

Date: 1<sup>st</sup> March 2021

## **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 David Thain
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, Financial and Customer Services
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 monitoring report of internal audit work for 2020/21.

#### **2. RECOMMENDATION**

##### 2.1 **The Committee is asked to note the report.**

#### **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 Regulation 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

##### **Service / Operational Implications**

##### 3.3 The involvement of Member’s in progress monitoring is considered 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 2020 to 31<sup>st</sup> January 2021 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

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Summary Dashboard 2020/21:

Total reviews planned for 2020/21	16 (minimum originally)
Reviews finalised to date for 2020/21:	5 (incl. St David's)
Assurance of 'moderate' or below:	1
Reviews awaiting final sign off:	4
Reviews ongoing:	6
Reviews to commence:	0
Number of 'High' Priority recommendations reported:	0
Satisfied 'High' priority recommendations to date:	0
Productivity:	70% (against targeted 74%)
Overall plan delivery to date:	42% (against target >90%)

Since the last sitting of the Committee two reports have been finalised and are reported in Appendix 3.

Follow Up reports that have been finalised since the last Committee sitting are reported in Appendix 4.

All 'limited' assurance reviews go before CMT for full consideration.

2020/21 AUDITS ONGOING AS AT 31<sup>st</sup> JANUARY 2021

Reviews that have been finalised since the last Committee include:

- Debtors
- Treasury Management

Reviews progressing through clearance or draft report awaiting management sign off stage include:

- Use of Agency and Consultants (Draft)
- Council Tax (Draft)
- NNDR (Draft)
- Benefits (Draft)
- Health and Safety (Clearance)

Reviews progressing through scoping and testing stages included:

- Creditors
- Main Ledger
- Payroll
- Risk Management
- St David's (2<sup>nd</sup> phase)

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

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A rolling testing programme on key core financial areas continued during quarters 2 and 3 inclusive. The rolling testing programme results are being amalgamated at the end of quarter 3 and formal audit reports will be issued with any findings during quarter 4.

The 2020/21 plan reflects the delayed start and certain lesser risk reviews will need to be rolled to next year's plan. Priority continues to be given to potentially higher risk areas e.g. limited assurance audits. As we return to the new normal the impact of restrictions of the COVID-19 lockdown on the plan have been closely managed as the year has progressed. The plan for 2020/21 has remained very flexible and the core financial areas of the business are currently being reviewed and reported on. With progress set to continue the Head of Internal Audit will consider the output to provide an overall opinion at year end. Committee will continue to be regularly informed of developments and any variations to the plan will be overseen by the Head of Financial and Customer Services and s151 Officer.

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 regarding 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 several 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. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.3 above.

Internal Audit are now considering any new processes emerging from the extraordinary working arrangements that have been necessary to continue to provide the Redditch residents with services both now and throughout the pandemic. Plan flexibility is continuing to be applied to include and provide assurance on these emerging areas.

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 outcomes of the follow up reviews are reported in full so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource regarding follow up to reduce the number of revisits necessary to confirm the recommendations have been satisfied. There are no material exceptions to report currently.

**3.4 AUDIT DAYS**

Appendix 1 shows the progress made towards delivering the 2020/21 Internal Audit Plan and achieving the targets set for the year. As at 31<sup>st</sup> January 2021 a total of 169 days had been delivered against an overall target of 400 days for 2020/21.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were approved by the Committee on the 27<sup>th</sup> July 2020 for 2020/21.

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Appendix 3 provides copies of the reports that have been completed and final reports issued since the last sitting of Committee.

Appendix 4 provides the Committee with 'Follow Up' reports that have been undertaken to monitor audit recommendation implementation progress by management.

Appendix 5 provides an overview of the Quality Assurance Improvement Plan.

