

24th September 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 2015/16 audit work.
- The progress report of internal audit work with regard to the residual 2014/15 audit work

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 the Accounts and Audit Regulations 2015 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

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- 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 2015 to 31st July 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 (23rd April 2015):

2014/2015 AUDITS FINALISED

3.4 **Payroll**

The audit found overall the payroll operates very well and numerous checks are run to ensure the completeness and accuracy of information. In particular any additions and deletions to employee payments were supported by documentation and payments processed in accordance with HRMC rules. Isolated weaknesses in a small number of areas existed and these included, controls regarding authorisation of leaver forms, self employment status and signed contracts.

Articulating written procedures is an ongoing project and to date 80% has been completed. Although this has not been fully implemented Audit acknowledges the work that has been completed to date and have not reiterated the recommendation.

Current Status: Final Report issued 15th May 2015
Assurance: Significant

3.5 **Creditors**

Internal Audit testing identified that some goods and services are procured without an initial order being assigned to the purchase and therefore the invoice is received without a formal purchase order which can lead to over expenditure as the money has been committed and the budget maybe exhausted. The audit identified some weaknesses in the monitoring of late payments and noted information relating to supplier amendments and additions should be fully recorded and the information filed systematically so that it can be easily accessed. Current procedures have been in place for a considerable period of time and were implemented on the basis of "business need".

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Current Status: Final Report issued 15th May 2015
Assurance: Significant

3.6 Risk Management

The audit was a critical review of the risk management process. The Redditch Borough Council Risk Management process has been clearly set out and there is a good recording system in place using 4Risk. However, the vision of actively using Risk Management to help manage the strategic and operational risks requires more embedding.

Although management have a clear understanding of the Risk Management process, the process has not been fully embraced, and in its current form is just a recording mechanism for some risks to the organisation.

Current Status: Final Report issued 30th June 2015
Assurance: N/A – Critical review

3.7 Budget Setting (Transformation Arrangements)

This audit was a review of the process in regard to the Redditch Borough Council budget setting process. It considered whether it had been clearly set out in the form of a timetable and outlined the roles and responsibilities of individual officers. During discussions between audit and the budget holders it was apparent that they were aware of the issues facing the authority corporately and that efforts are made to improve working practices through transformation so that services operate with greater efficiency.

Although this review did not highlight any material weakness that would affect the achievement of the key objective of setting the budget, the review identified areas that would improve the overall performance of the system including reconsideration of the timetable, a training plan, understanding stakeholder requirements in regard to the presentation of the budget report, and, management look to link finances with the strategic purposes of Redditch Borough Council.

Current Status: Final Report issued 30th June 2015
Assurance: N/A – Critical review

3.8 Corporate Governance - Appointments to Outside Bodies

The audit was a risk based limited scope audit of Member appointments to outside bodies as operated by Redditch Borough Council.

Internal Audit confirmed that a review of outside bodies is underway and this will confirm that member appointments are still appropriate. There is a formal

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appointment process in place and guidance is provided to members via 'The Protocol for Appointment to Outside Bodies'. The audit found, however, there is no requirement for Members to formally report on their appointments which does not provide the opportunity for information to be cascaded to other Members which is particularly important regarding Local Enterprise Partnerships (LEP's) and the potential future development in this area.

Current Status: Final Report issued 16th July 2015

Assurance: Significant

3.9 ICT - Change control

This was a critical review audit. The aim of this audit was to assess and challenge Redditch Borough Council's system of internal control over ICT change management.

The review found ICT change control is a reactive process and although risks are assessed they are not recorded as part of proposed changes that have been undertaken. There is no requirement for a back-out plan to account for system change failure, or any indication if the system change was successful in achieving a required goal. This has resulted in the authority recording all changes so a trail exists of what has happened and when each task was completed. This approach has resulted in a lack of a formal process to manage change control leading to management challenge in the areas of policy and procedure and, current system requirements.

Current Status: Final Report issued 16th July 2015

Assurance: N/A – Critical review.

3.10 Main Ledger

The audit was a risk based systems audit of the Main Ledger system as operated by Redditch Borough Council.

