

Date: 25<sup>th</sup> April 2019

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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**THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE; WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor Tom Baker-Price
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 progress report of internal audit work with regard to 2018/19 as at 31<sup>st</sup> March 2019.

**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”.

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**Service / Operational Implications**

- 3.3 The involvement of Member's 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 01<sup>st</sup> April to 31<sup>st</sup> March 2019 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 (7<sup>th</sup> March 2019):

**2018/19 AUDIT SUMMARY UPDATES:**

**Creditors**

A light touch audit was used to review Creditors as there has been no recent or planned change in the system used or with the key responsible officer for this area.

There were no significant issues highlighted using a rolling programme over a 9 months period and applying a statistical analysis to analyse the Creditors data.

Testing identified one potential risk area which was where invoices were paid outside the 30 days. Further testing found that where invoices were paid outside of the 30 days there were notes on the system to show the action taken in order to resolve any issues.

We have given an opinion of full assurance in this area because there is a sound system of internal control in place with controls working as expected. Internal Audit testing has not identified any material risks against the scope of the review.

There were no recommendations reported.

Type of Audit: Light Touch Audit

Assurance: Full

Final Report Issued: 5<sup>th</sup> March 2019

**Debtors**

A light touch audit was used to review Debtors as there has been no recent or planned change in the system used or with the key responsible officer for this area.

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15 Aged Debtors were selected randomly from across the period and tested to ensure that the debts had been chased in line with the Council's Debt Management Policy. There were no significant issues highlighted by using a rolling programme over a 9 month period to analyse the Debtor data.

We have given an opinion of full assurance in this area because there is a generally sound system of internal control in place with controls working as expected. Internal Audit testing has not identified any material risks against the scope of the review.

There were no recommendations reported.

Type of Audit: Light Touch Audit

Assurance: Full

Final Report Issued: 5<sup>th</sup> March 2019

**Shop Mobility**

The review found the following areas of the system were working well:

- The general accessibility of registration for customers, as well as the accuracy and timeliness of processing.
- Cash handling arrangements, including secure and accurate banking of monies.
- Arrangements for the accurate and timely charging of customers.
- The schedule and arrangements for maintaining Shopmobility equipment.

The review found the following areas of the system where controls could be strengthened:

- Transparency of the conditions of use for all services offered.
- Ensuring suitable maintenance contract arrangements are in place.
- Ensuring suitable access rights for employees.
- Ensuring the transparency of insurance arrangements at the site.

There were 3 'medium' and 1 'low' priority recommendations reported.

Type of Audit: Full System

Assurance: Significant

Final Report Issued: 25<sup>th</sup> January 2019

**Treasury Management**

The review found the following areas of the system were working well:

- The general transparency of treasury activities during the financial period in achieving best value;

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- General IT controls in relation to the segregation of duties;
- Regular monitoring of cash flow and treasury activities to determine on-going cash requirements.

The review found the following areas of the system where controls could be strengthened:

- Ledger coding and reconciliation
- User access
- Procedures for borrowing/ lending between Authorities
- Benchmarking

There were 2 'medium' and 2 'low' priority recommendations reported.

Type of Audit: Full System  
Assurance: Significant  
Final Report Issued: 17<sup>th</sup> January 2019

**Main Ledger**

A light touch audit was used to review the Main Ledger as there has been no recent or planned change in the system used or with the key responsible Officer for this area.

There were no significant issues highlighted by using a rolling programme over a 9 month period to analyse the Main Ledger.

We have given an opinion of significant assurance in this area because there is a generally sound system of internal control in place but due to the known issues with the system some of the reconciliations have not been completed in a timely manner throughout the year (but will be completed for the year end due to resources being allocated) and the clearance of the old cashiers suspense account. Management are currently putting a proposal forward for the purchase of a new finance system to address these historical issues within the current system.

There were no recommendations reported.

Type of Audit: Light Touch Audit  
Assurance: Significant  
Final Report Issued: 19<sup>th</sup> March 2019

**GDPR**

The review found the following areas of the system were working well:

- The implementation of the process of compliance with the GDPR is being closely monitored.

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- The Information Audits carried out have provided a detailed picture of the data held by individual services.
- Information and advice is readily available to management and staff regarding the GDPR.

The review found that the following areas were not yet demonstrating compliance but that progress is being monitored in order to mitigate the risks until compliance is achieved:

- Information Audits – There are a number of Services that have yet to return a completed Information Audit.
- Third Party Assurance – The Councils are still seeking assurance from some third parties that they are GDPR compliant.
- Legacy Data – The Council is yet to achieve a solution regarding the removal of legacy data on older systems.

There is to be ongoing training including special category data for those Services that require it. The overall direction of progress is positive, with progress made in all areas covered by the scope of this audit.

