

Date: 22nd January 2015

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

THE INTERNAL AUDIT PROGRESS 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 progress report of internal audit work with regard to the residual 2013/14 audit work and the 2014/15 year.

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”.

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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.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2014 to 31st March 2015 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 PROGRESS REPORT (25th September 2014):

2014/2015 AUDITS FINALISED

Disabled Facilities Grants and Home Repairs Assistance

The audit found a sound system of internal control in place for the approval and payment of Disabled Facilities Grants and Home Repairs Assistance Lifetime Loans in line with statutory requirements and local policies. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 12th November 2014
Assurance: Significant

Rent Guarantee and Deposit Scheme

The audit found a sound system of internal control in place over the assessment of applications and the general utilisation of the scheme as a means for preventing homelessness by issuing either loans or acting as guarantor for private tenants. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 5th November 2014
Assurance: Significant

Rent Arrears and Payment Collection (including 2012/13 draft audit report)

The audit found a sound system of internal control in place over the management of rent arrears, including identification of arrears, and actions taken to monitor and recover monies in a manner which meets the locality service objectives. There were no 'high' priority recommendations reported.

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Current Status: Final Report issued 27th October 2014
Assurance: Significant

Elections

The audit found a sound system of control in place. The Electoral Services team is meeting statutory requirements, and is deemed by the Electoral Commission's Performance Standards to do this successfully in all areas, exceeding expectations in some, for electoral registration and undertaking elections. There were no 'high' or 'medium' priority recommendations reported.

Current Status: Final Report issued 27th October 2014
Assurance: Significant

Treasury Management

The audit found a sound system of internal control in place. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 28th November 2014
Assurance: Significant

Asset Management

The audit found a sound system of internal control in place and the current Service Level Agreement between Redditch District Council and Worcestershire Joint Property Services is working well and it is hoped that the introduction of the new Joint Property Vehicle Initiative in 2015 will provide added benefits.. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 20th November 2014
Assurance: Significant

Procurement

The audit found a sound system of internal control in place The organisation was found to be actively engaging with local suppliers, holding public events and discussions on how to do business with the Council and regularly advertising contracts on a local Worcestershire business website. There were no 'high' priority recommendations reported.

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Current Status: Final Report issued 18th December 2014
Assurance: Significant

Debtors

The audit found a sound system of internal control in place over the management of debtors, including debtors income and actions taken to monitor and recover monies in a manner which meets the locality service objectives. There were no 'high' priority recommendations reported.

Current Status: Final Report issued 5th January 2015
Assurance: Significant

Golf Course

The Pitcheroak Golf Course is currently seeing an improved usage of the facilities, with an increase in income compared to the same period last year, albeit this is likely to have been assisted with improved weather conditions during 2014. The financial performance of the site is monitored by the Leisure Services team. There were no 'high' priority recommendations reported, however, there were six 'medium' priority recommendations.

Recent developments have included implementation of procedures for improving the audit trail of transactions, and work is on-going on the development of a booking system which currently cannot be used to manage customer sessions in advance. Implementation of this function should assist in providing a more beneficial service to customers, although expected completion of this has been moved back from July 2014 to later in the financial period.

Current Status: Final Report issued 18th December 2014
Assurance: Limited

Summary of assurance levels:

2014/15	
Disabled Facilities Grants and Home Repairs Assistance	Significant
Rent Guarantee and Deposit Scheme	Significant
Rent Arrears and Payment Collection	Significant
Elections	Significant
Treasury Management	Significant

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Asset Management	Significant
Procurement	Significant
Debtors	Significant
Golf Course	Limited

2014/15 AUDIT WORK WHICH IS ONGOING

Although work on the following audits is continuing draft reports have been issued. As soon as a management response is received and the audits finalised notification of their outcome will be brought before committee for consideration. Audits include:

Forge Mill Museum
Reddicard Fees/Concessions,
Housing Repairs and Maintenance
Council Tax
NNDR
Payroll (inc allowances, starters, leavers)
Creditors
Cash Collection

Audit work continuing but drawing to a close in respect of the core financials includes:

Benefits
Main Ledger inc Budgetary Control & Bank Reconciliation

The outcomes of these audits will be reported to the April 2015 Committee.

