

# **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

28th January 2016

## **THE 2016/17 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 Draft Internal Audit Operational Plan for 2016/17;
- to confirm the key performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

### **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**

##### **Internal Audit Aims and Objectives**

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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 2016/17, 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 internal audit plan for 2016/17 has been considered by the council's section 151 officer and has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes. The draft plan is brought before the Committee for consideration and comment with approval of the proposed plan to take place in April 2016.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council this benefits this brings with joint working has been reflected in the plan with closely aligned plans and reduced/shared budgets to deliver the work. By taking this approach it will ensure that both Councils benefit from the efficiencies that can be derived from an even better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work to Members it allows time

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for a positive input into the audit work programme for 2016/17 and provides an opportunity to make suggestions as to where they feel audit resources should be deployed under the direction of the s151 Officer. As with all plans it may be subject to review and change as the year progresses in consultation with the s151 Officer.

### Resource Allocation

To reflect the changing environment in regard to joint working and shared services the internal audit plan for 2016/17 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The coverage remains unchanged from 2015/16 figures due to the difficulties encountered in certain areas e.g. Finance and Housing. There would have been a proposal to reduce the days if the issues had not been encountered. 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 Internal Audit Plan for 2016/17 is set out at **Appendix 1**.

### Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2016/17 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 ~ Internal Audit Plan 2016/17

Appendix 2 ~ Key performance indicators 2016/17

## **6. BACKGROUND PAPERS**

None

## **7. KEY**

N/a

## **AUTHOR OF REPORT**

Name: Andy Bromage  
Service Manager - Worcestershire Internal Audit Shared Service  
E Mail: andy.bromage@worcester.gov.uk  
Tel: 01905 722051

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**APPENDIX 1**

**DETAILED PROVISIONAL PLAN FOR 2016/2017 AUDIT PROGRAMME**

<b>Audit Area</b>	<b>Source</b>	<b>Planned Days 2015/16</b>	<b>Planned Days 2016/17</b>	<b>Difference = + or -</b>	<b>Justification</b>
<b>CHARGEABLE AND PRODUCTIVE</b>					
<b>Core Financial Systems</b>					
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	17	2	increased due circumstances with key staff turnover
Creditors	Risk assessment score 31	10	8	0	decreased due to joint working
Cash Collection	Risk assessment score 30	0	10	10	Increased as per cyclical review
Debtors	Risk assessment score 29	10	7	0	decreased due to joint working
Treasury Management	Risk assessment score 28	7	7	0	
Main Ledger inc Budgetary Control & Bank Reconciliation	Risk assessment score 28	13	16	3	increased due to circumstances and settling down of new system
<b>TOTAL</b>		<b>94</b>	<b>104</b>	<b>10</b>	
<b>Corporate</b>					
Risk Management	Risk assessment score 26	7	5	-2	decreased due to joint working
Fraud, Special Investigations incl. NFI	n/a	15	19	4	increased due to additional demands on 2015/16 budget
Advisory and Consultancy / Contingency	n/a	12	14	2	increased due to additional demands on 2015/16 budget
Previous Year Work completion	n/a	8	10	2	due to the investigations indications are

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					there will be some reports which will require final sign off after year end
Statement of Internal Control	n/a	3	3	0	
Follow Up on recommendations	n/a	15	15	0	
<b>TOTAL</b>		<b>60</b>	<b>66</b>	<b>6</b>	
<b>Other Systems Audits</b>					
<b>2016/17</b>					
<b>Service Area: Planning and Regeneration</b>	Risk assessment Score 30	25	20	-5	Decreased as planned work is more regulated
Planning enforcement					
Development Control					
<b>Service Area: Housing</b>	Risk assessment Score 29	28	35	7	Increased due to recent circumstances but to include broader coverage
Post contract appraisals (cross cutting)					
Rent Verification Statements					
<b>Service Area: Community Services</b>	Risk assessment Score 27	14	14	0	
Grants to Voluntary Bodies					
Community Transport incl. Shopmobility					
<b>Service Area: Environmental</b>	Risk assessment Score 34	20	22	2	Increase to include broader coverage in regard to procurement
Cemetery and Crematorium					
Stores incl. procurement processes(cross cutting)					
<b>Service Area: Leisure and Culture</b>	Risk assessment Score 31	30	24	-6	Decreased as significant amount of work completed in this area over past three years
Community Centres					
Allotments					

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<b>Service Area: (Corporate) Including Legal and Democratic</b>	Risk assessment Score 31	40	20	-20	Decreased as links to corporate work and coverage during 2015/16 comprehensive
Charity Fund Accounts					
Procurement see Environmental					
<b>Service Area: IT</b>	Risk assessment Score 31	27	16	-11	Decreased as significant amount of work completed in this area over past three years and joint working
Transformation assistance					
Freedom of Information requests					
<b>Service Area: Customer Services</b>	Risk assessment Score 34	0	12	12	Increased as per cyclical review
One Stop Shops/reception Services					
<b>Sub Total (Service Areas)</b>		<b>184</b>	<b>163</b>	<b>-21</b>	
Bus Operators Grant		8	8	0	
Insurance		0	5	5	
<b>TOTAL</b>		<b>192</b>	<b>176</b>	<b>-16</b>	
<b>CHARGEABLE AND NON PRODUCTIVE</b>					
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	
<b>TOTAL</b>		<b>54</b>	<b>54</b>	<b>0</b>	
<b>TOTAL AUDIT DAYS 2016/2017</b>		<b>400</b>	<b>400</b>	<b>0</b>	No overall change



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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 2016/17.**

<b>Planned Days for 2016/17</b>	<b>2015/16</b>	<b>2016/17</b>
Core Financial Systems	94	104
Corporate Work	60	66
Other Systems Audits	192	176
Sub Total	346	346
Audit management meetings	20	20
Corporate meetings / reading	9	9
Annual plans and reports	12	12
Audit Committee support	13	13
	54	54
<b>TOTAL Audit Days</b>	<b>400</b>	<b>400</b>

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**Appendix 2**

**KEY PERFORMANCE INDICATORS 2016/17**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2016/17 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Redditch Borough Council.

	<b>KPI</b>	<b>Trend requirement</b>	<b>2015/16 Year End Position</b>	<b>2016/17 Position (as at DD/MM/YY)</b>	<b>Frequency of Reporting</b>
1	No. of 'high' priority recommendations	Downward	XX		Quarterly
2	No. of moderate or below assurances	Downward	XX		Quarterly

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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 = 17 (minimum) Delivered =	Quarterly
5	Percentage of Plan Delivery	100% of the agreed annual plan	XX %	XX %	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	XX %	XX %	Quarterly

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