There were 2 'high' and 2 'medium' priority recommendations reported.

Type of Audit: Full System

Assurance: Moderate

Final Report Issued: 13<sup>th</sup> March 2019

**Payroll**

The review found the following areas of the system were working well:

- The Procedures, including correct authorisation in relation to expenses and monthly pay.
- Statutory deductions e.g. PAYE and NIC
- Payslips are accurate and access is by authorised means only.
- Key Performance Indicators
- Reconciliation to the financial system has a process in place.

The review found the following areas of the system where controls could be strengthened:

- GDPR
- Foundation Living Wage
- Random Sample Generation
- Version Control
- Business resilience - long term sick

There were 2 'high', 2 'medium' and 1 'low' priority recommendations reported.

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Type of Audit: Full System  
Assurance: Moderate  
Final Report Issued: 5<sup>th</sup> March 2019

**Car Parking**

The review found the following areas of the system were working well:

- The receipts for the Penalty Charge Notices (PCNs) are received in line with the contract
- Wychavon District Council invoices are received on a quarterly basis and are paid in a timely manner.
- Although not on a standardised timetable meetings do take place between Wychavon District Council and Redditch Borough Council. If additional meetings are required then these can be called at any time.
- Breakdown information e.g. where patrols have taken place and at what times can be produced upon request.

There is a good working relationship with Wychavon District Council that means that small changes can be made to the contract without additional costs being incurred. The goodwill that has been built up over the years cannot be quantified but does need to be taken into account in any decisions that are made.

The review found the following areas of the system where controls could be strengthened:

- On street parking cost to the Council
- Value for money

There was 1 'high' and 1 'medium' priority recommendation reported.

Type of Audit: Full System Audit  
Assurance: Moderate  
Final Report Issued: 12<sup>th</sup> March 2019

Summary of assurance levels:

<b>2018/19</b>	
• Creditors	Full
• Debtors	Full
• Shop Mobility	Significant
• Treasury Management	Significant
• Main Ledger	Significant

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• GDPR	Moderate
• Payroll	Moderate
• Car Parking	Moderate

2018/19 reviews which were at draft stage as at the 31<sup>st</sup> March 2019 included:

- National Non Domestic Rates
- Council Tax
- Transport

2018/19 reviews which were at clearance or nearing completion as at the 31<sup>st</sup> March 2019 included:

- Universal Credit (clearance)
- Housing Benefits (clearance)
- Procurement (clearance)
- Leisure (clearance)
- Stores
- Risk Management

The summary outcome of all of the above reviews will be reported to Committee in due course when they have been completed and management have confirmed an action plan.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. To report this percentage during the year based on outturn will cause the figure to fluctuate throughout the year, however, a final percentage figure will be reported in the annual report. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

A review was undertaken in regard to the Health and Safety. The Health and Safety Board have taken ownership of the report and are in the process of formulating an action plan to address the identified issues in conjunction with the transfer of Property Services that returned in house on the 1<sup>st</sup> April 2019.

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Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans. The outcome of the follow up reviews is reported on an exception basis taking into consideration the general direction of travel and the risk exposure. An escalation process continues to be developed involving CMT and SMT to ensure more effective use of resource in regard to follow up and reduce the number of revisits that are currently necessary to confirm the recommendations have been satisfied.

### **3.4 AUDIT DAYS**

Appendix 1 shows the progress made towards delivering the 2018/19 Internal Audit Plan and achieving the targets set for the year. As at 31<sup>st</sup> March 2019 a total of 351 days had been delivered against an overall target of 400 days for 2018/19.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were agreed by the Committee on the 26<sup>th</sup> April 2018 for 2018/19.

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.

### **3.5 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



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**National Fraud Initiative**

- 3.6 There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extraction and uploading to enable matches to be reported. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Redditch Borough Council. The data requirements were uploaded during October and December 2018 with any queries dealt with accordingly. Matches are now being returned to the Authority for investigation.

**Customer / Equalities and Diversity Implications**

- 3.7 There are no implications arising out of this report.
- 3.8 The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.
- 3.9 We recognise there are other review functions providing other sources of assurance (both internally and externally) 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.
- 3.10 WIASS confirms it acts independently in its role and provision of internal audit.
- 3.11 Due to changing circumstances and after consultation a small variation in the plan has been agreed on a risk priority basis with the s151 Officer e.g. shared services which was joint with Bromsgrove District Council. Additional days have been used in a couple of review areas to ensure a comprehensive review was completed which has resulted in an increase in certain budgets. A piece of work in connection with Housing which presented very late in the financial but was commenced due to its nature will continue as part of the 2019/20 plan and be reported as a 2019/20 report. Also, a contingency budget that was included in the 2018/19 plan for the transferal of the Leisure Service was not fully utilised providing an underspend against the plan budget as a whole. With the adjustment to the plan there remained a wide audit coverage during 2018/19 which is reflected in the reports indicated in paragraph 3.3.