### **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 coordination of uploads.
- Investigations

#### **National Fraud Initiative**

- 3.6 NFI data set uploads have been ongoing from the beginning of October for Redditch Borough Council regarding the 2020/21 NFI national exercise. The first phase of data set uploading continued until the end of December 2020. Reasonable progress had been made regarding the data set uploads with the majority completed before the deadline. As at the 31<sup>st</sup> December 2020 there remained outstanding data set uploads for the Creditors history and standing. For late uploads there was the potential for the NFI to apply a penalty fee. It has since been confirmed that due to the circumstances that all Authorities have faced over the last 12 months it would be inappropriate for the NFI to levy fines on this occasion. WIASS will continue to provide advice and assistance regarding the process.

#### **Monitoring**

- 3.7 To ensure the delivery of the 2020/21 plan and any revision required there continues to be close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Head of Internal Audit Shared

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Service remains confident his team will be able to provide the required coverage for the year over the authority's core financial systems, as well as over other systems which have been deemed to be 'high' risk i.e. limited assurance reviews. Due to changing circumstances and the impact of the COVID-19 pandemic a variation in the plan has been necessary. This has been agreed on a risk priority basis with the s151 Officer as the year has progressed. Discussions have also taken place at the December sitting of the Client Officer Group. With any adjustment to the plan there will remain reasonable audit coverage for 2020/21.

**Quality Assurance Improvement Plan**

- 3.8 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) as published by the Institute of Internal Auditors. A self-assessment took place in August 2020 to identify potential areas for improvement and a programme of improvement was agreed before the Client Officer Group in September 2020. Action to date is reported for information at Appendix 5.

**Customer / Equalities and Diversity Implications**

- 3.9 There are no implications arising out of this report.
- 3.10 The Worcestershire Internal Audit Shared Service (WIASS) is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards (as amended). WIASS 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.
- 3.11 WIASS confirms it acts independently in its role and provision of internal audit.

**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 delivery 2020/21  
Appendix 2 ~ Performance indicators 2020/21  
Appendix 3 ~ Finalised audit reports including definitions.  
Appendix 4 ~ 'Follow-up' reports  
Appendix 5 ~ Quality Assurance Improvement Plan

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6. **BACKGROUND PAPERS**

Individual internal audit reports are held by Internal Audit.

7. **KEY**

N/a

**AUTHOR OF REPORT**

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# REDDITCH BOROUGH COUNCIL

Date: 1<sup>st</sup> March 2021

## AUDIT, GOVERNANCE & STANDARDS COMMITTEE

### APPENDIX 1

#### Delivery against Internal Audit Plan for 2020/21 1<sup>st</sup> April 2020 to 31<sup>st</sup> January 2021

<b>Audit Area</b>	<b>Original 2020/21 Plan Days</b>	<b>Forecasted days to the 31<sup>st</sup> March 2021</b>	<b>Actual Days used to 31<sup>st</sup> January 2021</b>
Core Financial Systems (see note 1)	90	90	58
Corporate Audits	78	*42	36
Other Systems Audits (see note 2)	178	*68	49
<b>SUB TOTAL</b>	<b>346</b>	<b>200</b>	<b>143</b>
Audit Management Meetings	20	20	14
Corporate Meetings / Reading	9	9	5
Annual Plans, Reports and Audit Committee Support	25	25	7
Other chargeable			
<b>SUB TOTAL</b>	<b>54</b>	<b>54</b>	<b>26</b>
<b>TOTAL</b>	<b>400</b>	<b>254</b>	<b>169</b>

#### Note 1

Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end. A rolling programme has been undertaken for Debtors and Creditors to maximise coverage and sample size. The results will be reported during Q4.

#### Note 2

Several 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 plan.

\* Where the forecasted days are less than the original planned days for the year this reflects the adjustments that have been made to the plan during the year.

# REDDITCH BOROUGH COUNCIL

Date: 1<sup>st</sup> March 2021

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### Appendix 2

#### PERFORMANCE INDICATORS 2020/21

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2020/21. 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	2020/21 Position (as at 31 <sup>st</sup> January 2021)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = 16 (Minimum originally) Delivered = 9 (incl.4@ draft)	😐	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	42%	😐	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	70%  (Q2 average 63%)  (Q1 average 50%)	😐	When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward  (minimal)	Nil to date  (2019/20 = 12)	😊	When Audit Committee convene
5	No. of moderate or below assurances	Downward  (minimal)	1  (2019/20 = 11)	😊	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded  (Nil)	Nil to report	😊	When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward  (increasing)	4 issued to date  2 returns  1x excellent	😐	When Audit Committee convene

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

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**APPENDIX 3**

2020/21 Audit Reports.