The audit found weaknesses which could effect the control environment which included the updating of financial regulations, staff changes, suspense accounts and non-completed reconciliations. However, the Council is aware of these points and no additional recommendations in relation to these areas were made. It should be noted that these areas, to varying degrees, pose a risk to the Council and have been taken into account in the overall assurance level given.

Current Status: Final Report issued 1st July 2015

Assurance: Moderate

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3.11 Regulatory Services

The review was a full system audit concentrating on the controls in place for licensing. The review did not cover any other service delivered by Worcestershire Regulatory Services other than licensing. Hackney Carriage and Taxi licensing were excluded from the 2014/15 testing other than the follow up of the recommendations made in the 2013/14 audit report.

The audit identified weaknesses in the design and / or inconsistent application of controls in many of the areas reviewed therefore assurance is limited to the few areas of the system where controls are in place and are operating effectively. A considerable amount of data cleansing has taken place following the migration of all licencing data across to the new system and work is still on going to reconcile licences issued against income received by each district. Following further testing in the 2014/15 audit it was found that there are still a number of issues to be resolved before this can be successful and full assurance can be given that all income due has been processed correctly.

Under the Shared Service Legal agreement and the Statement of Partner Requirements it was agreed that Worcestershire Regulatory are not responsible for handling income. However under current day to day working practices a pragmatic approach has been adopted as some customers continue to send payment direct to Worcestershire Regulatory Services. In order to meet customer needs and statutory licensing timescales these payments are accepted and forwarded to the districts in order to be receipted and banked. Payments are also received direct via districts or by licensing officers whilst undertaking licencing duties and/holding licensing surgeries in partner offices.

Audit testing identified instances where it was difficult to identify payments within financial ledgers in some districts due to insufficient referencing and in a small number of cases incorrect coding. Licences examined were found to be granted in line with legislation and with local policies where relevant, for all types tested. All those reviewed had been renewed when due, however, some were found where a sundry debtor account could not be traced potentially resulting in loss of income. Following the relocation move to Kidderminster Worcestershire Regulatory Services will continue to monitor closely licensing processing times to ensure statutory deadlines continue to be met.

Due to the inconsistencies and weaknesses identified in the receipting of income Worcestershire Regulatory Services management board agreed that partner Section 151 officers would explore options in relation to Worcestershire Regulatory Services receipting/keeping income. A meeting

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took place on the 17th July 2015 to discuss the options in order to decide the best way forward so that control issues and weaknesses are resolved. This is in progress and being explored further.

For Worcestershire Regulatory Services enforcement action is undertaken on an intelligence led basis as far as allowed by legislation.

Current position: Final report 24th August 2015

Assurance level: Limited

Summary of assurance levels:

2014/15	
Payroll	Significant
Creditors	Significant
Risk management	N/A – Critical review
Budget Setting (Transformation arrangements)	N/A – Critical review
Corporate Governance	Significant
ICT	N/A – Critical review
Main ledger	Moderate
Regulatory Service	Limited

3.12 2015/16 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:

Stores Intervention

Members Allowances

Leisure – Consumables, Equipment and Goods for Resale

Audit work is also continuing in respect of the following 2015/16 audits:

Treasury Management

Section 106's

Safeguarding

Reconciliation Process

Agency Resource

The outcomes of these audits will be reported to the January 2016 Committee.

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3.13 AUDIT DAYS

The table in Appendix 1 shows the progress made towards delivering the 2015/16 Internal Audit Plan and achieving the targets set for the year. As at 31st July 2015 a total of 126 days had been delivered against an overall target of 400 days for 2015/16. 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 23rd April 2015 for 2015/16 and include an additional two indicators and management indicators.

Appendix 3 shows the tracking of completed audits.

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

3.14 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

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operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

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

3.15 Monitoring

To ensure the delivery of the 2015/16 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Service Manager remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

3.16 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. ANTI FRAUD AND CORRUPTION SURVEY AND GOVERNANCE STATEMENT ASSURANCE CHECKLIST STATEMENTS

On an annual basis Internal Audit coordinate co-ordinate the returns in regard to the anti-fraud and corruption survey as well as the Authority's internal control framework assurance which is reported as part of the Annual Governance Statement.