**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.

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**5. APPENDICES**

Appendix 1 ~ Internal Audit Plan delivery 2018/19  
Appendix 2 ~ Performance indicators 2018/19  
Appendix 3 ~ Tracking analysis of previous audits  
Appendix 4 ~ 'High' and 'Medium' priority recommendations

**6. BACKGROUND PAPERS**

Individual internal audit reports which are held in the internal audit service.

**7. KEY**

N/a

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**APPENDIX 1**

**Delivery against Internal Audit Plan for 2018/19**  
**1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019**

<b>Audit Area</b>	<b>2018/19 PLAN DAYS</b>	<b>Forecasted days to the 31<sup>st</sup> March 2019</b>	<b>Actual Days used to 31<sup>st</sup> March 2019</b>
Core Financial Systems (see note 1)	67	67	67
Corporate Audits(see note 2)	47	47	59
Other Systems Audits(see note 3)	232	215	171
<b>SUB TOTAL</b>	<b>346</b>	<b>329</b>	<b>297</b>
Audit Management Meetings	20	20	20
Corporate Meetings / Reading	9	9	9
Annual Plans, Reports and Audit Committee Support	25	25	25
Other chargeable	0	0	0
<b>SUB TOTAL</b>	<b>54</b>	<b>54</b>	<b>54</b>
<b>TOTAL (Note 4)</b>	<b>400</b>	<b>383</b>	<b>351</b>

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

Due to the nature of some of the reviews additional resource was allocated resulting in additional days.

Note 3

A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters. If there is little demand for certain budgets this is reflected in the overall usage, however, it does not necessarily reduce the coverage of the overall plan.

Note 4

The overall figure is below the expected 90% due to a combination of factors (see note 2 and 3 above) including a contingency budget of 40 days that was predominantly unused but included in the plan for the Leisure Services transfer. In addition there were some small underspends on several other draw down budgets which totalled overall to the 49 day difference. The overall underspend did not compromise the plan delivery with a wide variety of coverage during the year as indicated in the report at paragraph 3.3 and Appendix 2.

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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 to KPI 6. 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 31<sup>st</sup> March 2018)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 16 Delivered = 9 A further 3 @ draft report 4 @ clearance 2 nearing completion	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	88%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	*76%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	5	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	4	When Audit Committee convene
6	'Follow Up' results (2017/18 onwards)	Management action plan implementation date exceeded (<5%)	0	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	3	When Audit Committee convene

WIASs conforms to the Public Sector Internal Audit Standards (as amended).

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\* For much of the year this was below target due to 4 new starters in April 2018 and a period of settling in and training. Training is continuing, however, the overall productivity figure has been steadily improving throughout the year from a quarterly average of 60% in quarter 1 to 76% in quarter 4.

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**APPENDIX 3**

**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, Governance & Standards Committee 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 (i.e. where no action has commenced by the agreed implementation date) will be reported to the Committee.

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 Team Leader.

Follow up in connection with the core financials is undertaken as part of the routine audits that were performed during quarters 3 and 4.

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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>Results of follow Up</u> <u>1<sup>st</sup></u>	<u>Results of follow Up</u> <u>2<sup>nd</sup></u>	<u>Results of follow Up</u> <u>3<sup>rd</sup> &amp; 4<sup>th</sup></u>
Performance Measures	3rd May 2017	Corporate	Limited	This audit report made 3 high priority recommendations and 1 medium priority recommendation relating to resilience, timeliness, integrity of information and other aspects of performance. A follow up will take place in 3 months time.	A new system is being put in place to change reporting measures this is currently awaiting agreement to the new approach but should be in place for reporting in March 2018. A follow up to be carried out in May 2018 to look at what is now in place and if it is working	A follow up in May 2018 found that 2 high priority recommendations in relation to resilience and timeliness and the 1 medium priority recommendation in relation to additional information had been implemented. The high priority recommendation in relation to integrity of information was in progress. <b>Follow up February 2019</b>	Follow up undertaken on the 25 <sup>th</sup> January 2019 confirmed all actions had been taken and the outstanding recommendation had been satisfactorily implemented. <b>No further follow up required.</b>
Procurement	30th August 17	Finance/Legal	Moderate	This audit report made 5 medium priority recommendations relating to the strategy, training, procuring of agency staff, frameworks and resilience of e-procurement system.	Follow Up undertaken during March 2019. 4 medium priority recommendations have been satisfied. 1 remains in progress. <b>Further follow up June 2019.</b>		
Homelessness	6th November 2017	Housing	Significant	One medium priority recommendation was made relating to data protection and access to the Arbitras system.	The follow up in June 2018 found that the one medium priority recommendation is in progress.	A follow up in Jan 19 found that the one remaining medium priority recommendation was awaiting procurement of a new system which is a council wide project. This has been recorded as a risk with the IT Housing Project Board. Assurance has been given to the Council that under GDPR as they are procuring a new system they are covered at this point in time. <b>A follow up will be undertaken in April 2019 to ensure that this is being actioned.</b>	April 19 <i>Planned audit during 2019/20 therefore audit scoping may be looking at the system. If so this follow up will be covered in the audit.</i>
Cash Collection	14th November 2017	Cash Collection	Moderate	The report found four recommendations; 1 high and 3 medium relating to the suspense account,	The follow up in May 2018 found that the three medium recommendations had been implemented and the one high	The follow up in March 2019 found that approval is being sought for the purchase of a new finance system as historical	June 19 <i>The new system needs to be implemented before the</i>