# Worcestershire Internal Audit Shared Service



## Final Internal Audit Report

### Sundry Debtors 2020/21

**8<sup>th</sup> February 2021**

**Distribution:**

To: Head of Finance and Customer Services (Interim Executive Director of Finance and Resources and S151 Officer)  
Financial Support Manager  
Senior Business Support Accounting Technician

Cc: Chief Executive  
Deputy Chief Executive

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### **1. Introduction**

- 1.1. The audit of the Sundry Debtors System was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2020/21 as approved by the Audit, Governance and Standards Committee on 27<sup>th</sup> July 2020. The audit was a risk-based systems audit of the Sundry Debtors System as operated by Redditch Borough Council.
- 1.2. This area of review is a back-office function and therefore underpins all of the Strategic Purposes as it covers the collection of Sundry income.
- 1.3. There were no risks on the Corporate or Service risk register that were relevant to this review.
- 1.4. There is a risk of fraud with the possibility of Teeming and lading or the mis use of credit notes if controls are not in place and working effectively.
- 1.5. This review was undertaken during the months of November and December 2020.

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### 2. Audit Scope and objective

- 2.1 The audit sought to provide assurance on the processes surrounding the Efin debtor system to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any debtor system/process.
- 2.2 The scope covered:
- Policies and procedures are implemented and adhered to
  - Raising of invoices (raised and recorded promptly and accurately)
  - Application of approved fees and charges
  - VAT is accurately calculated and applied
  - Income is posted correct and promptly
  - Recovery action write offs, aged debt analysis and bad debt provision
  - Debtor reconciliation
  - Follow up of the 2019/20 recommendations.
- 2.1. This reviewed covered the period from 1<sup>st</sup> April 2020 to 30<sup>th</sup> November 2020
- 2.2. This review did not cover the process for setting fees and charges or the level that they are set at.

### 3. Audit Opinion and Executive Summary

- 3.1. From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2. We have given an opinion of **significant assurance** in this area because there is a generally sound system of internal control in place but that our testing has identified an isolated weakness in the inconsistent application of controls in a small number of areas in addition to weakness such as aged debts reports, tidy up and the ability to create duplicate debtors accounts that do not pose a major risk but where processes could be strengthened with the advent of the new finance system.

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3.3. The current Financial System does allow duplicated debtors accounts to be set up and tidy up exercises are carried out on an ad hoc basis however the data within the current system is being cleansed before it is migrated to the new system.

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

- Policies and procedures are adhered to
- Invoices are raised in a timely manner and Income is promptly posted to the debtors' ledger
- Bad Debts are authorised prior to being written off and all efforts are made to recover the debt prior to it being considered for write off.
- There is a year-end reconciliation between the debtors' and the main ledger system.

3.5 It should be noted that at the time of the audit the new finance system was still in the process of being implemented therefore the assurance is only given over the process on the current system. Within the current process Aged Debts reports are only issued when requested by Services. However, with the requirement for budget savings enhanced by the pandemic it is important that the Council receives payments for services provided. Therefore resources should be reviewed to see what efficiencies have been gained from the implementation of the new system to see if aged debts reports could be issued to services on a monthly basis in order for them to review the debts owed and if consideration should be given to suspension of service although depending on the service provided it is acknowledged that this will not always be possible.

