

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 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 Internal Audit Operational Plan for 2016/17;
- to confirm the performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

2. RECOMMENDATIONS

2.1 **The Committee is asked to approve the 2016/17 Annual Audit Plan.**

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”.

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

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 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 will continue 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 was brought before the Committee on the 28th January 2016 for consideration and to provide an opportunity for Member engagement. This resulted in an amendment to the plan in regard to an increased number of days allocated to 'budgetary control'.

With the increasing amount of closer working arrangements with Redditch Borough Council and Bromsgrove District Council the 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

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

better coordinated approach of audit delivery in regard to joint systems and shared services. By bringing a provisional plan of work to Members it allowed time for a positive input into the audit work programme for 2016/17 and provided an opportunity to make suggestions as to where audit resources could 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 in the last municipal year. 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 outturn against 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**.

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

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 ~ 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

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

APPENDIX 1

DETAILED PROVISIONAL PLAN FOR 2016/2017 AUDIT PROGRAMME

| Audit Area | Source (Max =45) | Planned Days 2015/16 | Planned Days 2016/17 | Difference = + or - | Justification |
|---|-----------------------------|-------------------------------------|-------------------------------------|--------------------------------|---|
| CHARGEABLE AND PRODUCTIVE | | | | | |
| Core Financial Systems | | | | | |
| 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 to 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 |
| | | | | | |
| TOTAL | | 94 | 104 | 10 | |
| | | | | | |
| Corporate | | | | | |
| 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 there will be some reports which will require |

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

| | | | | | |
|---|--------------------------|-----------|-----------|----------|--|
| | | | | | final sign off after year end |
| Statement of Internal Control | n/a | 3 | 3 | 0 | |
| Follow Up on recommendations | n/a | 15 | 15 | 0 | |
| | | | | | |
| TOTAL | | 60 | 66 | 6 | |
| | | | | | |
| Other Systems Audits | | | | | |
| 2016/17 | | | | | |
| Service Area: Planning and Regeneration | Risk assessment Score 30 | 25 | 20 | -5 | decreased as planned work is more regulated |
| Planning enforcement | | | | | |
| Development Control | | | | | |
| Service Area: Housing | 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 | | | | | |
| Service Area: Community Services | Risk assessment Score 27 | 14 | 14 | 0 | |
| Grants to Voluntary Bodies | | | | | |
| Community Transport incl. Shopmobility | | | | | |
| Service Area: Environmental | Risk assessment Score 34 | 20 | 22 | 2 | increased due to include broader coverage in regard to procurement |
| Cemetery and Crematorium | | | | | |
| Stores incl. procurement processes(cross cutting) | | | | | |
| Service Area: Leisure and Culture | Risk assessment Score 31 | 30 | 24 | -6 | decreased as significant amount of work completed in this area over past three years |
| Community Centres | | | | | |
| Allotments | | | | | |
| Service Area: (Corporate) Including Legal and Democratic | Risk assessment Score 31 | 40 | 20 | -20 | decreased as links to corporate work and coverage during 2015/16 comprehensive |

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

| | | | | | |
|--|-----------------------------|------------|------------|------------|--|
| Charity Fund Accounts | | | | | |
| Procurement see Environmental | | | | | |
| Service Area: IT | 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 | | | | | |
| Service Area: Customer Services | Risk assessment Score 34 | 0 | 12 | 12 | increased as per cyclical review |
| One Stop Shops/reception Services | | | | | |
| | | | | | |
| Sub Total (Service Areas) | | 184 | 163 | -21 | |
| Bus Operators Grant | | 8 | 8 | 0 | |
| Insurance | | 0 | 5 | 5 | |
| | | | | | |
| TOTAL | | 192 | 176 | -16 | |
| | | | | | |
| CHARGEABLE AND NON PRODUCTIVE | | | | | |
| 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 | |
| TOTAL | | 54 | 54 | 0 | |
| | | | | | |
| TOTAL AUDIT DAYS 2016/2017 | | 400 | 400 | 0 | No overall change |

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

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.

| Planned Days for 2016/17 | 2015/16 | 2016/17 |
|---------------------------------|----------------|----------------|
| 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 |
| TOTAL Audit Days | 400 | 400 |

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 21st April 2016

Appendix 2

PERFORMANCE INDICATORS 2016/17

The success or otherwise of the Internal Audit Shared Service will be measured against the following performance indicators for 2016/17 in regard to Partner organisations however, discussions are on going in regard to Redditch Borough Council and the performance indicators to be reported.

| | PI | Trend / Target requirement | 2015/16 Year End Position | 2016/17 Position (as at DD/MM/YY) | Frequency of Reporting |
|---|---|-----------------------------------|-----------------------------------|--|-------------------------------|
| 1 | No. of customers who assess the service as 'excellent'. | Target = >85% of returns | XX | | Quarterly |
| 2 | No. of audits achieved during the year | Per identified target | Target = (minimum) Delivered = | Target = 17 (minimum) Delivered = | Quarterly |
| 3 | Percentage of Plan Delivery | >90% of agreed annual plan | XX % | XX % | Quarterly |
| 4 | Service Productivity | Annual target >70% | XX % | XX % | Quarterly |

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