

REDDITCH BOROUGH COUNCIL

**AUDIT, GOVERNANCE AND
STANDARDS COMMITTEE**

Date: 22nd January 2015

**THE PROVISIONAL 2015/16 INTERNAL AUDIT PLAN 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 Redditch Borough Council Provisional Internal Audit Operational Plan for 2015/16;
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2015/16

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

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accounting records and 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 2015/16, 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 is continuing with and Heads of Service in regard to the audit plan and the risk exposure in their areas. The draft internal audit plan for 2015/16 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.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council we have used the 2015/2016 financial year as a year of realignment in regard to audit assignments. By taking this approach it will ensure that both Councils benefit from the efficiencies that

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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 to Members at this stage of the planning process it allows Members to have a positive input into the audit work programme for 2015/16 and make suggestions as to where they feel audit resources should be directed. 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 2015/16 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. This is a reduction of 84 days against last years plan resulting in a reduction in contribution by Redditch Borough Council in regard to the Internal Audit Shared Service. The Service Manager of the Worcestershire 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 draft Internal Audit Plan for 2015/16 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2015/16 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, which comprises the s151 officers from client organisations, on a quarterly basis and to the Audit Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against key 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 ~ Draft Internal Audit Plan 2015/16
Appendix 2 ~ Key performance indicators 2015/16

6. BACKGROUND PAPERS

None

7. KEY

N/a

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APPENDIX 1

DETAILED PROVISIONAL PLAN FOR 2015/2016 AUDIT PROGRAMME

Audit Area	Audit Risk Assessment Score (Max 45) *	Planned days 2014/15	Planned Days 2015/16	Difference = + or -
Core Financial Systems Service Area Finance				
Council Tax	Risk assessment score 34	12	12	0
Benefits	Risk assessment score 34	15	15	0
NNDR	Risk assessment score 32	12	12	0
Payroll (inc allowances, starters, leavers)	Risk assessment score 33	15	15	0
Creditors	Risk assessment score 31	12	10	-2
Cash Collection	Risk assessment score 30	12	0	-12
Debtors	Risk assessment score 29	12	10	-2
Treasury Management	Risk assessment score 28	7	7	0
Cash, General Ledger, Budgetary Control & Bank Reconciliations	Risk assessment score 28	15	13	-2
SUB TOTAL		112	94	-18
Corporate #				
Shared Service Client	Risk assessment score 29	16	0	-16
IT Services (budget moved to Service area)	Risk assessment score 29	15	0	-15
Procurement / Contract Compliance/Tendering (budget moved to Service area)	Risk assessment score 28	17	0	-17
Risk Management	Risk assessment score 26	15	7	-8
Transformation Arrangement (Critical Friend) (budget moved to Service area)	s151	10	0	-10
Corporate Governance (Health & Safety, Media & Comm's, Performance measures & data quality) (budget moved to Service area)	n/a	17	0	-17
Anti Fraud, Special Investigations and National Fraud Initiative (NFI)	n/a	25	15	-10

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Advisory and Consultancy / Contingency	n/a	14	12	-2
Completion of prior years work	n/a	10	8	-2
Statement of Internal Control	n/a	5	3	-2
Follow Up on recommendations	n/a	16	15	-1
SUB TOTAL		160	60	-100
Other Systems Audits (2014/15)				
Rent Arrears /Rent Payment & Collection	Risk assessment Score 33	15	0	-15
Housing Repairs & Maintenance	Risk assessment Score 32 & HoS	18	0	-18
Planning Enforcement	Risk assessment Score 31	16	0	-16
Golf Course	Risk assessment Score 29	10	0	-10
Countryside Centre & Arrow Valley Park	Risk assessment Score 29	17	0	-17
Reddicard/Fee Concessions	Risk assessment Score 28	12	0	-12
Forge Mill Museum	Risk assessment Score 28	10	0	-10
Planning Fees	Risk assessment Score 28	13	0	-13
Land Charges Fees	Risk assessment Score 26	13	0	-13
Rent Guarantee/Rent Deposit Scheme	Risk assessment Score 27	11	0	-11
DFG's	Risk assessment Score 23	15	0	-15
Threadneedle House	n/a	0	0	0
Bus Service Operators Grant	n/a	8	8	0
SUB TOTAL		158	8	-150
Service Area: Planning and Regeneration	Risk assessment Score 29	0	25	25
Development and Building Control				
Land Charges				
Service Area: Housing	Risk assessment Score 29	0	28	28
Welfare Reform impact				
Tenants Rechargeable works				
Equipment and adaptations				
Void property control and lettings				
Service Area: Community Services	Risk assessment Score 26	0	14	14

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Safeguarding				
Service Area: Environmental	Risk assessment Score 26	0	20	20
Street scene				
Refuge chargeable collections				
Service Area: Leisure and Culture	Risk assessment Score 29	0	30	30
Community Centres				
Leisure facilities				
Haven system				
Service Area: (Corporate) Including Legal and Democratic	Risk assessment Score 33	0	40	40
Individual Electoral Registration				
Delegations				
Strategic Purposes and partnerships				
Procurement ~ Purchase Card use				
Service Area: IT	Risk assessment Score 30	0	27	27
Transformation assistance				
SUB TOTAL (Service Areas)		0	184	184
CHARGEABLE SUPPORT				
Audit Management Meetings	n/a	20	20	0
Corporate Meetings / Reading	n/a	9	9	0
Annual Plans and Reports	n/a	12	12	0
Audit Committee support	n/a	13	13	0
SUB TOTAL		54	54	0
TOTAL CHARGEABLE		484	400	-84

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Explanatory Notes:

*Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working taking into consideration the risk exposure for the service.

Customer access and support will be considered overall as part of the service audits.

Summary of Days per Overall Audit Group for 2015/16.

Planned Days for 2015/16	2014/15	2015/16
Core Financial Systems	112	94
Corporate Work	160	60
Other Systems Audits	158	192
Sub Total	430	346
Audit management meetings	20	20
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	13	13
	54	54
TOTAL Audit Days	484	400

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Appendix 2

KEY PERFORMANCE INDICATORS 2015/16

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	KPI	Trend requirement	2014/15 Year End Position	2015/16 Position (as at xxxxxxxx)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	XX		Quarterly
2	No. of moderate or below assurances	Downward	XX		Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	XX		Quarterly
4	No. of audits achieved during the year	Per target	Target = (minimum) Delivered =	Target = 16(minimum) Delivered =	Quarterly

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