

REDDITCH BOROUGH COUNCIL

**AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

Date: 29<sup>th</sup> July 2021

**THE 2021/22 INTERNAL AUDIT PLAN REPORT OF THE HEAD OF INTERNAL AUDIT SHARED SERVICE, WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor David Thain
Portfolio Holder Consulted	No
Relevant Head of Service	Chris Forrester – Head of Finance 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 Redditch Borough Council Draft Internal Audit Operational Plan for 2021/22
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2021/22.

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to approve the Audit Plan subject to any comments / proposed changes.**
- 2.2 **The Committee is asked to approve the Key Performance Indicators.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 There are no direct financial implications arising out of this report.

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### 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”.

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 2021/22, which is included at **Appendix 1**, is a risk based plan which takes into account the adequacy of the council's risk management, performance management, other assurance

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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 2021/22 has been agreed with the s151 Officer and has been considered by Senior Management Team and is brought before Committee in draft form. It has been formulated with the aim to ensure Redditch Borough Council meet it's strategic purposes, delivers it's promises and has been directly linked the various aspects to identify the 'golden thread' regarding to the objectives and risk identification to Service delivery. It was brought before the Audit, Governance and Standards 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. The plan also reflects the impact the pandemic had during 2020/21 including some rolled forward reviews as well as the potential risks regarding the new normal along with the implementation of the new system. Three Housing reviews have been included in the plan. Further follow up work continues in this area to evidence the Management updates regarding the previous HRA reviews. A view will be formed whether these reviews need to remain in the plan in their current form depending on whether further actions are necessary or a refocus can take place as the action plans have been satisfied. Internal audit is working with the Head of Environmental and Property Services and the Housing Property Services Manager to decide this. Worcestershire Internal Audit Shared Service will also provide limited (i.e. 10 days) 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, Governance and Standards Committee which was been formulated with the aim to ensure Redditch Borough Council meets it's strategic purposes it allowed Members to have a positive input into the audit work programme for 2021/22 and make suggestions as to where

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they feel audit resources may be required under direction of the s151 Officer. It is planned that a regular 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 2021/22 has been based upon a resource allocation of 385 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 at **Appendix 1**. Although all areas have been considered an assessment has been made whether to include in the plan based on the overall risk and governance profile. Areas that are considered to have a 'high' priority will be targeted first regarding the plan delivery. 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 385 day allocation is based on transactional type system audits.

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 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 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 the new financial system, an embedded process of control and anti fraud measures thus leading to a reduction in the allocated days. However, during 2021/22 this will not be the case due to a planned change in system. 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 2021/22 is set out at **Appendix 1**.

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

Operational progress against the Internal Audit Plan for 2021/22 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), and, to the Audit, Governance and Standards 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** for 2021/22. It is envisaged that these will be revised during the year in conjunction with the s151 Officer.

### 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 2021/22  
Appendix 2 ~ Performance indicators 2021/22

## 6. BACKGROUND PAPERS

None

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7. **KEY**

N/a

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APPENDIX 1

SUMMARY OF DETAILED PLAN

<b>Planned Days</b>	<b>2021/22</b>
Core Financial Systems	112
Corporate Work	76
Service Delivery incl. Other Operational Work	143
<b>Sub Total</b>	<b>331</b>
Audit management meetings	20
Corporate meetings / reading	9
Annual plans, reports & Committee support	25
<b>Sub Total</b>	<b>54</b>
<b>Total Audit Days</b>	<b>385</b>
<b>Rubicon</b>	<b>10</b>

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2021/22 Internal Audit Plan

Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2021/22 Plan	Original Resource 2020/21 Comparison	Proposed Resource 2021/22	Indicative Planned Qtr.
<b>FINANCIAL</b>							
Debtors (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	12	15	1 to 4
Main Ledger/Bank Rec. (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	16	20	1 to 4
Budget Monitoring (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	0	15	1 to 4
Creditors (note 1)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	12	15	1 to 4
Treasury Management (incl. strategic acquisitions and process) Light Touch (note 2)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	8	4	3
Council Tax	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	8	8	3
Benefits (Transformation)	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	10	10	3
NNDR	Enabling	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	8	8	3