5.1 Assurance Checklist Statements:

It is the responsibility of management to maintain the Authority's internal control framework and ensure that controls are being complied with.

In order to ascertain management's view on this and in order to identify any areas where current or emerging risks in relation to internal controls may exist all Fourth Tier Managers are asked to complete an internal control checklist

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covering Strategic and Operational, Human Resources, Corporate Procedure Documents, Service Specific Procedures, Risk Management and Anti-Fraud, Performance Management and Data Quality, Inventories and independent recommendations from outside bodies including audit.

Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls are operating effectively except where reported otherwise.

All of the Annual Governance Statement Assurance Checklist Statements are reviewed by internal audit and any areas that present a significant and/or material risk are reported to Committee and would be included in the Annual Governance Statement.

5.2 Anti-Fraud and Corruption Survey

The Survey is carried out annually and the results reported to the s151 Officer. The survey reports on many different areas including Housing and Council Tax Benefit fraud, housing tenancy fraud, Right to Buy fraud, Council Tax discount and reduction fraud, Non Domestic Rates fraud, procurement fraud, insurance claims fraud, debt fraud, pensions fraud, payroll, expenses and investments fraud. It also surveys what the authority's resource is for tackling fraud.

6. APPENDICES

Appendix 1 ~ Internal Audit Plan delivery 2015/16
Appendix 2 ~ Key performance indicators 2015/16
Appendix 3 ~ Tracking analysis of previous audits
Appendix 4 ~ 'High' and 'Medium' priority recommendations

7. BACKGROUND PAPERS

Individual internal audit reports.

8. KEY

N/a

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APPENDIX 1

Delivery against Internal Audit Plan for 2015/16 1st April 2015 to 31st July 2015

Audit Area	DAYS USED TO 31/07/15	Forecasted days to the 30 th Sept 2015	2015/16 PLAN DAYS
Core Financial Systems (see note 1)	0	7	94
Corporate Audits(see note 2)	30	69	60
Other Systems Audits	80	67	192
TOTAL	110	143	346
Audit Management Meetings	9	5	20
Corporate Meetings / Reading	2	2	9
Annual Plans and Reports	2	3	12
Audit Committee support	3	4	13
Other chargeable	0	0	0
TOTAL	16	14	54
GRAND TOTAL	126	157	400

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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Key Performance Indicators (KPIs) for 01st April 2015 to 31st July 2015

The success or otherwise of the Internal Audit Shared Service can 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	2012/13 Year End Position	2013/14 Year End Position	2014/15 Year End Position	2015/16 Position (as at July 2015)	Frequency of Reporting
1	No. of high recommendations	Downward	12	21	3	None to report	Quarterly
2	No. of moderate or below assurances	Downward	10	12	9	None to report	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	5 (8 returns; 5 excellent & 3 good)	4 (7 returns; 4 excellent & 3 good)	None to report	Quarterly
4	No. of audits achieved during the year	Per target	Target = 29 Delivered = 29	Target = 29 Delivered = 29	Target = 24 Delivered = 24	Target = 16 (minimum) Delivered = 3 are at draft stage	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	31.6%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	79%	Quarterly

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

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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>	<u>3rd</u>
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	Due to preparation of final accounts and training required on main ledger this has been delayed. 06/07/2015		
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	Both recommendations have been implemented. Noted that during the course of testing that ledger coding errors were evident. Very small number of annual transactions & management agreed to inform staff of correct ledger codes - June 15 No further follow up is required.		
Planning Enforcement	3rd September 2014	Head of Planning and Regeneration	Significant	1 "medium" priority recommendation re the need to update the Planning Enforcement policy	Policy has been reviewed & next review date now included - July 15 No further follow up is required.		
Data Security, Publication and Disposal	9th September 2014	Head of Transformation and Organisation Development/ Executive director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code			

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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>	<u>3rd</u>
DFGs and HRA grants	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium priority recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office.	Dec 15	
Rent Arrears	27th October 2014	Head of Housing Services	Significant	1 "medium" priority to ensure procedure manual is updated to reflect change in procedures.	Followed up in June 15. The 1 medium recommendation is on-going, due to significant developments in working arrangements within the service. These are expected to be completed early 2016, with procedural guidance updated to cover the new working arrangements by March 16.	Mar-16	