3.4 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2014/15 Internal Audit Plan and achieving the targets set for the year. As at 31st December 2014 a total of 370 days had been delivered against an overall target of 484 days for 2014/15. The target days to the end of the quarter 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 24th April 2014 for 2014/15 and include management indicators as well.

Appendix 3 shows the tracking of completed audits.

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Appendix 4 shows the 'high' and 'medium' priority recommendations for finalised which 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
- 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

The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

WIASS confirms it acts independently in its role and provision of internal audit.

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:

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- 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 2014/15
Appendix 2 ~ Key performance indicators 2014/15
Appendix 3 ~ Tracking analysis of previous audits
Appendix 4 ~ 'High' and 'Medium' priority recommendations

6. BACKGROUND PAPERS

Individual internal audit reports.

7. KEY

N/a

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APPENDIX 1

Delivery against Internal Audit Plan for 2014/15
1st April 2014 to 31st December 2014

Audit Area	DAYS USED TO 31/12/14	Forecasted days to the 31st March 2015	2014/15 PLAN DAYS
Core Financial Systems (see note 1)	89	112	112
Corporate Audits(see note 2)	85	160	160
Other Systems Audits	154	158	158
TOTAL	328	430	430
Audit Management Meetings	16	20	20
Corporate Meetings / Reading	7	9	9
Annual Plans and Reports	11	12	12
Audit Committee support	6	13	13
Other chargeable	2	0	0
TOTAL	42	54	54
GRAND TOTAL	370	484	484

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 throughout the quarters

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APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2014 to 31st March 2015.

The success or otherwise of the Internal Audit Shared Service can be measured against some of the following key performance indicators for 2014/15 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2012/13 Year End Position	2013/14 Year End Position	2014/15 Position (as at December 2014)	Frequency of Reporting
1	No. of high recommendations	Downward	12	*21	2	Quarterly
2	No. of moderate or below assurances	Downward	10	12	4	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	3	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered =28 Final Reports & 1 Draft Report	Target =29 Delivered =27 Final Reports &2 Draft Reports	Target = 24 (minimum) Delivered = 13 (and 8 at Draft stage)	Quarterly

*This figure only includes finalised audit report recommendations and reported assurances therefore is subject to change (i.e. increase) depending on the draft report outcomes.

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 that is planned going forward in regard to the more recent audits providing assurance that a programme of follow up is operating.

To provide the Audit Board with assurance we are following a comprehensive 'follow up' programme to ensure recommendations and risks have been addressed from previous audits. Commentary has been provided on audits as part of the normal reporting process. Previous audit year updates in regard to 'follow ups' will be provided every six months to avoid duplication of information. Any exceptions will be reported to the Committee immediately.

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 were performed during quarter 3.

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</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
2014-15 Audits						
Land Charges	18th July 2014	Head of Legal, Democratic and Equality Services	Moderate	2 "high" priority recommendations in relation to fees and charges and income reconciliation	Jan-15	
Planning Fees	3rd September 2014	Head of Planning and Regeneration	Moderate	2 "medium" priority recommendations in relation to security of cheques and pre planning application advice charges	Mar-15	
Planning Enforcement	3rd September 2014	Head of Planning and Regeneration	Significant	1 "medium" priority recommendation re the need to update the Planning Enforcement policy	Mar-15	
Data Security, Publication and Disposal	9 th September 2014	Executive Director Finance and Resource, Head of Transformation and	Moderate	! 'medium' priority recommendation regarding transparency code	Mar-15	

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<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up</u>	<u>2nd</u>
		Organisational Development				
Rent Arrears	27th October 2014	Housing Services Manager	Significant	1 'medium' priority recommendation re the need to update policies and procedures.	Apr-15	
Elections	11th September 2014	Head of Legal, Democratic and Equality Services	Significant	For information only ~ No 'medium' or 'high' priority recommendations made.		