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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2021/22 Plan	Original Resource 2020/21 Comparison	Proposed Resource 2021/22	Indicative Planned Qtr.
Payroll	Enabling & Contractual Obligation	Lack of robust financial accounting and monitoring arrangement	Medium/ High	<input checked="" type="checkbox"/> *	16	17	3
<b>Sub TOTAL</b>					<b>90</b>	112	
<b>CORPORATE</b>							
IT Audit (Server patching and disaster recovery) (note 3)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/> *	8	9	4
Risk Management (Critical Friend Support) (note 4)	Fundamental to strategic purpose delivery	S151 request	Medium	<input checked="" type="checkbox"/> *	6	6	2 to 4
Health and Safety (Training Documentation including Operations & action plan monitoring)	Fundamental to strategic purpose delivery	Non compliance with Health and Safety	Medium/ High	X	9	0	
GDPR - Document Retention Policies - Security of electronic data (note 6)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/>	10	11	2
Procurement (note 5)	Fundamental to strategic purpose delivery	Potential area from 2018/19	Medium	<input checked="" type="checkbox"/> *	10	11	4
Use of Agency & Consultants	Fundamental to strategic purpose delivery	N/a	Medium	X	10	0	

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2021/22 Plan	Original Resource 2020/21 Comparison	Proposed Resource 2021/22	Indicative Planned Qtr.
Projects (note 3)	Fundamental to strategic purpose delivery	N/a	Medium	<input checked="" type="checkbox"/> *	15	16	2
Grants (Various)	Enabling	Lack of robust financial accounting and monitoring arrangement	High	<input checked="" type="checkbox"/>	0	20	2
Orb	Fundamental to strategic purpose delivery	N/a	High	X	10	0	
Disabled Facility Grants	Enabling	N/a	Medium	<input checked="" type="checkbox"/> *	0	3	2
<b>Sub TOTAL</b>					<b>78</b>	76	
<b>SERVICE DELIVERY</b>							
<b>Community Service</b>							
St David's House	Help me to live my life independently	HoS request	Low/Medium	X	15	0	
<b>Environmental</b>							
Refuse Service scalability (new builds) (Critical Friend) (note 3)	Keep my place safe and looking good	Enabling 24	Low/Medium	<input checked="" type="checkbox"/> *	9	10	4

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Audit Area	Corporate Link	Risk Register Reference	Plan Priority	Include in 2021/22 Plan	Original Resource 2020/21 Comparison	Proposed Resource 2021/22	Indicative Planned Qtr.
<b>Leisure and Culture - Rubicon</b>							
Contract Management Arrangements	Provide good things for me to see, do and visit	Contractual requirement - SLA	High	X	15	0	
<b>Housing</b>							
Housing repair and maintenance (note 3)	Ensuring a sustainable council	Deputy Chief Executive request	High	<input checked="" type="checkbox"/>	20	25	4
Asbestos Regulation Compliance (note 3)	Keep my place safe and looking good	Hou 21	High	<input checked="" type="checkbox"/>	15	17	4
Annual Gas Inspection (note 3)	Keep my place safe and looking good	Hou 14	High	<input checked="" type="checkbox"/>	15	17	4
<b>Sub TOTAL</b>					<b>89</b>	<b>69</b>	
<b>Other Operational Work</b>							
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	35	20	
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15	15	
Completion of prior year's audits	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	12	12	

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<b>Audit Area</b>	<b>Corporate Link</b>	<b>Risk Register Reference</b>	<b>Plan Priority</b>	<b>Include in 2021/22 Plan</b>	<b>Original Resource 2020/21 Comparison</b>	<b>Proposed Resource 2021/22</b>	<b>Indicative Planned Qtr.</b>
Report Follow Up (all areas)	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	15	15	1 to 4
Statement of Internal Control	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	6	6	
Bus Operators Grant	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	6	6	
<b>Sub TOTAL</b>					<b>89</b>	<b>74</b>	
Audit Management Meetings	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	20	20	1 to 4
Corporate Meetings / Reading	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	9	9	
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a	<input checked="" type="checkbox"/>	25	25	
<b>Sub TOTAL</b>					<b>54</b>	<b>54</b>	
<b>TOTAL CHARGEABLE</b>							
					<b>400</b>	385	
Rubicon Leisure	Arms Length LA Company	N/a	N/a		<b>10</b>	10	

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Explanatory Notes:

\*As part of the increasing joint and shared service working between Redditch Borough Council and Bromsgrove District 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.

Note 1: New financial system therefore audit budget increase.

Note 2: Light touch due to improved processes.

Note 3: Rolled from 2020/21.

Note 4: Risk management relaunch reviewing ongoing progress against action plan and reporting.

Note 5: Rolled from 2020/21. Consultant outcome - reviewing action plan delivery.

Note 6: Previous audit was a 'limited' assurance outcome.

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**Appendix 2**

**PERFORMANCE INDICATORS 2021/22**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2021/22. Other key performance indicators link to overall governance requirements of Redditch Borough Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	<b>KPI</b>	<b>Trend/Target requirement</b>	<b>2021/22 Position (as at XXXXXXX)</b>	<b>Frequency of Reporting</b>
Operational				
1	No. of audits achieved during the year	Target = Minimum of 15	Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan days	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual average aspirational target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX <i>(previous year figure)</i>	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX <i>(previous year figure)</i>	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

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