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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>	<u>3rd</u>
Golf Course	28th November 2014	Leisure Services Manager	Limited	6 "medium priority recommendations made in relation to income reconciliations, security to systems and takings, the need to clarify procedures in relation to refunds and performance management	Followed up completed in July 15. All recommendations have now been satisfactorily implemented. No further follow up required.		
Procurement	18th November 2014	Financial Services Manager	Significant	3 "medium" priority recommendations made in relation to ensuring value for money is obtained, contracts are relate at the appropriate times and that there is a clear procurement protocol in relation to procurement rules.	Followed up in June/ July 15. 1 medium priority recommendation concerning the updating of the contracts register has been implemented. 2 medium priority recommendations concerning the updating of the procurement guidance and the provision of training to staff on good procurement practice have not yet been implemented. Expected implementation of recommendations will be December 15.	Jan-16	
Reddicard concessions	11th February 2015	Leisure Services Manager	Moderate	2 "medium" priority recommendations made to ensure there is effective stock control of all concession cards and that independent checks are carried out when fees are updated at the start of each	Aug-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>	<u>3rd</u>
				financial year.			
Asset Management	20th November 2014	Head of Customer Access and Financial support	Significant	1 "medium" priority re terms of reference for Joint Asset Management Group	May-15 Currently under consideration in regard to work plan to deploy most efficient use of resource.		
Housing Repairs and Maintenance	22nd January 2015	Head of Housing Services	Moderate	4 "medium" priority recommendations to ensure that sufficient stock control, outstanding jobs are monitored, contractor performance is reviewed and retention is held back where applicable.	Jul-15 Currently under consideration in regard to work plan to deploy most efficient use of resource.		
Forge Mill	6th February 2015	Leisure Services Manager	Moderate	7 "medium" priority recommendations made re the need to ensure that stock is controlled, inventories are up to date, there are sufficient controls and separation of duties around receipting of income and access to safes are restricted.	Follow up undertaken 6 th August. 3 Recommendations implemented, 3 recommendations in progress in relation to stock reconciliation, inventory and fees & charges. One recommendation is not currently actioned; this is in relation to separation of duties in cashing up	November 2015 - *Forge Mill closes end of November due to seasonal trading*	

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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>	<u>3rd</u>
					process. A second follow up to be undertaken in 3 months		
Cash Receipting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" and 1 "medium priority recommendations re the need to ensure a PCIDSS certificate is obtained and that the suspense account is reviewed and cleared.	Will be followed up as part of the 2015/16 Payroll Audit		
Payroll	15th May 2015	Financial Services Manager and Human resources & Organisational Development Manager	Significant	2 "medium" priority recommendations were made in relation to leaver's forms authorisation and submission to the payroll section.	Will be followed up as part of the 2015/16 Payroll Audit		
Corporate Governance - appointments to outside Bodies	16th July 2015	Head of legal Equalities and Democratic Services and Democratic Services Manager	Significant	1 "medium" priority recommendation re reporting of Members Appointment to Outside Bodies via the Members Annual Report.	Dec-15		
Risk Management	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Oct-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>	<u>3rd</u>
Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15		
Main Ledger	1st July 2015	Financial Services Manager	Moderate	3 "medium" priority recommendations were made in relation to VAT returns, Reconciliations and Feeder Systems	Will be followed up as part of the 2015/16 Main ledger Audit		
ICT	16th July 2015	Head of Transformation and Organisational Development , ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15		