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				refund checks, over and under investigations and administrative errors.	recommendation in relation to the suspense account was in progress.	issues with the current system means that there have been difficulties with clearance of suspense accounts. A report is going to Council for approval before the end of the financial year. <b>A follow up will be undertaken in June 19 to see what progress has been made on this in regard to procurement.</b>	<i>follow up can take place. If the system is not in place at the date of follow up the follow up will be moved to a later date.</i>
Disabled Facility Grants	28th September 2017	Community Services	Moderate	The report found 1 high priority and 2 medium priority recommendations in relation to Records retention and security, Registration of Land Charges and Private Sector Home Repairs Assistance policy.	The follow up in February 2018 found that the three recommendations are in progress. The amount of work required to fully implement two of the recommendations means that this work although progressing is taking time in order to get it correct. The other recommendation needs to be placed before Members before it is fully implemented. Follow up planned 28 <sup>th</sup> January 2019.	Follow up undertaken on the 9 <sup>th</sup> February 2019 confirmed record retention and land charges have been satisfactorily completed but Home Repairs Assistance Policy is still to go before Members therefore remained outstanding. <b>Follow up required June 2019.</b>	
Environmental Waste	27 <sup>th</sup> November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.	Follow up January 2019 found the 4 medium priority recommendations were satisfied and the high priority recommendation was in progress pending further transformation of the Business Support Team re. reconciliation and controlled stationery. <b>To be followed up in April 2019.</b>		
Records Management	5th January 2018	Corporate	Limited	Reported 5 high and 1 medium priority recommendations; Implementation of the	<b>Being followed up as part of the 2018/19 GDPR audit scheduled for June 2019.</b>		



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				information security policy, inventory of IT equipment, retention and disposal schedule, confidential waste collection, storage of documents on the Orb, and GC Sx email accounts			
<b>2018/19</b>							
Welfare benefits	23rd November 2018	Benefits	Moderate	Reported 4 Medium and 2 Low Priorities. Recommendations; Transparency of the Welfare Budgets, Accuracy of recording expenditure and reporting, Current expenditure of the Welfare Benefits, Record Keeping, System, Policies.	<b>Follow up May-19</b>		
Shopmobility	25th January 2019		Significant	Reported 3 medium priorities in Conditions of Use – Shopmobility Equipment, Maintenance Contract and User Access. <b>Follow-up to be completed in 6 months</b>	<b>Follow up Jul-19</b>		
Treasury Management	17th January 2019		Significant	Reported 2 medium priorities in Ledger Coding and & Reconciliation and User Access. <b>Follow up to be completed in 6 months</b>	<b>Follow up Jul-19</b>		
GDPR	13th March 2019		Moderate	Reported 2 high and 2 medium (only 1 med in BDC) priorities in;	<b>Follow up Jun-19</b>		

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				Awareness, Data Protection Officer, Individual's Rights (RBC only) and Third Party Data Processes. <b>Follow up to be completed in 3 months</b>			
On Off Street Parking	12th March 2019		Moderate	Reported 1 high and 1 medium priority in On Street Parking Cost to the Council and Value for Money. <b>Follow up to be completed in 3 months</b>	<b>Follow up Jun-19</b>		
Payroll	5th March 2019		Moderate	Reported 2 high and 2 medium priorities in; GDPR, Foundation Living Wage Implementation, Random Sample Generation and Version Control New starter/Self-system procedure manual. <b>Follow up to be completed in 3 months</b>	<b>Follow up Jun-19</b>		
end							