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APPENDIX 4

Definition of Audit Opinion Levels of Assurance

Opinion	Definition
Full Assurance	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
Significant Assurance	<p>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.</p> <p>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.</p>
Moderate Assurance	<p>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.</p> <p>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.</p>
Limited Assurance	<p>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.</p> <p>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.</p>
No Assurance	<p>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.</p> <p>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.</p>

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Definition of Priority of Recommendations

Priority	Definition
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
Medium	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>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.</p>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Disabled Facility Grants and Home Repairs Assistance					
Assurance: Significant					
Summary: The review was a full system audit concentrating on grants/loans provided by the shared private sector housing service. This included both Disabled Facilities Grants and Home Repairs Assistance Lifetime Loans but did not cover the re-commissioning of the Home Improvement Agency, which is being undertaken outside of the Private Sector Housing team as a separate exercise across the Worcestershire council partners.					
1	Medium	<p>Redditch Borough Council –</p> <p><u>File Management</u></p> <p>There continues to be an issue with the resource required to manage the historic hard copy files held within the councils. There is no longer space for newly completed case files. The Private Sector Housing Team Leader is aware of the risk of maintaining personal information for longer than needed and has produced Document Retention requirements for the files, but time and resources are now needed to physically sort these.</p>	<p>There is a risk that personal information the council does not need to keep is still held, leading to legal challenge.</p>	<p>Housing Strategy Manager to consider means of bringing the storage of client data relating to Disabled Facilities Grants and Homes Repair Assistance Lifetime Loans in line with Document Retention requirements.</p>	<p>Agreed. The file cleanse will dovetail with the move to Parkside.</p> <p>Responsible Manager: Housing Strategy Manager</p> <p>Implementation date: 31st March 2015</p>
Audit: Rent Guarantees and Deposit Scheme					
Assurance: Significant					
Summary: The review was a full system audit concentrating on the Rent Guarantees & Deposits system. The scope of the audit did not cover Rent payments or recovery transactions.					
1	Medium	<p><u>Debtor Accounts</u></p> <p>From a random sample of 15 Rent Deposit/ Guarantee applications made</p>	<p>Lack of debt recovery action, leading to financial</p>	<p>A process to be implemented to review all applications made on a</p>	<p>The issue with the one deposit has now been resolved and the Officer has rectified</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>during 2014, 1 was accepted for processing in part through this scheme and in part through the Essential Living Fund grant process. A debtor account should have been raised for the repayment of £495. However there is no record of an invoice account being requested or processed through Sundry Debtors.</p> <p>There is no regular review of completed applications and new Sundry Debtor accounts to ensure repayment schedules have been set up where necessary.</p>	loss to the authority.	monthly basis, to ensure debtor accounts have been requested by Housing Options staff and created by the Income Recovery team in a timely manner.	<p>by ensuring the account is set up.</p> <p>To eliminate this happening again I have implanted a checking system whereby the Housing Options team will receive a monthly list from the Income Recovery team which will be checked against records of all deposit loans granted for the same month. A Housing Options Prevention Officer will be responsible for checking this information and bring to my attention if there are any anomalies.</p> <p>Responsible Manager: Housing Options Team Leader</p> <p>Implementation date: Immediate</p>
Audit: Rent Arrears					
Assurance: Significant					
Summary: The review was a full system audit and concentrated on the Rent Arrears, Payments and Collection process and covered controls in place at the time of the audit. The audit did not cover Rent Verification Statements as this is a separate audit.					
1	Medium	<p><u>Guidance Documentation</u></p> <p>The guidance document for the Rent Arrears process has not been updated since 2007. This document does not take into account the current working arrangements for the recently implemented Locality scheme.</p>	Current working practices are not fully documented, potentially leading to inconsistent managing of tenant accounts, resulting in reputational damage.	All procedure guidance documents to be updated to take account of new working practices.	<p>Responsible Manager: Housing Services Manager</p> <p>Implementation date: April 2015</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Treasury Management					
Assurance: Significant					
Summary: The review was a full system audit of Treasury Management. The audit did 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.					
1	Medium	<p>Reconciliations</p> <p>Since the previous finding which identified that there was no dating or initialling of reconciliations by the preparer or the independent officer who checks the reconciliation, it was found that reconciliations have not been consistently completed.</p>	<p>There is a reputational risk if the Council is called into question over investments or borrowings.</p>	<p>Reconciliations to be carried out at least quarterly and must be dated and initialled by the preparer and the independent reviewer.</p>	<p>Responsible Manager: Agreed. One 18 hour post still to be filled before the restructure is complete. Staff are being trained at the moment and it is envisioned that they will all be trained and up and running by the implementation date.</p> <p>Implementation date: 1st March 2015</p>
Audit: Asset Management					
Assurance: Significant					
Summary: The review was a full system audit of Asset Management as operated by Redditch Borough Council. The review concentrated on the strategic aspect of Asset Management and covered the procedures in place at the time of the audit. The audit did not cover the Asset Register, repairs and renewals or management of facilities.					