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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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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: Payroll					
Assurance: Significant					
Summary: This was a full systems audit that covered the security of sensitive payroll data, segregation of duties, additional employee payments/deductions and amendments to payroll data.					
1	Medium	<p><u>Leaver Forms are not Received</u></p> <p>1 out of the 6 leaver forms had not been received by the payroll department which resulted in an overpayment being made. This was subsequently recovered. At the time of the audit (November 2014) the leaver form had not been submitted even though the employee had left in May 2014. A quarterly establishment report is sent to managers and this could highlight any discrepancies.</p>	There is a risk that the employee may be owed or owe money. Lead to financial loss and reputation damage.	<p>Human Resources to request the manager completes a leaver form as soon as possible for employee so that Payroll Team can be satisfied that the employee payroll has been closed down accurately. As no leaver form has been completed payroll are unaware of any further adjustments that maybe required for this employee.</p> <p>Human Resources to emphasise at the bi monthly Managers Forum meeting the importance of completing leaver forms in a timely manner.</p> <p>In the event of the non completion of leaver forms the responsibility is to be reviewed within the current leaver's procedures.</p>	<p>An email to be sent to all 4th tier managers (copied to Internal Audit) requesting that a termination form is completed in a timely manner for all leavers, with an explanation as to the consequences should this not happen. In addition that managers check they are signed off by managers with the appropriate authority.</p> <p>Responsible Manager:</p> <p>Acting Human Resources & Organisational Development Manager</p> <p>Implementation date:</p> <p>Immediate (March 2015)</p>
2	Medium	<p><u>Leaver Forms Authorised by Managers without Appropriate Delegation</u></p> <p>A review of six leaver forms identified that two had been signed by</p>	Inaccurate information is processed as forms are	Only appropriately authorised forms in accordance with the	An email to be sent to all 4 th tier managers (Copied to Internal Audit) requesting that a

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		managers who did not have the authority as per the authorised signatory list.	not completed by delegated individuals. Leading to possible financial losses.	signatory list are to be processed by the Payroll Team. Prior to processing leaver forms refer to the Oracle Redditch to check if the manager has delegated authority. Unauthorised forms should not be processed and be returned and completed by an individual with the appropriate delegation.	<p>termination form is completed in a timely manner for all leavers, with an explanation as to the consequences should this not happen.</p> <p>In addition that managers check who is on the authorisation sheet and update as appropriate and then check to ensure that all forms are only signed off by managers with the appropriate authority.</p> <p>Responsible Manager: Acting Human Resources & Organisational Development Manager</p> <p>Implementation date: Immediate (March 2015)</p>
Audit: Creditors					
Assurance: Significant					
Summary: This was a full systems audit that concentrated on the creditors system from the point where the order was raised to the final payment.					
1	Medium	<p><u>System notes for late payments</u></p> <p>A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Redditch Borough Council orders from the reports from the Cedar and Agresso respectively.</p> <p>Testing identified 1 out of 15 invoices had not been paid within 30 days of the invoice being received within the creditor office. No reasoning on the system existed to explain the delay.</p>	<p>Potential Reputation damage, financial loss through late payment charges.</p> <p>Possible loss of prompt payment discounts and impaired relations with suppliers.</p>	<p>The council need to ensure Creditors are paid within 30 days from the date of receipt of the invoice in line with Redditch Borough Council's payment terms.</p> <p>Any known reasons for the delay must be recorded on the system to fully document the reasons for the late payment and to evidence the actions the Council has taken</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Agreed. Where possible this is already done. Reminder to be issued to the Payment's Team to ensure if a known reason for a late payment an explanation is entered on account.</p> <p>Implementation date: Immediate for notes on account.</p> <p>October 2015 for quarterly monitoring</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				to resolve any disputed invoices. The Finance Section to monitor late payment reports on a quarterly basis and to report any consistent late payment issues with appropriate senior personnel.	
2	Medium	<p>Budgetary control A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Redditch Borough Council orders from the reports from the Cedar and Agresso respectively.</p> <p>Testing identified in 1 out of the 15 cases the invoice date was prior to the date the order was placed on the system. Therefore, the budget could have been overspent and result in a deficit.</p>	The council pays for unapproved and unauthorised orders leading to the possibility of fraud / financial loss.	Where possible fully completed and authorised purchase orders are to be raised in advance of a commitment to purchase being made in all cases.	<p>Responsible Manager: Financial Services Manager</p> <p>A further reminder to be issued to all service areas; the council is also in the process of writing to all suppliers stating invoices will not be accepted without a valid order.</p> <p>In addition the council are part way through introducing "auto-matching" on invoices so therefore this will encourage service areas to ensure valid orders are raised in advance. This exercise will be concluded over the next 3 months.</p> <p>Implementation date: Reminder to be issued immediately re the need to raise an order in advance</p>
Audit: Corporate Governance					
Assurance: Significant					
Summary: This audit was a limited scope audit of Members Appointments to Outside Bodies.					
1	Medium	<p>Annual reports There are no formal reporting requirements (e.g. annual report) for members to report their service on</p>	Members not sufficiently informed and this may lead to poor decision	It would be good practice for members to report back (e.g. via the members newsletter) in	Agreed – we will implement a process for enabling reports back to be made.