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**APPENDIX 4**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<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>
<b>Significant Assurance</b>	<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>
<b>Moderate Assurance</b>	<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>
<b>Limited Assurance</b>	<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>
<b>No Assurance</b>	<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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<b>Priority</b>	<b>Definition</b>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<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
<b>Audit: GDPR</b>					
<b>Assurance: Moderate</b>					
1	High	<p><b><u>Awareness</u></b></p> <p>A significant proportion of elected Members across both Councils have not attended the sessions offered by the Councils for the purpose of informing them of the GDPR and their role in ensuring compliance.</p>	<p>Any Councillors who have not received the appropriate guidance and information relating to GDPR put the Councils at greater risk of a breach and the substantial financial penalties and reputational damage that could follow.</p>	<p>Ensure that receiving the necessary training and registering with the ICO is a compulsory part of Member induction for all new Councillors.</p> <p>Remind those Councillors who have not yet attended training sessions that the Council requires them to attend - and remind them of the risks and consequences of a breach to both the Council and the Individual.</p> <p>Provide a refresher course for Members relating to GDPR and Data Protection. Offer multiple dates for each Authority to maximise attendance.</p>	<p><b>Responsible Manager:</b></p> <p>Head of Legal, Equalities and Democratic Services</p> <p><b>Implementation Date:</b></p> <p>December 2018</p> <p><b>RBC:</b></p> <p>During the municipal year there have been two GDPR sessions delivered with a number of Members attending (12). A briefing note and an A4 guidance sheet for information have also been produced and distributed.</p> <p><b>BDC:</b></p> <p>During the municipal year there have been two GDPR sessions delivered with a number of Members attending (12). The GDPR and Data Protection training has been discussed at all of the Member Development Steering Group meetings. A briefing note was issued to group leaders for them to discuss on 30<sup>th</sup> August 2018 along with subsequent copies and reminders at the Member Development meeting on 8<sup>th</sup> October 2018.</p>
2	High	<p><b><u>Data Protection Officer</u></b></p> <p>There is a potential conflict of interest issue relating to the Data Protection Officer (in line with the EU Article 29 Working Party directive).</p> <p>As the current Data Protection Officer in question has responsibility over ICT and HR, this potentially results in a conflict of interest.</p>	<p>As the role of the Data Protection Officer is to monitor internal compliance in addition to providing advice and information on data protection compliance, any conflict of interest within the role of the Data Protection Officer could result in challenge leading primarily to reputational damage, and also financial penalty in the event of a data breach.</p>	<p>Assess the potential for any conflicts of interest relating to the current post holding the role of Data Protection Officer.</p> <p>Ensure that there are sufficient safeguards in place so that the current position of Data Protection Officer is not compromised with regards to any potential conflict of interest.</p>	<p><b>Responsible Manager:</b></p> <p>Head of Transformation &amp; Organisational Development</p> <p><b>Implementation Date:</b></p> <p>November 2018</p> <p>The Head of Legal &amp; Democratic Services or an appropriate substitute will be called upon to provide support in the event that the current Data Protection Officer is involved in an issue that is likely to result in a conflict of interest.</p>