1	Medium	<p>Terms of Reference</p> <p>The existing asset management groups for Redditch and Bromsgrove have been replaced with one group to cover both authorities.</p> <p>The current Asset Management Plan/Strategy for Redditch Borough Council is out of date. However it should be noted that Local authorities are no longer required to have Asset</p>	<p>Financial loss and reputational risk if the assets are not used to the best advantage.</p>	<p>The Council uses the tools that it has already created via the formation of the joint Asset Management Group and agrees 'Terms of Reference' for the group.</p> <p>This will help to guide the actions of the group, which may or may not decide that Asset</p>	<p>Responsible Manager: Head of Customer Access and Financial Support.</p> <p>As this new group has taken over from the two previous authority specific groups it is timely to agree new Terms of Reference.</p> <p>Implementation date: 28th February 2015</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>Management Plans in place.</p> <p>Within the process of transformation and the current challenges Redditch Borough Council faces with shared services it is not always clear how the management of assets are aligned to the strategic purposes of the Council.</p>		<p>Management Plans/Strategies are required, share knowledge and align all decisions with the strategic purposes of the authority.</p>	
Audit: Procurement					
Assurance: Significant					
<p>Summary: The review was a full system audit of the Procurement process as requested by the Audit, Governance and Standards Committee. The corporate procurement process covers all procurement activity taking place across the authority, including the contractor selection process and the procedures in place for monitoring the quality of the service delivery and payments for services provided. The audit did not cover the specifications of individual contract arrangements.</p>					
1	Medium	<p>Contract Publication and Formal Recording</p> <p>Of the sample of 25 random contracts reviewed during audit testing, details for 3 were not published on the Council website when they should be. This has been attributed to the Procurement team not being informed of the contracts by Service Managers.</p> <p>Additionally, of this same random sample, 7 of the contracts which should have been registered with Legal Services have not been.</p>	<p>Lack of publication and formal recording of Council contracts, leading to a lack of corporate monitoring, resulting in potential financial loss by not ensuring best value.</p>	<p>The Procurement team to be informed of all contracts which can then be published on the Council website. All tendered contracts to be registered with Legal Services.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>1st December 2014</p> <p>A reminder to be sent to all 4th Tier Managers</p>
2	Medium	<p>Procurement Strategy/ Procedure</p> <p>The Corporate Procurement Strategy</p>	<p>Lack of clear guidance</p>	<p>The Corporate Procurement</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>2009/12 was agreed in 2009. There are no known updates to this document.</p> <p>The Contract Procedure Rules document was updated in January 2012.</p> <p>The EU limits for procuring goods & services have not been updated in the documents with the value changes in January 2014.</p> <p>These documents are not available on the staff Orb intranet site, although the Strategy document could be found on the Redditch Borough Council public website.</p>	<p>potentially leading to procurement activities which are not in accordance with corporate or legislative requirements, resulting in financial penalty and reputational damage.</p>	<p>Strategy and Contract Procedure Protocols to reflect current corporate priorities, protocols and EU legislative requirements, and to align procedures with the new Local Government Transparency Code 2014.</p> <p>Documentation to be made available to all staff in a format that is easily accessible (e.g. Orb). Where appropriate training to be provided to staff on important changes to processes and procedures.</p>	<p>Implementation date:</p> <p>1st April 2015</p> <p>This task will be given to the new post of Control Accountant due to start January 2015</p>
3	Medium	<p>Contract Tendering and Management</p> <p>From a randomly selected sample of 25 contractor payments used to assess contract tendering and monitoring practices undertaken during the 2014/15 financial period across the authority:</p> <ul style="list-style-type: none"> One contract was found to be outside of the Contract Period, i.e. beyond the period of the initial arrangement plus extension periods, where arrangements are continuing with the contractor in accordance with the initial 	<p>Failure to adhere to corporate procurement requirements and a lack of transparency in achieving best value through competition, resulting in reputational damage and financial loss to the authority.</p>	<p>To ensure that value for money is maximised for the Authority using the procurement process, Officers need to remain mindful of contract cessation dates, compounded charges and the lifecycle costs of purchases. Appropriate reminders as well as contract clause inclusions need to be established to ensure the Authority effectively monitors all its contractual arrangements.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>1st June 2015</p> <p>Once Recommendation 2 has been completed a training programme for managers will commence</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>contract terms, including an increase in costs which has been agreed with the Service.</p> <ul style="list-style-type: none">• One payment was found to have been for goods which were purchased prior to raising a purchase order on the financial system.• Quotes for 1 piece of printing work under £5,000 in value were obtained, but only the successful quote for the works was retained on file.• One of a sample of payments was to a contractor that provides security work to the authority. The value of the on-going services over a 4 year period is estimated as being over £20,000. A tender/ quotation process has not been suitably followed in accordance with procurement procedures. <p>A vehicle purchased by the Highways cleaning team requires regular maintenance, which is currently provided by the supplier of this asset. The maintenance is specialised and has to be done by this supplier, so the service work cannot be published for quotation/ tender. However, these service maintenance costs were not included in the initial purchase tender process.</p>			