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

	<b>Priority (see Appendix B)</b>	<b>Section 4 Recommendation number</b>
Fees and Charges	<b>Medium</b>	<b>1</b>

## **AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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### **4 Detailed Findings and Recommendations**

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

<b>Ref.</b>	<b>Priority</b>	<b>Finding</b>	<b>Risk</b>	<b>Recommendation</b>	<b>Management Response and Action Plan</b>
<b>Issues brought forward from previous audit</b>					
There were no issues brought forward from previous audits that have not been implemented.					
<b>New matters arising</b>					
1	M	<p><b>Fees and Charges</b></p> <p>Testing found that 2 out of the 24 invoices for St. David's house meals and Laundry had been charged at the 19/20 rate and not the 20/21 rate.</p> <p>It was agreed within the Service that due to Covid and the fact that advice was being given to residents to carry out their laundry on a more frequent basis that the costs for the year should not be increased. However, this was not formally documented or discussed with Finance.</p>	Financial loss and reputational if budgets are not achieved and charges are challenged.	<p>Services to be made aware of the importance of formally documenting and discussing with Finance if charging is not going to be in line with agreed fees and charges.</p> <p>This will ensure that any income implications can be identified at an early stage and reported to Members as part of the quarterly revenue monitoring reports to provide full transparency.</p>	<p><b>Responsible Manager</b></p> <p><b>Financial Manager/Senior Support Accountant</b>      <b>Support Business</b></p> <p>Recommendation noted; officers will be reminded of requirement to discuss with finance any variations to schedule of fees and charges.</p> <p>Process will be adopted for formalising any charging variations and recorded reasons and approval</p> <p><b>Implementation Date</b></p> <p>June 2021.</p>

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### **5. Independence and Ethics:**

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented in order to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

**Head of Internal Audit Shared Services**

**AUDIT, GOVERNANCE & STANDARDS COMMITTEE**

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**Worcestershire Internal Audit Shared Service**



**Final Internal Audit Report**  
**Treasury Management 2020/21**

**8<sup>th</sup> February 2021**

**Distribution:**

To: Head of Financial and Customer Services and Acting Executive Director Finance and Resources (Section 151 Officer))  
Cc: Chief Executive  
Deputy Chief Executive

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### **1. Introduction**

1.1 The audit of Treasury Management was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2020/21 as approved by the Audit, Governance and Standards Committee on 27<sup>th</sup> July 2020. The audit was a risk-based systems audit of Treasury Management as operated by Redditch Borough Council.

1.2 This area of review is a back-office function and therefore underpins all of the Strategic Purposes.

1.3 The following Service risks were relevant to this review:

- 119 - Failure to manage cash flow for Redditch Borough Council - unable to pay creditors and salaries
- FIN2 – Poor treasury management.

1.4 This review was undertaken during the month(s) of October, November and December 2020.

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### 2. Audit Scope and objective

2.1 This review was undertaken to provide assurance on the processes surrounding the Treasury Management System to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any Treasury Management system/process.

2.2 The scope covered:

- That the Council has in place Treasury Management procedures and Strategy in line with the Prudential Code guidance and comply with these
- Acquisitions of assets/property investments comply with policies/strategy and there is transparency
- Borrowings and investments
- Treasury reconciliations
- Cash flow management
- System security
- Awareness of the impact of Covid-19 in relation to Cashflow
- Follow up on the 2019/20 Audit report recommendations.

2.3 This review covered the period from April 2020 to the date of the audit.

### 3. Audit Opinion and Executive Summary

3.1 From the audit work carried out we have given an opinion of **Significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

3.2 We have given an opinion of **Significant assurance** in this area because 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.

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

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- Cashflow management
- Cashflow forecasting during the pandemic.
- Treasury Management process, resilience and continuity.
- Monitoring and authorisation of Regeneration Investments
- Access rights to the system once a leaver has left the organisation.
- There is a sound audit trail on IdealTrade.

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

	<b>Priority (see Appendix B)</b>	<b>Section 4 Recommendation number</b>
Reconciliation and Borrowing Sign off	<b>Medium</b>	<b>1</b>

