

## **AUDIT & GOVERNANCE COMMITTEE**

Date: 26<sup>th</sup> April 2018

### **THE 2018/19 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	Chris Forrester – 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 2018/19;
- the performance indicators for the Worcestershire Internal Audit Shared Service for 2018/19

#### **2. RECOMMENDATIONS**

##### **2.1 The Committee is asked to approve the 2018/19 Audit Plan**

##### **2.2 The Committee is asked to approve the Key Performance Indicators.**

#### **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”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

**Service / Operational Implications**

**3.3 Internal Audit Aims and Objectives**

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.

**3.4 Formulation of Annual Plan**

WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. The Internal Audit Plan for 2018/19, 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, other assurance processes as well as organisational objectives and priorities. It has been based upon the risk priorities per the corporate and service risk registers. Large spend budget areas have also been considered, and, direct association has been made to the organisational objectives and priorities. The Internal Audit Plan for

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2018/19 has been agreed with the s151 Officer and has been considered by Senior Management Team. It has been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes, delivers its promises and has been directly linked the various aspects to identify the 'golden thread' in regards to the objectives and risk identification to Service delivery. It was brought before the Audit and Governance Committee in draft format on the 1<sup>st</sup> February 2018 as the involvement of the Committee 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.

We recognise there are other review functions providing other sources of assurance, both internally and externally, (e.g. ICT Public Service Network assurance testing) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is available to the external auditors for information.

By bringing a draft plan of work before the Audit and Governance Committee in February 2018 which was been formulated with the aim to ensure Redditch Borough Council meets its strategic purposes it allowed Members to have a positive input into the audit work programme for 2018/19 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. Due to the continuing changing environment that exists in Local Government the plan must be seen as a framework for Internal Audit work for the forthcoming year. There is a need for improved flexibility in the plan due to a changing risk profile as well as emerging risks. To ensure flexibility there is the possibility that the plan will be updated during the year in order to address such challenges. It is planned that a six month review before Senior Management Team will take place to ensure the audit plan remains risk focussed and any required changes can be considered.

**3.5 Resource Allocation**

The Internal Audit Plan for 2018/19 has been based upon a resource allocation of 400 chargeable days, a resource allocation which has been agreed with the council's s151 officer. A summary of the days as well as the detailed plan

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provision has been included with the Internal Audit Plan for 2018/19 at **Appendix 1**. A number of areas have been included in the plan but due to the resource available priorities have been applied in regard to the plan delivery. Those areas that are considered to have a 'high' priority will be targeted first in regard to the plan delivery. Other areas which are identified as 'medium' priority have been considered. An assessment has been made whether to include in the plan based on the overall risk and governance profile. The Head of 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 400 day allocation is based on transactional type system audits and remains the same number of days as being delivered during 2017/18.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Redditch and Bromsgrove the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days the reviews will continue to be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

Due to both external and internal audit findings the financial systems have been included as audit areas as it is considered certain risks remain in these areas. It is hoped that in time a 'watching brief' approach can be adopted when there is a confidence in embedded process, control and anti fraud measures thus leading to a reduction in the allocated days. Operational support days are included to give a little flexibility and contingency in the plan e.g. consultancy but are necessary to support the delivery of the plan as a whole.

The Internal Audit Plan for 2018/19 is set out at **Appendix 1**.

**3.6 Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2018/19 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.

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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**.

**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.

**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan 2018/19

Appendix 2 ~ Performance indicators 2018/19

**6. BACKGROUND PAPERS**

None

**7. KEY**

N/a

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**APPENDIX 1**

**Summary of Days per Overall Audit Group for 2018/19.**

<b>Planned Days</b>	<b>2018/19</b>
Core Financial Systems	52
Corporate Work	47
Service Delivery	175
Other Operational Work	72
<b>Sub Total</b>	<b>346</b>
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
<b>Total Audit Days</b>	<b>400</b>

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**Internal Audit Plan 2018/19**