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3	Medium	<p><b><u>RBC ONLY</u></b></p> <p><b><u>Individual's Rights</u></b></p> <p>There has not been sufficient progress with regards to the removal of personal data held on some of the Council's legacy systems.</p> <p>If challenged, the Council would find it difficult to justify holding this information.</p>	<p>Failure to provide a solution to the retention of old personal data on legacy systems could result in challenge leading to criticism and damage to the Council's reputation.</p> <p>If a data breach were to occur relating to this data the Council could face severe financial penalties.</p>	<p>Assess the data held on the Council's legacy systems according to GDPR requirements and implement a plan for the removal of all obsolete data and systems.</p>	<p><b>Responsible Manager:</b> ICT Manager</p> <p><b>Implementation Date:</b> 2 Years</p> <p>All legacy data on M3 has been moved and the system decommissioned.</p> <p>There is a plan in place to move and decommission the data on Saffron and Arbitras – This process will take at least 2 years and the risk is recorded on the corporate risk register as 'Serious'</p> <p>Currently no other systems have been identified as being incompatible with data protection</p>
4	Medium	<p><b><u>Third Party Data Processes</u></b></p> <p>Not enough has been done to ensure that existing partners have been asked to provide assurance on how they safeguard and process data on the Council's behalf. To date, very few responses have been received.</p> <p>Under GDPR both the Data Controller and Data Processor can have penalties imposed upon them in the event of a data breach.</p>	<p>Existing partners who process data on the Council's behalf may potentially not be compliant with the GDPR thereby increasing the risk of penalty in the event of a data breach.</p>	<p>Undertake an exercise to seek assurances from existing third party partners over their safeguarding and data processing arrangements.</p>	<p><b>Responsible Manager:</b> Procurement Manager</p> <p><b>Implementation Date:</b></p> <p>All Information Asset Owners (managers) were trained on their responsibilities with regards their data and given advice on contacting third party processors and ensuring all documentation (data processing agreements/contracts) were up to date. This was done in conjunction with the contracts team who assisted with contract wording and amendments.</p> <p>The procurement process now includes a security questionnaire to help procuring managers understand the third parties competence with regards data protection.</p> <p>DPIA's are also required to be completed and signed off for all new projects involving personal data.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Audit: Shop Mobility</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b><u>Conditions of Use – Shopmobility Equipment</u></b></p> <p>The Conditions of Usage do not currently include information on usage for equipment on long-term hire, and the acceptable level of usage in terms of travel locations, storage at home, etc.</p>	<p>Lack of transparency of service terms and conditions leading to misunderstanding and challenge by the public, resulting in reputational damage for the Council.</p>	<p>To update the Conditions Of Use to include the long-term hire of equipment, and suitable uses of equipment under these conditions.</p>	<p><b>Management Response:</b></p> <p>Paper work is being reviewed and amended to cover the stated changes.</p> <p><b>Responsible Manager:</b> CCTV and Telecare Manager</p> <p><b>Implementation date:</b> 15<sup>th</sup> March 2019</p>
2	Medium	<p><b><u>Maintenance Contract</u></b></p> <p>At the time of the audit work, the contract or the maintenance of the Shopmobility vehicles required re-tendering, as the terms had only been agreed for one year last year.</p> <p>During the course of the audit work, it was agreed to roll the terms of the 2017/18 contract on to cover 2018/19, so that a proper tender process can be performed in accordance with the Procurement Code.</p>	<p>Failure to ensure a suitable and transparent procurement process has been followed, failing to achieve best value, resulting in financial loss or reputational damage.</p>	<p>Ensure the Shopmobility maintenance contract is re-tendered in accordance with the Procurement Code, to ensure the Council is achieving best value.</p>	<p><b>Management Response:</b></p> <p>A new maintenance contract will be entered into following RBC procurement rules. The current contract expires 27<sup>th</sup> June 2019</p> <p><b>Responsible Manager:</b> Head of Community Services. Service Manager responsibility to be determined following a service review.</p> <p><b>Implementation date:</b> 31<sup>st</sup> March 2019</p>
3	Medium	<p><b><u>User Access</u></b></p> <p>Staff at the Shopmobility site currently use the same network login to access the Shopmobility email account and the Access Database of customer records.</p>	<p>Misuse of generic access accounts could result in a lack of accountability, which could result in reputational damage through criticism by the ICO and other third parties.</p>	<p>Ensure all staff members who require access to the network have their own network accounts.</p> <p>Ensure that the current and new customer databases are restricted to essential users only.</p>	<p><b>Management Response:</b></p> <p>New user accounts have been set up through IT. However the staff are unable to access the Shopmobility customer database when logged in individually. The software has been replaced with a web based system and customer data is being transferred over. The new system and individual log ins will be in use once training is completed.</p> <p><b>Responsible Manager:</b> CCTV and Telecare Manager</p> <p><b>Implementation date:</b> 15<sup>th</sup> March 2019</p>

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<b>Audit: Treasury Management</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b><u>Ledger Coding and &amp; Reconciliation</u></b></p> <p>There have not been any formal periodic reconciliations of treasury management activities in the ledger for either Council during the 2018/19 financial period.</p> <p>It was noted during audit testing that many of the Redditch Borough Council Investment and Borrowing transactions are not being correctly coded on the ledger. Transactions are coded by the Town Hall Cashiers instead of the Finance team.</p>	<p>Failure to correctly account for financial transactions on the ledger, potentially resulting in reputational damage to the Councils.</p>	<p>There needs to be a formal reconciliation of treasury management activities against the ledger postings at agreed intervals to be determined by the Finance Team, to ensure all financial activities have been fully accounted for and coded correctly.</p> <p>To achieve consistency and accuracy the responsibility of coding treasury activities on the ledger is to be reconsidered with additional training being provided to staff if appropriate.</p>	<p><b>Management Response:</b></p> <p>Finance to review whether the reconciliation function currently carried out by cashiers can be relocated to the reconciliation team in central finance. Treasury team to undertake reconciliations of transactions once posted on a monthly basis.</p> <p><b>Responsible Officer:</b> Financial Services Manager</p> <p><b>Implementation Date:</b> March 2019</p>
2	Medium	<p><b><u>User Access</u></b></p> <p>A user account for an Accountancy Trainee with access to the iDealTrade system was not removed at the time of leaving. In addition, the request to remove the user from the Council network was not submitted until almost 3 months after the employee left, and after being queried by the Internal Audit team.</p>	<p>Failure to control access to key systems resulting in potential breaches which could result in reputational or financial loss for the authority.</p>	<p>Ensure procedures for removing network access for previous employees are followed. Additional system access must also be removed in a timely manner, and monitored by senior officers in the Finance team. Current access requirements to be reviewed on a periodic basis.</p>	<p><b>Management Response:</b></p> <p>User access to be reviewed each time a staff member leaves/joins/changes role in the department.</p> <p><b>Responsible Officer:</b> Financial Services Manager</p> <p><b>Implementation Date:</b> Jan 2019</p>
<b>Audit: Payroll</b>					
<b>Assurance: Significant</b>					
1	High	<p><b><u>GDPR</u></b></p> <p><b>Leavers</b></p> <p>Testing of the leavers personal files identified that there were leavers personal files dated back to May 2018 still kept within the current employee cabinet.</p> <p><b>Security of Sensitive information</b></p> <p>Internal Audit observed that personal information held by payroll is kept in unlocked filing cabinets. The door to the room where the filing cabinets are</p>	<p>There is a potential risk that due to the nature of GDPR and DPA that if leavers are not put within leavers files and disposed of in line with retention policies, or confidential information is open to view that the organisation is non-compliant and could face a financial penalty</p>	<p>To undertake an assessment of the potential for non GDPR compliance and where necessary to implement additional procedures/controls in order to reduce the risk to the Council of holding information that should have been disposed of or allowing unauthorised access to confidential information.</p>	<p><b>Management Response:</b></p> <p>To be reviewed as part of new system implementation and data cleansing exercise, potential additional resource needed to support. All files to be scanned onto the network is appropriate, to move away from hardcopies.</p>