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### 4 Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>New matters arising</b>					
1	M	<p><b>Reconciliation and Borrowing sign off</b></p> <p>The Treasury Management is undertaken by several officers on a day to day basis and although there is an authorisation of transfer of funds on investments there is no formally established authorisation of borrowings. A discussion does take place with the Head of Finance and Customer Services, and there is a period of grace whereby an agreement to borrow can be cancelled but there is no formal record of the decision made, and reconciliations although undertaken are not signed off by Management except at the year end.</p> <p>Therefore, there is no official monitoring to ensure that monies that should have been received are received.</p>	<p>Risk of financial loss borrowings are agreed when they are not required, or the interest rate is not a good deal for the Council</p>	<p>As a minimum and in order to ensure that the process does not suffer undue delay the reconciliation should be reviewed and signed off by Management on a quarterly basis as part of the quarterly reporting to Members.</p> <p>This will ensure that all monies that should have been received have been.</p>	<p><b>Responsible Manager:</b></p> <p>Head of Finance and Customer Services</p> <p>Agreed this is a sensible approach and will be implemented.</p> <p><b>Implementation date:</b> By end of Feb 2021</p>

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**5. Independence and Ethics:**

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented in order to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

**Head of Internal Audit Shared Services**

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**Appendices A & B** are indicated below and are applied to all reports. To save duplication these have been produced once and listed below for information but can also be applied to Appendix 4.

### **Appendix A**

#### **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 its 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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**Appendix B**  
**Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>High</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>Medium</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  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.
<b>Low</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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**APPENDIX 4**

**FOLLOW-UP REPORTS:**

Since the last Committee sitting there has been one finalised 'Follow-Up' report.

**Worcestershire Internal Audit Shared Service**



**Compliments and Complaints 2019/20**

**1st Follow-up Report - 19<sup>th</sup> October 2020**

**Distribution:**

To: Head of Finance and interim Section 151 Officer  
Assistant Customer Support Manager

CC: Chief Executive

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### **Section A - Justification of Audit Follow-up Approach**

The date of the final audit Report was 06/12/2019 and is being followed up because:

- 1 'high' and 3 'medium' priority recommendations were made: and
- At least six/three months have passed since the previous follow-up.

The following audit approach has therefore been applied:

1. The 1 'high' and 3 'medium' priority recommendations have been updated with the current position. **(Please see Section C)**
2. Where required recommendations against weaknesses in key controls have been tested substantively/ evidenced.

### **Section B - Conclusion - Current Position statement**

The original audit report gave **Moderate Assurance** over the control environment and this was the 1<sup>st</sup> follow-up.

The follow-up has found that out of the 1 'high' priority and 3 'medium' priority recommendations detailed in the table in Section C; The 1 'high' priority recommendation has been partially implemented, 1 of the 'medium' priority recommendations has been implemented, whilst the remaining 2 'medium' priority recommendations have not yet been implemented.

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Internal Audit are satisfied that Management have acted in relation to the one 'high priority' recommendation as although at this point in time it is only partially implemented the actions taken so far have reduced the risk to the Council.

In relation to the 'medium' priority recommendations, Internal Audit are also satisfied that management have acted on one of the three medium priority recommendations and that it has been implemented and therefore the risk to the Council has been mitigated.

In relation to the two remaining 'medium' priority recommendations that have not been implemented; there has been a change in the direction of how some of the controls are going to be implemented and after further review the Council is not facing any additional risk from its non-implementation.

As not all recommendations have been fully implemented a further follow up will take place in six months time.

This follow up was undertaken during the month of October 2020.

### **Section C – Current Position – (please see Appendix 3 for definition of priorities)**

<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>1<sup>st</sup> Follow up Position as at 16<sup>th</sup> October 2020</u></b>
<b>1 High</b>	<p><b>Complaints Recording Management System Issues</b></p> <p>The review to consider the potential for development of the system to improve the council's way of providing services and for the potential to escalate reminder emails if complaints remain open for longer than a set number of days.</p> <p>If the system proves to be not fit for purpose to consider alternative options that will best fit the Council's requirements in relation to the tracking and monitoring of complaints.</p> <p>The system requires a 2<sup>nd</sup> stage complaint identification tag to ensure all complaints are dealt with appropriately and provide an</p>	<p><b>Responsible Manager:</b> ICT Operations Manager</p> <p><b>Implementation date:</b> Quarter 1 2020.</p> <p>1) We would like a full audit trail of the system. Planned specification to be completed by February 2020 to be implemented in quarter 1 2020.</p> <p>2) We would like the overdue complaints to be escalated further. There is project to update Active Directory. Once completed in February we will look to investigate if this is sufficient to use to escalate.</p> <p>3) 2<sup>nd</sup> stage can be developed so calls can be manually moved into this area. Planned specification to be</p>	<p><b>Partially Implemented</b></p> <ol style="list-style-type: none"> <li>1) The first management response action point has been implemented as there is now a clear audit trail within the compliments and complaints system.</li> <li>2) The second point in the management response has not yet been completed as there is a requirement to still update the active directory and investigate if it is possible for the system to allow open tickets to be escalated further. It was noted within the follow up meeting that if this is not possible the service would accept the risk.</li> <li>3) The planned specification for 2<sup>nd</sup> stage complaints to be developed within the</li> </ol>

