this section are 'on demand' e.g. consultancy, investigations so the requirements can fluctuate but are calculated on an equal apportionment per quarter over the year.

APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2013 to 31st March 2014.

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13. Further to the request of Members at the Internal Audit Committee of the 25th April 2013 performance indicators have been reviewed and agreed with the Portfolio Holder and are reported below.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Position (as at November 2013)	Frequency of Reporting
1	No. of high recommendations	Downward	12	6	Quarterly
2	No. of moderate or below assurances	Downward	10	2	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	4	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered =27 &(2x Draft Reports)	Target =29 Delivered =5 (12 progressing)	Quarterly

WIASS operates within and seeks to conform to the Public Sector Internal Audit Standards.

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APPENDIX 3

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of November 2013. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the over all work load and are assessed by the Lead Auditors.

Follow up in connection with the core financials is undertaken as part of the routine audits that are/were performed during quarter 3. Although identified on the list these will be removed when the audits have been completed and the follow up has been completed.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Responsible Officer</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>	<u>3rd</u>
			High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2011-12 Audits					
Housing Repairs & Maintenance	5th December 2011	Head of Housing & Housing Services Manager	Feb-13 Assessing follow up requirement		
Housing Capital Contracts - Interim Valuation and Post Contract Appraisal	24th February 2012	Head of Housing & Housing Services Manager	Feb-13 Assessing follow up requirement		
VAT	31st July 2012	Financial Services Manager	To be followed up in the 2013/14 audit		
Maintenance Contracts	31st July 2012	Head of Housing Services	Jan-13 Assessing follow up requirement		
2012-13 Audits					
Garages	16 July 2012	Head of Housing & Housing Services Manager	Followed up in October 2013. Outcome: Awaiting management response/action plan as service has been developed. Consider being made as to whether audit report remains valid due to changes.		

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Grants to Voluntary Organisations	12 September 2012	Acting Head of Community Services	Having spoken to client the recommendations relate to the approval of grants which will take place in January 2014. Therefore this will be revisited at this point to obtain evidence of implementation. HT 29/10/2013		
Landscaping & Ground Maintenance	14 September 2012	Head of Environmental Services	Mar-13 Assessing follow up requirement		
Creditors	03 January 2013	Financial Services Manager	Follow up in 13/14 audit –completed		
Treasury Management	21 December 2012	Financial Services Manager	Follow up in 13/14 audit		
Street Scene	7th January 2013	Head of Environmental Services	Jul-13 Assessing follow up requirement		
Payroll	17th March 2013	Financial Services Manager	Follow up in 13/14 audit -completed		
Debtors	1st March 2013	Financial Services Manager	Follow up in 13/14 audit -completed		
IT Services	26th February 2013	ICT Operations Manager	Follow up in 13/14 audit		
Stores, Depot and Small Plant	27th March 2013	Head of Environmental Services	Sep-13 Assessing follow up requirement		
Arrow Vale Sports Centre	2nd April 2013	Leisure Services Manager	Oct-13 Assessing follow up requirement		
Markets	18th March	Head of Planning	Sep-13 Assessing		

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	2013	Services	follow up requirement		
Main Ledger inc Budgetary control	26th April 2013	Financial Services Manager	Follow up in 13/14 audit		
Procurement / Contract Compliance	20th May 2013	Financial Services Manager	Nov-13 Assessing follow up requirement		
Corporate Governance incl Shared Service arrangements	Draft report	To be confirmed	To be confirmed		
Risk Management	9th May 2013	Head of Finance and Resource	No follow up required. Critical friend audit done.		
Crematorium and Cemeteries	26th April 2013	Head of Environmental Services	Oct-13 Assessing follow up requirement		
Workshop & Fleet	29th April 2013	Head of Environmental Services	Oct-13 Assessing follow up requirement		
One Stop Shop / Reception Services and Cash Collection	10th June 2013	Head of Customer Services	Dec-13 – Audit currently in progress		
Waste	26th April 2013	Head of Environmental Services	Oct-13 Assessing follow up requirement		
Energy Monitoring	Draft report PG to chase Sam 17.7.13	Financial Services Manager	Feb-14		
Abbey Stadium	2nd May 2013	Leisure Services Manager	Nov-13		
Council Tax	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit – completed		
Benefits	20th June 2013	Benefits Manager	Follow up in 13/14 audit - completed		
NNDR	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit -completed		

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Housing Intervention	24th July 2013	Head of Housing & Housing Options Manager	No follow up required. Critical friend audit done.		
2013-14 Audits					
Dial-A-Ride	24th June 2013	Dial A Ride Manager	Jan-14		
Palace Theatres	25 th October 2013	Leisure Services Manager	Apr-14		
Allotments	24 th October 2014	Capital Project & Greenspace Manager	Apr-14		
Building Control	29 th October 2013	Building Control Manager	Apr-14		

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk. Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Moderate Assurance	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
Limited Assurance	Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
No Assurance	No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

