

AUDIT & GOVERNANCE COMMITTEE

Date: 2nd FEBRUARY 2017

THE 2017/18 PROVISIONAL INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, 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 2017/18;
- to confirm the performance indicators for the Worcestershire Internal Audit Shared Service for 2017/18

2. RECOMMENDATIONS

2.1 **The Committee is asked to approve the 2017/18 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

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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 Provisional Internal Audit Plan for 2017/18, 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 2017/18 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 provisional plan is brought before Committee to provide an opportunity for Member engagement and comment.

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

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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 allowed time for a positive input into the audit work programme for 2017/18 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 2017/18 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 2016/17 figures due to the difficulties encountered in certain areas e.g. Housing. There would have been a proposal to reduce the days if the issues had not been encountered in the last municipal year. The Head of the 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 Provisional Internal Audit Plan for 2017/18 is set out at **Appendix 1**.

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2017/18 will be closely monitored by the Head of the Internal 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**.

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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 2017/18

Appendix 2 ~ Performance indicators 2017/18

6. BACKGROUND PAPERS

None

7. KEY

N/a

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APPENDIX 1

Detailed Provisional Programme of Work for 2017/18

Audit Area	Planned Days 2016/17	Planned Days 2017/18	Difference = + or -	Comment
CHARGEABLE AND PRODUCTIVE				
Core Financial Systems				
Council Tax	12	12	0	holding steady as historical indications show as being approximately correct
Benefits	15	15	0	holding steady as historical indications show as being approximately correct
NNDR	12	12	0	holding steady as historical indications show as being approximately correct
Payroll (inc allowances, starters, leavers)	17	17	0	holding steady as historical indications show as being approximately correct
Creditors	8	8	0	holding steady as historical indications show as being approximately correct
Cash Collection	10	10	0	holding steady as historical indications show as being approximately correct
Debtors	7	7	0	holding steady as historical indications show as being approximately correct
Treasury Management	7	7	0	holding steady as historical indications show as being approximately correct
Main Ledger inc Budgetary Control & Bank Reconciliation	16	16	0	holding steady as historical indications show as being approximately correct
VAT	0	4	4	Increase due to cyclical requirement
CORE FINANCIAL TOTAL	104	108	4	
Corporate				
Risk Management	5	5	0	holding steady due to joint working
Fraud, Special Investigations incl NFI	19	25	6	small increase due to additional demands on this budget during 2016/17

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Audit Area	Planned Days 2016/17	Planned Days 2017/18	Difference = + or -	Comment
Advisory and Consultancy / Contingency	14	14	0	holding steady as historical indications show as being approximately correct
Previous Year Work completion	10	14	4	small increase due to knock on effect during 2016/17 re. additional work; there will be some slippage which will impact next year
Statement of Internal Control	3	3	0	holding steady as historical indications show as being approximately correct
Follow Up on recommendations	15	20	5	small increase as an increasing number of recommendations are being revisited on more than one occasion
CORPORATE TOTAL	66	81	15	
Other Systems Audits				
2017/18				
Service Area: Planning and Regeneration	20	10	-10	Decreased as reasonable coverage in this area during 2016/17 and risk deemed to be elsewhere
Miscellaneous Planning Income				
Service Area: Housing	35	40	5	Increased due to recent review findings and broader coverage
Statutory Compliance				
St David's House				
Contract Management				
Service Area: Community Services	14	12	-2	Decreased as single focus and reasonable coverage during 2016/17
Disabled Facilities Grants				

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Audit Area	Planned Days 2016/17	Planned Days 2017/18	Difference = + or -	Comment
Service Area:				
Environmental	22	15	-7	Decreased as single focus, reasonable coverage during 2016/17 and risk deemed to be elsewhere
Waste Management				
Service Area:				
Leisure and Culture	24	20	-4	Decreased as reasonable coverage during 2016/17 and two clear audits
Golf Course				
Palace Theatre				
Service Area: (Corporate)				
Including Legal and Democratic	20	25	5	Increase as main emphasis to be on procurement
Elections or Land Charges				
Procurement				
Service Area:				
IT	16	16	0	No change - two specific audit areas for coverage
Transformation assistance				
Records Management				
Service Area:				
Customer Services	12	11	-1	Decreased as reasonable coverage during 2016/17 and single focus
One Stop Shops/reception Services channel shift				
Sub Total (Service Areas)	163	149	-14	
Bus Operators Grant	8	8	0	Cyclical requirement
Insurance	5	0	-5	No further work required in this area
SERVICE AREA TOTAL	176	157	-19	
Audit Management Meetings	20	20	0	
Corporate Meetings / Reading	9	9	0	
Annual Plans and Reports	12	12	0	
Audit Committee support	13	13	0	
SUPPORT TOTAL	54	54	0	No change - deemed sufficient coverage
TOTAL CHARGEABLE	400	400	0	No overall change

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Summary of Days per Overall Audit Group for 2017/18.

Planned Days for 2017/18	2016/17	2017/18
Core Financial Systems	104	108
Corporate Work	66	81
Other Systems Audits	176	157
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

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Appendix 2

PERFORMANCE INDICATORS 2017/18

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2017/18 Position (as at XXXXXXX)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 18 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (<5%)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

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