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<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>1<sup>st</sup> Follow up</u> <u>Position as at 16<sup>th</sup> October 2020</u></b>
	<p>opportunity to identify potential service development is maximised.</p> <p>To introduce a true audit trail and back-up process within the system so that if a record is deleted by mistake, it can be identified and reinstated.</p>	<p>completed by February 2020 to be implemented in quarter 1 2020.</p> <p>4) Planned specification to be completed by February 2020 to be implemented in quarter 1 2020.</p>	<p>system has been developed and implemented.</p> <p>4) Planned specification was agreed and ICT was tested.</p> <p><b>1.) Active directory – taken the hit</b>  <b>2.) 1 off - the coff, project won't start.</b>  <b>3.) Different coding would be a huge piece of work and decision on that.</b></p>
<b>2 Medium</b>	<p><b>Complaints Process</b></p> <p>To understand the reason why not all compliments and complaints are logged through the current system and then to evaluate the current system used for the recording of compliments and complaints and review if it is fit for purpose.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> April 2020 (depending on development)</p> <p><b>Complaints Recording Management System</b></p> <p>1) The single example provided related to Leisure who stated in their response (from a 4<sup>th</sup> tier manager) that they know that they need to report it on the complaints system and state that they 'are not great at placing them onto the corporate system but resolve it there and then, timing and workload sometimes overtakes'. There was also a comment from the auditor that other services also said this but no evidence was obtained.</p> <p>Comms will go out to staff to ensure that compliments and complaints are recorded on the system</p> <p>2) User Access rights will be reviewed as part of the 2020 implementation.</p> <p>There are users who have left still on the system however they do not have cases allocated to them and we would like to keep their records on this system to show the interaction with any previous complaints.</p>	<p><b>Implemented</b></p> <p>The review found that that out of the management responses and action plan, both required actions have been implemented as: -</p> <p>1.) Communication was issued in January 2020 and since that time, during a management forum meeting, the assistant customer support manager made all managers aware that they need to utilise the compliments and complaints system. In addition to this another communication will be issued once COVID-19 has calmed down as resources are required elsewhere at the time of the review.</p> <p>2.) User access has been reviewed and updated. There are now 3 levels of access on the compliments and complaints system which consist of: -</p> <p>a.) Officer level – Can create new tickets only and amend open tickets.  b.) Managers level – Can re-open tickets once closed, but cannot delete a ticket.  c.) Administrators – Can delete tickets if required and set the parameter levels on tickets.</p>

