

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

THE 2019/20 INTERNAL AUDIT PLAN 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 Redditch Borough Council Draft Internal Audit Operational Plan for 2019/20;
- the performance indicators for the Worcestershire Internal Audit Shared Service for 2019/20.

2. RECOMMENDATIONS

2.1 **The Committee is asked to consider the 2019/20 Audit Plan**

2.2 **The Committee is asked to consider 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 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 (as amended) 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 2019/20, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

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 2019/20 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 it's strategic purposes, delivers it's 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 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. Worcestershire Internal Audit Shared Service will also provide limited audit coverage for Rubicon Leisure.

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 which was been formulated with the aim to ensure Redditch Borough Council meets it's strategic purposes it allows Members to have a positive input into the audit work programme for 2019/20 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 2019/20 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 provision has been included with the Internal Audit Plan for 2019/20 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 2018/19.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Redditch Borough Council and Bromsgrove District Council 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. the customer journey impacts on the majority of service areas so the audit review will consider this). All or part of the budgeted days will be used on a flexible basis but be reflective of 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 2019/20 is set out at **Appendix 1**.

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

3.6 Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2019/20 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**.

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 2019/20

Appendix 2 ~ Performance indicators 2019/20

6. BACKGROUND PAPERS

None

7. KEY

N/a

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

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REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

APPENDIX 1

Summary of Days per Overall Audit Group for 2019/20.

Planned Days	2019/20
Core Financial Systems	62
Corporate Work	74
Service Delivery	140
Other Operational Work	70
Sub Total	346
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
Sub Total	54
Total Audit Days	400

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2019/20 Plan	Outline Resource Required
FINANCIAL					
Debtors*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Main Ledger/Budget Monitor/Bank Rec	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Creditors*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Treasury Management (incl. assets & acquisitions)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	6
Council Tax*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Benefits* (Transformation)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	10
NNDR*	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	8
Payroll	Enabling & Contractual Obligation	Lack of robust financial accounting and monitoring arrangement	Medium/High	<input checked="" type="checkbox"/>	10
Sub TOTAL					62
CORPORATE					
IT Audit* (Server patching and disaster recovery)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
Risk Management* (Critical Friend Support)	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/>	6
Health and Safety* (Training Documentation including Operations & action plan monitoring)	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/High	<input checked="" type="checkbox"/>	12
Property Service - (Basic Governance)	Fundamental to strategic purpose delivery	Service returning to Authority	Medium	<input checked="" type="checkbox"/>	15
Compliments and Complaints	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	8
GDPR - Document Retention Policies - (Hardcopy)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	5

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

Procurement * (Training)	Fundamental to strategic purpose delivery	Potential area from 2018/19	Medium	<input checked="" type="checkbox"/>	5
Shared Service Delivery*	Fundamental to strategic purpose delivery	N/a	Low/Medium	<input type="checkbox"/>	0
Business Continuity (Service plans)	Fundamental to strategic purpose delivery	8	Medium	<input checked="" type="checkbox"/>	15
Sub TOTAL					74
SERVICE DELIVERY					
Customer Access and Financial Support:					
Business Grants	Help me run a successful business	N/a	Medium	<input type="checkbox"/>	0
Business Centres (Achieving Strategic Purpose)	Help me run a successful business	N/a	Medium	<input checked="" type="checkbox"/>	12
Planning and Regeneration Service					
Planning Application Processing & s106	Keep my place safe and looking good	PLA 4	Medium	<input checked="" type="checkbox"/>	8
Building Regulations Service Client Side	Keep my place safe and looking good	N/a	Low/Medium	<input type="checkbox"/>	0
Community Service					
Safeguarding	Keep my place safe and looking good	Com 3	Medium	<input checked="" type="checkbox"/>	10
St David's House	Help me to live my life independently	HoS request	Low/Medium	<input checked="" type="checkbox"/>	10
Environmental					
Refuse Service scalability (new builds) (Critical Friend)	Keep my place safe and looking good	Enabling 24	Low/Medium	<input checked="" type="checkbox"/>	12
Redditch Crematorium	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	15
Bulky Waste	Keep my place safe and looking good	Potential area from 2018/19	Medium	<input checked="" type="checkbox"/>	10
Data Management for Service Delivery	Fundamental to strategic purpose delivery	Env 14	Low/Medium	<input type="checkbox"/>	0
Health and Safety (see H&S Corporate)	Fundamental to strategic purpose delivery	Env 10	Medium	<input type="checkbox"/>	0
Leisure and Culture - Rubicon					
Contract Management Arrangements	Provide good things for me to see, do and visit	Contractual requirement - SLA	High	<input checked="" type="checkbox"/>	10
Housing					
Housing repair and maintenance	Ensuring a sustainable council	Deputy Chief Executive request	High	<input checked="" type="checkbox"/>	20

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

Asbestos Regulation Compliance	Keep my place safe and looking good	Hou 21	High	<input checked="" type="checkbox"/>	10
Annual Gas Inspection	Keep my place safe and looking good	Hou 14	High	<input checked="" type="checkbox"/>	8
Housing Computer System Implementation (Critical Friend)	Fundamental to strategic purpose delivery	Hou 24 & 25	High	<input checked="" type="checkbox"/>	15
Sub TOTAL					140
Other Operational Work					
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25
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"/>	4
Bus Operators Grant	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	4
Sub TOTAL					70
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
Sub TOTAL					54
TOTAL CHARGEABLE					400

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 due to the risk profiling.

The customer journey will be considered overall as part of the service audits.

REDDITCH BOROUGH COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Date: 25th April 2019

Appendix 2

PERFORMANCE INDICATORS 2019/20

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2019/20. 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	2019/20 Position (as at XXXXXXXX)	Frequency of Reporting
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 (as amended).