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Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Development and Building Control 2013/14					
Assurance: Significant					
Summary: The review was a full systems audit concentrating on the receipt, payment and processing of Building Control applications as operated on behalf of Redditch Borough Council. This audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service.					
1	H	There is no clear demonstration that Redditch are breaking even on fee charging income for Building Control Services.	Risk of non compliance with the Building (Local Authority Charges) Regulations 2010 leading to reputational damage.	Redditch Council to satisfy themselves that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of each Council.	Responsible Manager: Financial Services Manager/Building Control Manager Implementation date: To be addressed at Final Account closedown for 13/14. Agreed.
2	M	Whilst reviewing payments receipted by the Redditch Cashiers it was noted that they do not always record the applicants name/address.	Unable to identify/prove payment in the event of challenge leading to possible financial loss.	The Redditch Cashiers to be reminded that full payment details for example name and address of property should be entered when receipting payments.	Responsible Manager: Head of Customer Access and Financial Support Implementation date: 21 st October 2013 All staff advised that name and address details must be entered for all payments not linked to an account. Extra training provided where necessary. Monitoring to take place and individual issues to be discussed with staff ongoing.

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Disabled Facilities Grant 2013/14					
Assurance: Significant					
Summary: The review was a health-check audit and was limited to controls in place at the time of the audit including the Disabled Facilities Grants are awarded in accordance with defined eligibility criteria, and fully documented, payments are correct and made on a timely basis following a formal review of work quality and completion of the contract, and, there is evidence of effective budget monitoring practices.					
1	M	<u>Registering of Council Interests</u> The Authority is able to claw-back costs relating to Disabled Facilities Grants which are above a £5,000 value, limited to a total re-imbursement charge of £10,000 per application. At present, these interests are registered using the Land Registry process as an active charge against the property up to a period of 10 years after the works are completed. This process has suffered extended delays, whereby documentation must be received from the applicant, and processed by Legal Services before being sent to Land Registry. A more generally accepted practice for registering charges against the property is by using the Land Charges system, which is currently cheaper and less time consuming.	Failure to formally record Council interests in a timely and appropriate manner, resulting in lost reimbursement should the terms of the Disabled Facilities Grant be broken.	The process for registering charges against a property to be reviewed, to ensure the most appropriate method is in place for formally registering the Council's interests.	Management Response: Agreed – this has been an area of challenge for some time, with differing opinions, even amongst Legal themselves as to the best way forward. Responsible Manager: Housing Strategy Manager Implementation date: February 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	M	<u>File Management</u> The file for 1 of a random sample of 15 works selected for testing could not be located during the audit fieldwork. The grant file contains personal information regarding members of the public, as well as financial information on the housing works. As at the time of the audit work, the whereabouts of this file was still unknown. The related grant claim has been completed, with payments made to the contractor. The file would not be subject to potential claw-back of funding should the applicants fail to abide with the grant scheme terms.	Failure to adhere to Data Protection requirements, resulting in potential legal challenge against the authority.	Procedures to be introduced to record the location and movements of grant files. File storage security practices to be enhanced, to reduce the risk of unauthorised access.	Management Response: Agreed – file transfers and storage facilities are not as we would wish. Responsible Manager: Housing Strategy Manager Implementation date: January 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Allotments 2013/14					
Assurance: Moderate					
Summary: The review was a full system audit concentrating on areas of the Allotments including the adequacy of procedures and controls over the cash collections for all allotment payments, fair procedures are in place with regard to the allotment waiting list, there is an approved system/agreement in place for associations that have been appointed to manage the Council's allotments and there is an effective Debt recovery process in operation. The audit did not cover future developments of the Allotments system and the budget monitoring process.					
1	H	<u>Formal Agreements</u> There are no written procedures or formal agreements that currently exist between the Allotments Associations and Redditch Borough Council.	There is a risk of financial loss possible fraudulent activity and reputation loss to the Council.	A Formal Agreement clearly outlining the controls required in the running of the Allotments on behalf of Redditch Borough Council, including the expectations of both the Council and Allotment Associations to be put in place as soon as possible.	We are currently developing the agreement between the Council and Associations through Redditch Allotments Forum, based upon by the draft Allotments Strategy 2013 to 2018. This will ensure that the Associations and RBC have a clear formal procedure and areas of responsibility and expectation are clearly identified and allocated. Responsible Manager: Capital Project & Greenspace Manager Implementation date: 31 st October 2014
2	M	<u>System Updates</u> Internal Audits walkthrough of the system identified that the Colony system was not always being updated or followed through timely for tenants that required the termination procedure to be completed. For example, final inspections or final 'follow-up' results are not being	Risk of financial and reputational loss to the Council	Reasons for terminations need to be clearly entered on to the Colony system with supporting evidence attached where required in a timely manner.	Further training is required by Officers on the Colony system to ensure the system is correctly used and its potential maximised, this is being arranged accordingly. Specifications/data fields within Colony will be updated/ improved to ensure full functionality of the system in order to meet

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		updated or carried out in some cases. It was also noted that scanned documentation of final notices sent out had not been attached to file were appropriate.			audit requirements. Responsible Manager: Capital Project & Greenspace Manager Implementation date: 31st October 2014