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		Any users still on the system will have been removed from ICT 'active directory' and so it is impossible for them to access the system.	
3 Medium	<p><b>Compliments and Complaints Reporting</b></p> <p>Once the integrity of the data within the system has been assured to consider introducing quarterly reports to senior management in order to provide a strategic overview of how the Councils are performing and help to identify areas of risk though non delivery or poor service.</p> <p>To report on service areas to help them improve and to allow services to analyse trends within complaints.</p> <p>To consider the use of reporting compliments through staff newsletters/corporate events in order to celebrate success and help to boost morale throughout the Councils.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> 1<sup>st</sup> Dec 2019**</p> <p>There are no plans to report to service managers as the management are the users of the system and can therefore check their own service area reports.</p> <p>Quarterly reports can be provided to CMT and SMT if required.</p> <p>It is planned to publish complaint data on a monthly basis on the web, including services whose complaints are over 21 days old.</p> <p>This was delayed due to the roll out of the corporate customer care strategy.</p> <p>**Subject to CMT approval, we will suggest a date of 1<sup>st</sup> December 2019.</p>	<p><b>Not Implemented</b></p> <p>On reflection Management decided that if the service was to publish the complaint data on a monthly basis on the web, it may lead to reputational damage to the authority.</p> <p>Therefore, on review the Assistant Customer Support Manager has been in discussions with the Section 151 Officer to gain approval for the report to be submitted on a quarterly basis in a CMT platform.</p> <p>Due to the section 151 leaving and COVID-19, this has not yet been implemented, but assurance has been provided that this will be implemented by April 2021.</p>
4 Medium	<p><b>GDPR</b></p> <p>To review the current system and allocate a responsible officer to introduce quarterly checks by the appointed officer to ensure that there is a control in place so any personal record that are found to be non-compliant with the retention cycle are disposed of within the correct year.</p>	<p><b>Responsible Manager:</b> Assistant Customer Support Manager</p> <p><b>Implementation date:</b> December 2020</p> <p>The complaints system was introduced in 2014 and complaints will be held for 5 years following closure.</p>	<p><b>Full Implementation date not yet reached</b></p> <p>The actual document retention is not on a 5 year cycle, but rather a 7 year cycle. Therefore, as the data has not yet reached 7 years, the implementation date would have been December 2022.</p>

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<b>Ref./ Priority</b>	<b><u>Recommendation</u></b>	<b><u>Management Response and Action Plan</u></b>	<b><u>1<sup>st</sup> Follow up</u> <u>Position as at 16<sup>th</sup> October 2020</u></b>
		<p>There are currently no records overdue for deletion, and the first record will be deleted in December 2020.</p> <p>Previous meetings with ICT had stated the system will remove records on an annual basis following 2020 however a check will need to be made to ensure this happens. Added to ICT development list.</p>	<p>Decisions have not been made as to if the document retention will be possible to achieved on an automated approach or if a manual approach would be required.</p> <p>As the implementation will not be until 2022, the risk of the retention element has been accepted by the service.</p>

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**APPENDIX 5**

**Quality Assurance Improvement Plan.**

<b>Action Number</b>	<b>Area for Action and Standards Reference</b>	<b>Outcome Required</b>	<b>Action</b>	<b>Lead person</b>	<b>Target Date for completion</b>	<b>Date of Completion</b>	<b>Latest Position</b>
1	1000	Updated Charter and Partner approval.	To review and update as appropriate, and present to COG and Partner Committees for approval.	Head of Internal Audit & Team Leader	Sep-21 (Annual Reports)	To commence	December 2020: To be prepared for the July/Sept 2021 Cttee cycle.
2	1210.A1 - Training Requirements	Professional qualifications to be obtained.	Auditors to enhance their skills and qualifications through professional study e.g. IIA	Auditors	2023/24	Ongoing	December 2020: An Auditor is seeking Membership to IIA.
3	2420 - Timely Completion of Review Stages	Improvement in issuing the 'Draft Report' to the agreed date as set out in the Brief. To make improvements in the monitoring of the management response after the issue of a Draft Report.	Monitor the issue of Draft Reports and the receipt of management response during the financial year taking appropriate and timely action where the target dates are stressed.	Auditors	Mar-21	Ongoing	December 2020: Being monitored
4	2500.A1 - Follow Up	More efficient and timely follow up in regards to reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-21	Ongoing	December 2020: Being monitored and discussed as 1:2:1s
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into the annual planning and use within individual audits.	To review the current process of using the annual risk assessments and how inclusion into annual planning and audit planning can be improved.	Head of Internal Audit / Audit Team Leader	Nov-20	Complete 30 <sup>th</sup> November 2020	All office risk assessments have been reviewed. Risk assessments have been drafted for COVID associated office risks when visiting Partner offices. Home risk assessments have been completed.

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							Actions identified have been completed.
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