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		Outside Bodies.	making	relation to their service on outside bodies. In addition to providing updates to other members, a report/briefing report could also be used as part of the assessment by the Council when it considers the merits of continuing to make appointments to Outside Bodies	Responsible Manager: Democratic Services Manager Implementation date: 30th November 2015
Audit: Main Ledger					
Assurance: Moderate					
Summary: This was a full systems audit that concentrated on the main ledger procedures.					
Issues brought forward from previous audit					
1	Medium	<u>VAT Returns</u> The VAT Returns are completed by the Financial Services Manager.	Inefficient use of officer's time leading to unnecessary pressure resulting in non completion of returns and cash flow issues.	A clear training programme to be established to skill up a member of the Accountancy Team to undertake this function in the future.	New Accounting Technician appointed who will undertake this role. Responsible Manager: Financial Services Manager Implementation date: End of July 2015
New matters arising					
2	Medium	<u>Reconciliations</u> At the 31 st March 2015 some reconciliations were not up to date. This was due to systems issue rather than an issue with the reconciliation team resources. However no recent assessment has been undertaken of how often reconciliations need to be undertaken.	Inefficient use of resources causing work loads to become unmanageable placing undue stress on officers resulting in long term absences leading to financial loss	Once the year end has been completed all financial reconciliations carried out to be reviewed and an assessment undertaken of how often they need to be completed. For example Integrated system reconciliations may only be required once a year for final accounts. Interfaced reconciliations could be quarterly or half yearly depending on the	Reconciliations to year end 2014/15 are now up to date. A plan to be prepared to enable staff to complete reconciliations on time and when due. Responsible Manager: Financial Services Manager Implementation date: End of August 2015

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				<p>risk/materiality of the system.</p> <p>Where differences are found then the frequency of reconciliation needs to be increased until the reasons for the differences have been investigated and where required changes to procedures made.</p> <p>This will help to allocate the reconciliation teams resources to those areas that pose the greatest risk to the Council.</p>	
3	Medium	<p><u>Feeder systems</u></p> <p>Although the accountancy section is aware of all the feeder systems the council has this is not documented anywhere.</p>	<p>Lack of resilience/inefficient working which could lead to financial loss and reputation damage.</p>	<p>To help provide resilience in times of long term absences and to provide a basis for the highlighting of potential system efficiency savings when resources allow all feeder systems into the main financial system to be mapped and documented.</p> <p>This will also provide a basis for future system change projects.</p>	<p>Processes and procedures to be mapped on reconciliations from feeder systems to ensure the accounts reflect a true and accurate position.</p> <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: November 2015</p>
Audit: Worcester Regulatory Services					
Assurance: Limited					
1	High	<p><u>Reconciliation of Licenses granted to income received under the Licensing Act 2003</u></p> <p>During previous audits of Licensing it was reported that there was no full and successful reconciliation of payments received by districts to</p>	<p>Failure in systems potentially leading to financial loss to partners and illegal licence operations</p>	<p>To be read in conjunction with point 4 below.</p> <p>The process used to be reviewed and a clear agreement sought on</p>	<p>Responsible Manager:</p> <p>District Finance Officers and WRS Licensing and Support Services Manager.</p>