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		<p>located are kept locked however if it was left unlocked by mistake it would be quite easy to access confidential personal information.</p> <p><b>CHRIS21 Live Users</b></p> <p>Testing of 20 current LIVE user accounts on the CHRIS21 system showed that 7 accounts were for employees who have left the employment of the Council.</p> <p>Access to the CHRIS21 system has also been granted for non-Human Resources and Finance employees.</p> <p>Although it should be noted that network access is required before access can be gained to the CHRIS21 system.</p> <p><b>Hard Copy Payslips</b></p> <p>There is no sign off sheet to evidence the collection of payslips for the depot employees from payroll.</p>	<p>There is the potential risk of not being GDPR compliant leading to penalty fines if confidential data is available to employees who do not require it for their roles and responsibilities.</p> <p>There is a potential breach of GDPR as the person who is retrieving the information is collecting personal data and if a payslip was to be handed out to the wrong person it could lead to a risk of non-compliance with GDPR and possible reputational damage</p>	<p>That a review of all access rights to CHRIS21 is undertaken to ensure that the access is appropriate and is required. A yearly review to then be undertaken to ensure that the access rights remain appropriate.</p> <p>To undertake an assessment of the potential of non GDPR compliance and where necessary implement additional procedures to ensure that the risk to the council is mitigated.</p> <p>To also review the current hardcopy payslip method and explore if an electronic method would mitigate the risk</p>	<p>Agreed - System of notification to IT to be reviewed to ensure only appropriate accounts are live.</p> <p>Agreed - Possibility of moving to electronic payslips to be investigated rather than hardcopies, which are less secure. Failing this new process to be developed to ensure payslips are handled in an appropriate manner and tracked through the organisation to end users.</p> <p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p> <p><b>Implementation Date: -</b></p> <p>1<sup>st</sup> September 2019</p>
2	High	<p><b><u>Foundation Living Wage Implementation</u></b></p> <p>Testing identified that there is an inconsistency in the monitoring and treatment of those employees on the foundation living wage particularly around increments.</p>	<p>Reputational damage and financial loss if those on the foundation living wage are not being correctly paid.</p>	<p>To assess and review the current process of paying those employees on the foundation living wage to ensure that payments and increments are correctly processed.</p>	<p><b>Management Response:</b></p> <p>Controls have been but in place within the team now to prevent this going forwards and historic errors have now been corrected.</p> <p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					<b>Implementation Date:</b> Implemented
3	Medium	<b><u>Random Sample Generation</u></b>  There is no random number generator available for payroll to use to pick a fair sample of employees each month to check for fraudulent activity; therefore although it may be unlikely to occur, the sample could be biased each month.	There is potential risk that each month a member of staff could be biased on the sample number being taken whilst doing checks, especially if an employee number is present, which could lead to be possible collusion and fraud.	That a review of the payroll procedures is undertaken in relation to the selection of and checking of employee pay each month including an assessment of whether a random number generator would be appropriate to aid an unbiased approach with monthly checks.	<b>Management Response:</b>  New random number generator to be implemented and the team trained how to use it  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation Date:</b> 1 <sup>st</sup> August 2019
4	Medium	<b><u>Version Control</u></b> <b><u>New starter/Self-system procedure manual</u></b>  There is no version control or review date on the New Starter and self-system procedure manual.	The council could be open to challenge if the wrong procedures are used which could lead to reputational damage.	To add a version control and/or review date and responsible officer to the New Starter and self-system procedure manual.  This will ensure that up to date are followed by all employees of the council.	<b>Responsible Manager:</b> HR Manager / HR & OD Policy and Project Officer  <b>Implementation Date:</b> Implemented
<b>Audit: Car Parking</b>					
<b>Assurance: Moderate</b>					
1	High	<b><u>On Street Parking Cost to the Council</u></b>  Redditch Borough Council is currently subsidising this service as Expenditure is greater than income.  The areas where PCN's can be issued within Redditch Borough is limited and this is not an area where there can be any expectation of generating additional income in order to cover	Financial loss to the Council from continuing with a service that is making a loss but reputational damage if residents see a lack of enforcement.	The Service Level Agreement with Wychavon District Council has an end date of March 2019.  Redditch Borough Council need to start analysing the cost to the Council going forward both financial and non-financial.  This information then needs to be reviewed in line with any additional costs and consequences	<b>Management Response:</b>  Agreed to investigate the possibility of extending the SLA with Wychavon until 2022 and undertake a full review of the SLA including staffing provision and expenditure.  Quarterly financial meetings to take place with Wychavon to monitor costs and performance  Head of Service, Portfolio Holder and Environmental