<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>	<b>Plan Priority</b>	<b>Include in 2018/19 Plan</b>	<b>Outline Resource Required</b>
<b>FINANCIAL</b>					
Debtors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Main Ledger/Budget Monitor/Bank Rec	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Creditors*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Treasury Management	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	6
Council Tax*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
Benefits*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	10
NNDR*	Fundamental to strategic purpose delivery	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/>	8
<b>Sub TOTAL</b>					<b>52</b>
<b>CORPORATE</b>					
IT Audit* (GDPR)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
Risk Management*	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/>	6

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
Health and Safety* (Fire and water risk assessments)	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/ High	<input checked="" type="checkbox"/>	13
Procurement* (Compliance and Process)	Fundamental to strategic purpose delivery	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
Shared Service Delivery* (PPL - Procurement undertaken on behalf of RBC)	Fundamental to strategic purpose delivery	N/a	Low/Medium	<input checked="" type="checkbox"/>	10
<b>Sub TOTAL</b>					<b>47</b>
<b>SERVICE DELIVERY</b>					
<b>Customer Access and Financial Support:</b>					
<b>Welfare Support:</b>					
Essential Living Fund*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Discretionary Housing Payments*	Strategic Purpose: Help me to be financially independent	BEN -Impact of the Welfare Reforms Act	Medium	<input checked="" type="checkbox"/>	5
Council Tax Hardship Fund*	Strategic Purpose: Help me to be financially independent.	BEN - Impact of Introduction of local Tax Scheme	Medium	<input checked="" type="checkbox"/>	4
<b>Universal Credit</b>					
Resource implications within the Council and potential implications*	Strategic Purpose: Help me to be financially independent.  Strategic Purpose: Help me to live my life independently	BEN - Fail to adequately resource the service to meet demand	Medium	<input checked="" type="checkbox"/>	10
<b>Planning and Regeneration Service</b>					

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>Community Service</b>					
Shop Mobility and Dial a Ride  (Income anti fraud measures)	Strategic Purpose: Help me to live my life independently	Emerging Risk -  Potential for fraud and misappropriation of funds	Medium	<input checked="" type="checkbox"/>	14
<b>Environmental</b>					
Car Parking (Value for Money contract)	Ensuring a sustainable council	Fail to adequately maintain and manage car parking and on street enforcement	Low/Medium	<input checked="" type="checkbox"/>	4
Stores and customer links	Fundamental to strategic purpose delivery	Head of Service request	Medium	<input checked="" type="checkbox"/>	23
Transport (Fleet Management)	Keep my place safe and looking good	Head of Service request	Medium	<input checked="" type="checkbox"/>	10
<b>Leisure and Culture</b>					
Arms Length Company (Project consultation and residual risk to Council)	Provide good things for me to see, do and visit	Head of Service request	High	<input checked="" type="checkbox"/>	40
<b>Housing</b>					
Focus/ Scoping to be agreed with Senior Management Team	Ensuring a sustainable council Keep my place safe and looking good	Deputy Chief Executive request	High	<input checked="" type="checkbox"/>	60
<b>Sub TOTAL</b>					<b>175</b>

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2018/19 Plan	Outline Resource Required
<b>Other Operational Work</b>					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	28
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	10
Completion of prior year's audits	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	12
Report Follow Up (all areas)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15
Statement of Internal Control	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	3
Bus Operators Grant (Dial-a-Ride)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
<b>Sub TOTAL</b>					<b>72</b>
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	20
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	9
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
<b>Sub TOTAL</b>					<b>54</b>
<b>TOTAL CHARGEABLE</b>					<b>400</b>

### Notes:

\*As part of the increasing joint and shared service working between Bromsgrove District Council and Redditch Borough Council the audit budgets and areas will feature in both internal audit plans and be consolidated to deliver a single piece of work covering both Councils. Where practically possible the days will be split equally between the plans. Weighting will, however, be applied if it is considered the focus of the work will major on one Council.

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

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#### Appendix 2

#### **PERFORMANCE INDICATORS 2018/19**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2018/19. 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.

	<b>KPI</b>	<b>Trend/Target requirement/Direction of Travel</b>	<b>2018/19 Position (as at XXXXXXXX)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 16 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

WIASs conforms to the Public Sector Internal Audit Standards 2013.