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		<p>Licenses granted. At the time, there were significant issues experienced with the integrity of the data held on the new system (Uniform) following data migration from all former licensing systems.</p> <p>A major data cleansing exercise has since taken place and reports produced and forwarded to districts for the reconciliation to be undertaken. Following a review during the 2014/15 audit it was ascertained that this is not yet complete and there are still issues to be resolved for example income records not agreeing to licensing records.</p>	across the districts.	<p>expectations of Districts in relation to receipting of all licensing income.</p> <p>An effective reconciliation to be undertaken so that Premises Licence income received under the Licensing Act 2003 can be effectively reconciled.</p>	<p>Implementation date:</p> <p>September 2014 onwards. WRS have produced a yearly register of all premises licenses district by district held within their database (September/October 14) and shared each with the relevant district.</p> <p>New sundry debtor template has been added to licensing database to ensure districts are informed of new premises to be invoiced and/or any changes/transfers as necessary.</p> <p>Outstanding queries relating to data not matching are being worked through on a case by case basis.</p>
2	High	<p><u>Payment for Licences granted</u></p> <p>Testing was carried out on the following licences:</p> <ul style="list-style-type: none"> • Alcohol licences (Premise and Personal) • Animal establishments (Pet shop and Boarding) • Temporary events notice. <p>Payments could not be traced for all licences examined due to a number of reasons:</p> <ul style="list-style-type: none"> • Insufficient referencing in financial ledgers to identify individual payments to applications. 	Failure in systems potentially leading to financial loss to partners and illegal licence operations across the districts.	<p>To be read in conjunction with point number 1 above.</p> <p>Districts in conjunction with Worcestershire Regulatory Services to review and consider systems in place to ensure effective control of all income so that all payments can be traced in the financial ledgers. Testing has identified that the current working arrangements are clearly not working. This should include consideration to:</p> <ul style="list-style-type: none"> • Reviewing who should be 	<p>Responsible Manager:</p> <p>District Finance Officers in consultation with WRS Licensing and Support Services Manager.</p> <p>Implementation date:</p> <p>To be determined by District Finance Teams and Section 151 Officers in conjunction with Worcestershire Regulatory Services.</p>

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		<ul style="list-style-type: none"> Lack of proof of payment for cheques received directly by Regulatory Services (a consistent approach not applied and not all districts forward receipts). Out of a sample of ten Licencing Act 2003 Premises licences sundry debtor accounts could not be found for two of them. Sundry Debtor accounts have since been raised for the two licences identified. Varying standards of payment notification to Regulatory for those payments received direct by districts. Some incorrect coding of income found. <p>In most cases there was a note on the licencing file to say payment had been received however due to the lack of audit trail and insufficient referencing in the financial ledgers payments could not be systematically and directly traced for several cases.</p>		<p>responsible for the handling and receipt of payments so that there is a clear and consistent approach. This may mean revisiting the Shared Service legal agreement and Statement of Partner Requirements.</p> <ul style="list-style-type: none"> There is sufficient information provided on receipt of payment and this is input to ensure all payments can easily be identified to applications in the financial ledgers. Where a request is sent by Regulatory Services to a district to raise a Sundry Debtor account whether it is necessary to introduce a process where confirmation of action is provided. <p>This will aid in the process of reconciling income received to the service/licence provided for each authority.</p>	
3	Medium	<p><u>Performance monitoring</u></p> <p>Performance reports were not available from former licensing systems to ensure all licenses are being processed within</p>	Failure to ensure licences are awarded in accordance with statutory laid down timescales.	Performance Monitoring to be tabled at the Worcestershire Shared Service Joint Management Board to discuss	<p>Responsible Manager:</p> <p>WRS Licensing and Supports Services Manager.</p>

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		<p>agreed/statutory deadlines.</p> <p>It was planned once Uniform was up and running performance monitoring reports would be generated to ensure license delivery times are satisfactory and within agreed/statutory deadlines. Following further discussions as part of the 2014/15 it was found that this is currently possible.</p> <p>Target dates for all licences for which statutory timescales apply are noted on files/Uniform and it is the responsibility of individual Licensing Officers to ensure these are met.</p> <p>Audit testing for 2014/15 showed that all licences examined had been awarded within statutory timescales.</p>		<p>and decide on Partner requirements and how this will be satisfied/reported upon.</p>	<p>Implementation date</p> <p>Quarterly reports will be designed and introduced by October 2015.</p>
end					