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		<p>expenses. In addition Redditch Borough Council does not own any pay and display car parks therefore there is no way of offsetting the costs of on street enforcement against off street. Over the years of operation the Management of Redditch Borough Council along with representatives of Wychavon District Council have looked at ways of reducing the expenditure e.g. using one Team of Civil Enforcement officers to cover both Redditch and Bromsgrove in order to keep salary costs as low as possible.</p> <p>Income has not reached that predicted. Although there has been an increase in the last three years of PCN's issued but write offs and cancelled tickets have also increased.</p>		<p>e.g. TUPE, Complaints, involvement of Members in the decision if they were to decide to withdraw from the Wychavon and Worcestershire County Council Service Level Agreement as there is a two year notice period.</p> <p>If the service is to continue then close monitoring of costs and looking for potential savings needs to be undertaken on at least a quarterly basis.</p>	<p>Services Manager to meet with the Worcestershire County Council to discuss the correct agency agreement with regards to costs to RBC.</p> <p><b>Responsible Manager:</b> Environmental Services Manager</p> <p><b>Implementation date:</b> 29<sup>th</sup> March 2019 – SLA/ Quarterly meetings May 2019 - meet with WCC</p>
2	Medium	<p><b><u>Value for Money</u></b></p> <p>It is difficult to assess value for money using the current financial system. There is no easy way of identifying if or where savings have been made year on year and what the make up of the costs are although overall cost figures can be seen.</p> <p>A general analysis of the costs expenditure and PCNs issued over the last three years found:</p> <ul style="list-style-type: none"> <li>• Per Clause 4.3 of the Service Level budgets should be discussed and set with Wychavon District Council each year. Currently this is not being undertaken.</li> <li>• There has been no consistent coding of Income and Expenditure in order to compare like for like information. There has also</li> </ul>	<p>Financial loss if savings are not made and costs are not kept to a minimum regardless of who is running the service. Inaccurate or incomplete management information could potentially lead to poor management decisions.</p>	<p>In order to fully understand if the service being provided by Wychavon District Council is providing value for money then a full breakdown of income and expenditure is required.</p> <p>This needs to include all costs not just the monetary costs for example resource time incurred by Redditch Borough Council in the monitoring of the contract, lost income incurred from the turnover of staff/sickness.</p> <p>The review needs to also take into account what the Service Level Agreement identifies as the service provided and what the actual service Wychavon District Council now provides and whether this has evolved over the course of the agreement.</p> <p>The costs of the service then need to be analysed to identify potential savings (if there are any).</p> <p>The relationship that has developed between</p>	<p><b>Responsible Manager:</b> Environmental Services Manager</p> <p>Please see comments above</p> <p><b>Implementation date:</b> 29<sup>th</sup> March 2019</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>been miscoding of income.</p> <ul style="list-style-type: none"><li>• There is no breakdown of costs from the invoices received from Wychavon District Council. The total sum is placed against the Other Local Authorities Code.</li><li>• Over the last three years there has been a steady increase in the number of PCNs issued. Cancellations and write-offs have also increased.</li></ul> <p>Without a full analysis of expenditure it is difficult to see where future savings could be made if there need to be any.</p> <p>The goodwill that has been built up over the contract also needs to be considered and quantified in any decisions taken.</p>		<p>the parties the knowledge of the districts, the timeliness of responses to requests for information and the understanding of Members roles within a Local Authority environment all need to be considered along side the cost of the service.</p>	
<b>end</b>					