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Debtors					
Assurance: Significant					
Summary: The review was a full system audit concentrating on the debtors system from the point where the invoice was raised to entry onto the main ledger. The audit did not look at the cash collection procedures as this was being completed as part of another audit.					
1	Medium	<p>Arrears Reports</p> <p>Arrears reports are not being produced for all Service Managers with exception to Commercial Rents, Community Centre and Lifeline teams.</p>	<p>Incorrect figures may be used in the budgetary control process which may lead to the risk of financial loss to the council</p>	<p>The Income team must produce and supply arrears reports to relevant service managers on at least a quarterly basis to ensure that they are aware of their financial position when making decisions that impact the Council.</p>	<p>Arrears reports will be produced and circulated.</p> <p>Responsible Manager:</p> <p>Income Team Leader</p> <p>Implementation date:</p> <p>31st January 2015</p>
Audit: Pitcheroak Golf Course					
Assurance: Limited					
Summary: The review was a full systems audit concentrating on income and costs relating to activities undertaken on behalf of Redditch Borough Council at Pitcheroak Golf Course. The audit did not cover Income relating to coaching activities, which is not managed on behalf of the Council or the management of the Café which is managed by a separate company.					
1	Medium	<p>Banking Reconciliations</p> <p>At the time of the audit fieldwork there were a number of banking discrepancies between bank statement records and information provided by NKL Golf Ltd.</p> <p>Most discrepancies have now been resolved, and banking reconciliations at the Pitcheroak Golf site are more</p>	<p>Failure to examine inaccuracies or losses in bankings, resulting in a financial cost to the authority.</p>	<p>Reconciliations to be completed within a timely manner by the contractor NKL Golf Ltd., and full reconciliation records to be maintained.</p>	<p>Responsible Manager:</p> <p>Leisure Services Manager</p> <p>Ongoing. This is down to improved training and communication between the NKL Golf Manager and his staff who operate the till system.</p> <p>The NKL Golf Manager has been asked to e-mail the Sports Services Manager to confirm that the banking has been carried</p>

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		timely and regular. Some discrepancies have been attributed to handling and systems errors which resulted in payments not being correctly processed. However there is a lack of an audit trail held by NKL Golf Ltd. to enable a comprehensive posthumous review.			out each week and provide an explanation for anything over/under by £10. Implementation date: December 2014 Sports Services to inspect a sample of records during quarterly contract meetings. From January 2015.
2	Medium	<p><u>Business Continuity Arrangements – Manual Handling</u></p> <p>Redditch Borough Council has standardised procedures in place which can be utilised by a contractor for managing systems at the Pitcheroak Golf Course. At the time of the audit, these procedures were not being followed at the site for managing the service during an incident which impacts on continuity of business operations, e.g. a power cut.</p> <p>There was no key to open the cash register for manual control of monies, and there is no manual receipting process in place. Since the audit work commenced, a cash register key has now been provided.</p>	Lack of business continuity procedures leading to a failure to provide a suitable on-going service to customers, leading to potential reputational damage. There is also a risk that cash payments will not be correctly recorded resulting in a lack of an audit trail for tracing income, which could result in a financial loss.	<p>Agreed arrangements to be followed for the management of the service during periods where normal operations are detrimentally affected by external factors.</p> <p>Training needs to be assessed, and provided to staff on the operation of systems where appropriate.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Training to be provided in January 2015. Staff will be issued with procedures and will be signed off as competent.</p>
3	Medium	<p><u>Till Management</u></p> <p>The cash register system in use at the</p>	Lack of distinction	To implement different user	Responsible Manager: Leisure Services Manager