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Palace Theatre 2013/14					
Assurance: Limited					
Summary: The review was a full system audit concentrating on areas of the Palace Theatre including adequate controls over security and access to the cash float, takings and safe, all income received for box office ticket sales, kiosk and bar takings are receipted and banked correctly and shows in the main ledger, and, adequate controls are in place regarding the purchasing of goods bought for resale and stock taking procedures. The review did not cover the recruitment and induction of staff and volunteers of the Palace Theatre.					
1	H	<u>Banking for bar takings</u> Banking for bar takings are not being performed on a weekly basis.	There is a risk of non compliance with the Council's Financial regulations by both employee and the Council, which can lead to theft and financial loss.	Senior management need to ensure that the Palace Theatre is complying with the Council's Financial Regulations which require income to be banked promptly, i.e. by banking weekly.	This will be implemented as this is directly linked to "Matter Arising 5" Responsible Manager: Cultural Service Manager Implementation date: 31/10/2013
2	H	<u>Lost and found</u> There were miscellaneous items kept in the lost and found box; a bank card (that expired in 2011) and a digital camera that was held in the reception safe. Our walkthrough identified that there was no recording system in place for the Lost and found property or any evidence that any disposals are done correctly.	Insufficient details on collection or disposal of lost and found property retained can increase the risk of loss and theft of valuable items	All lost and found property must be recorded and completed in full, that is, the date found, disposal date and who completed the procedure. The Palace Theatre need to have a lost and found procedure put in place and reviewed on a yearly basis this to include what to do in the event of a bank card being found.	A Normal Operating Procedure will be developed and implemented by the Assistant Theatre Manager Responsible Manager: Assistant Theatre Manager Implementation date: 30/10/2013

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	H	<u>System log</u> While testing the cashing up records, Internal Audit identified records showing that the Haven system had been logged on by a staff member for more than 48 hours. The system had been used for bar sales by various staff members/volunteers.	Risk of misuse of another user's profile resulting in a loss of audit trail which could lead to financial loss and fraudulent activities	The Haven system must be logged in and out appropriately by the user who has completed their duties on a workstation.	Procedure will be developed and implemented by the Assistant Theatre Manager Responsible Manager: Cultural Services Manager Implementation date: 31/03/2014
4	H	<u>Cashing up records</u> 24 out of 25 Daily Cashing up reports tested did not have sufficient separation of duties. For example the reports for the cash collected at the end of the day showed: - One member of staff recording and authorising the takings; - the cashier recording the cashing up but no authorising signature; or - no signature from both the cashier or the authorising officer.	Insufficient evidence of separation of duties may increase the risk of fraud and theft	The Box Office Supervisor and the Assistant Theatre Manager to ensure that there is adequate separation of duties in the daily cashing up procedure.	Procedure will be developed and implemented by the Assistant Theatre Manager Responsible Manager: Assistant Theatre Manager Implementation date: 31/10/2013
5	M	<u>Floats</u> There are currently 12 floats kept in the Palace Theatre of which internal audit found that: - One of the floats had not been active (£25 programme float) - One of the floats was being used	Risk of retaining surplus amounts of cash which increases the risk of theft and financial losses to the council	Senior management to review the floats kept at the palace theatre at least once a year to ensure that they remain relevant this could be undertaken as part	Programme Float – set up to service the annual Pantomime (on advice from finance) Float to purchase – the issue of GPC cards

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		for petty cash to purchase bar lemons. (£50 bar float) One of the floats was recorded as £500 but when counted on site it was found to be £600. There is no evidence of the floats kept on site being regularly reviewed by senior management.		of the year end statement of accounts process.	has negated the need for this practice All Floats are reviewed on an annual basis and a return submitted to finance at the end of each financial year The relevance of all floats will be reviewed & rationalised Responsible Manager: Cultural Service Manager Implementation date: 28/02/2014
6	M	<u>Stock taking procedures</u> There is currently no stock taking procedures in place at the Palace Theatre. It was noted that the last weekly stock take was done 10th July 2012.	Lack of information/controls may increase the risk of financial loss and fraud to the Council	Stock taking procedures to be agreed and implemented at the Palace Theatre. The procedures should be realistic and should weigh the resources implication with the risk to ensure that they do not become onerous.	A full Bar and Kiosk Audit was completed 02/04/13 and the Tourist Information Centre was completed on 03/04/2013 Random stock checks will be completed on a monthly basis. A rotation process will be implemented by the Assistant Theatre Manager, to ensure that stock checks are done for each product at least once a year. Responsible Manager: Assistant Theatre Manager Implementation date: 30/11/2013

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
7	M	<u>Vouchers storage</u> Unused Palace Theatre money voucher booklets with monetary vouchers worth £20, £10, £5 and £1 were not securely stored. There is also no stock list maintained of these vouchers.	There is a risk of theft and financial loss to the Council.	Vouchers must be stored securely; an up to date stock list being maintained providing a clear audit trail of sale details.	All vouchers are secured in the Managers Office with a an appropriate stock list Responsible Manager: Theatre Manager Implementation date: Implemented in August 2013
end					