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		<p>Pitcheroak Golf Course site is able to provide each user with a unique login. However this is not currently being utilised, with only a single user login active on the system for all staff to use.</p> <p>A single 4-digit passcode is used, which when observed by Audit was deemed to be too simplistic to provide sufficient security.</p> <p>The key for the fireproof safe is also kept in the cash register overnight.</p>	<p>between cash register users, resulting in reduced responsibility over accuracy of transactions.</p> <p>Lack of security over financial transactions, leading to potential theft of cash register monies.</p>	<p>accounts on the cash register system and to require staff to sign in on their own user accounts when the cash register is in use, to enable a clear user audit trail.</p> <p>To request that the contractor uses more complex passcodes in order to provide more security over cash register usage.</p> <p>To require quarterly changes to passcodes to enable greater security over till monies.</p>	<p>Implementation date: New users/ passwords to be set up at same time as the training takes place – January 2015.</p> <p>Codes to be changed every quarter and reviewed via contract meetings. From April 2015.</p>
4	Medium	<p><u>Till Management & Procedures</u></p> <p>The end-of-day till closedown process summarises the till entries and prepares the records for processing through the Haven system.</p> <p>During a period where the till system experienced a number of crashes, the till closedown process was enacted prior to the end of day. This resulted in transactions being banked on one day, but recorded as entries through the till on the following day. These discrepancies have not been clearly documented on the Daily Cash Sheets completed by NKL Golf Ltd.</p> <p>There is no process in place for documenting all instances of till failure</p>	<p>Lack of an audit trail to identify processing error, leading to a potential financial loss and reputational damage to the contractor in the event of unexplained discrepancies.</p> <p>Failure to report issues, resulting in continued affect on effective service provision.</p>	<p>A log to be kept of all systems issues, and reported to the Leisure Service for monitoring on a weekly basis.</p> <p>Issues that could affect financial transactions to be reported to the Finance team for ensuring reasons for discrepancy are fully documented.</p> <p>A refund process to be implemented which maintains a full audit trail of refunded transactions, identifying the authorising officer and the reason for the refund.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Log to be set up from January 2015. The NKL Golf Manager to be asked to inform finance team (and Sports Services Manager) of any issues that may affect cash reconciliation, and to inform the Sports Services Manager of refunds and the reason for these.</p> <p>Log to be reviewed to ensure completion during each quarterly audit.</p>

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		<p>or other systems issues, and for notifying a responsible officer who could monitor these issues to ensure problems are resolved.</p> <p>In addition there is no process in place for documenting refunds given to customers. There is no requirement to sign for authorisation to confirm the validity of the refund.</p>			
5	Medium	<p><u>Performance Monitoring</u></p> <p>At the time of the audit, quarterly performance reviews were not being documented in accordance with the Service Level Agreement.</p> <p>Templates have been created for directing the review meetings, and to provide a comparable structure review process going forwards. Informal discussions have been held on the performance of the contractor; however these had not been formally documented.</p>	<p>Management not being held to account for unmonitored poor performance, resulting in reputational damage for the authority.</p>	<p>Performance reviews to be documented in accordance with the agreed approach in the Service Level Agreement.</p> <p>Regular scheduled performance meetings to be held going forwards, in accordance with the Service Level Agreement requirements.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: The contract template has been populated from October 2014. This will be completed during each quarterly contract meeting. A number of audit checks will be added to the template and added to the Quarterly meeting reviews.</p>
6	Medium	<p><u>Card System Access</u></p> <p>At the start of the audit fieldwork the manager of the Pitcheroak Golf Course did not have access to the Cardnet system, which shows details of credit card payments processed during the day, i.e. amounts and time</p>	<p>Discrepancies between till records and actual payments processed through the credit card system cannot be compared, resulting in</p>	<p>The manager of the NKL Golf Ltd to be given access to the Cardnet system, to enable a full and effective review of processed card payments.</p>	<p>Responsible Manager: Leisure Services Manager</p> <p>Implementation date: Completed.</p>

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		of day. This access has now been given following the suggestion of Internal Audit, prior to the completion of the audit fieldwork.	discrepancies not being identified, leading to a potential financial loss to the authority.		
end					