

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

THE INTERNAL AUDIT PROGRESS REPORT

Relevant Portfolio Holder	Councillor Mike Rouse
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, Interim Head of Finance and Customer Services
Report Author	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: andy.bromage@worcester.gov.uk Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management Underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Governance & Standards Committee recommend:-

1) the report is noted.

2. BACKGROUND

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 01st April 2021 to 28th February 2022 against the performance indicators agreed for the service and further information on other aspects of the service delivery.

Summary Dashboard 2021/22:

Total reviews planned for 2021/22	15 (minimum originally)
Reviews finalised to date for 2021/22:	8 (incl. WRS & DFG's)
Assurance of 'moderate' or below:	2
Reviews awaiting final sign off:	6
Reviews ongoing:	6
Reviews to commence (Q4):	0
Number of 'High' Priority recommendations reported:	1
Satisfied 'High' priority recommendations to date:	0
Productivity: (end of Q3)	56%
Revised overall plan delivery to February 2022:	78% (against target >90%)

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Since the last progress report presented to the Committee, three reports have been finalised and are reported in Appendix 3.

Follow Up reports that have been finalised since the last progress report presented before Committee are reported in Appendix 4.

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

2021/22 AUDITS TAKING PLACE AS AT 28th FEBRUARY 2022

Due to the implementation of the new financial system and an extended delay to provide audit with a 'read only' access profile the rolling testing programme that should have been continuing during quarters 1 and 2 for Debtors and Creditors did not take place. Partial access was established at the end of September but full read only access was not established until December. This has impacted the testing the result being a smaller sample overall and a reliance on the review testing due to take place in Q3 and Q4 to provide formal assurance. Payroll has been completed on a rolling basis.

The reviews that have been finalised and reported at Appendix 3 are:

- Benefits
- Risk Management
- Treasury Management

The reviews at clearance or draft report stage are:

- Budget Monitoring
- Debtors
- Fuel Use – Housing Fleet
- Procurement
- Payroll
- Main Ledger

Reviews that had commenced and at planning or testing stages included:

- Grants
- NNDR
- Council Tax
- Gas Inspections
- Asbestos Regulation Compliance
- Creditors

As the above are classified as 'on going' the assurance and outcome of the reviews will be reported at Committee on completion.

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

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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. To assist the service area to move forwards 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.

Internal Audit are continuing to consider new processes emerging from the changing working arrangements that have been necessary to continue to provide Redditch residents with services throughout the pandemic. Plan flexibility is continuing to be required to include and provide assurance on potential areas of change. This has been reflected in the current plan with two deferrals, Refuse Service Scalability and IT. These have been deferred due to changing in requirements. The Environment Act will impact significantly on the refuse service in the next 12 months and there is currently a significant piece of work being undertaken to strengthen cyber security arrangements and ensure industry standards are deployed.

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. Notwithstanding the existing exception that has already been reported before Committee, there are no new material exceptions to report.

3.4 AUDIT DAYS

Appendix 1 shows the progress made towards delivering the 2021/22 Internal Audit Plan and achieving the targets set for the year. At the 28th February 2022 a total of 253 days had been delivered against an overall target of 325 days for 2021/22.

Appendix 2 shows the performance indicators for the service. Performance and management indicators were approved by the Committee on the 29th July 2021 for 2021/22.

Appendix 3 provides copies of the reports that have been completed and final reports issued since the previous progress report presented to Committee.

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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 were completed by the end of December 2021. WIASS continue to provide advice and assistance regarding the process.

Monitoring

- 3.7 To ensure the delivery of the 2021/22 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 Service remains confident his team have provided the required coverage for the year to ensure an internal audit opinion can be reached using reviews from the authority's core financial systems, as well as other systems which have been deemed to be 'high' and 'medium' risk. Changes to the plan have been discussed with the s151 Officer and reported to Committee.

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3. FINANCIAL IMPLICATIONS

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

4. LEGAL IMPLICATIONS

4.1 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”.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

5.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council’s operations.

Climate Change Implications

5.2 The actions proposed do not have a direct impact on climate change implications.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

6.1 There are no implications arising out of this report.

Operational Implications

6.2 There are no new operational implications arising from this report.

7. RISK MANAGEMENT

7.1 The main risks associated with the details included in this report are to:

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,

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- a continuous provision of an internal audit service is not maintained.

8. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ Internal Audit Plan delivery 2021/22

Appendix 2 ~ Performance indicators 2021/22

Appendix 3 ~ Finalised audit reports including definitions.2021/22

Appendix 4 ~ 'Follow-up' reports

Appendix 5 ~ Quality Assurance Improvement Plan

REDDITCH BOROUGH COUNCIL

Date: 14th April 2022

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

APPENDIX 1

Delivery against Internal Audit Plan for 2021/22 1st April 2021 to 28th February 2022

Audit Area	Original 2021/22 Plan Days	Forecasted days to the 31st March 2022	Actual Days used to 28th February 2022
Core Financial Systems (see note 1)	112	112	108
Corporate Audits	76	76	65
Other Systems Audits (see note 2)	143	88	47
SUB TOTAL	331	276	220
Audit Management Meetings	20	20	16
Corporate Meetings / Reading	9	9	8
Annual Plans, Reports and Audit Committee Support	25	20	9
Other chargeable (see note 3)			
SUB TOTAL	54	49	33
TOTAL	385	325	253

Audit days used are rounded to the nearest whole.

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 also been introduced for Debtors and Creditors to maximise coverage and sample size, but internal audit has been unable to deliver this during 2021/22 due to restricted system access. Partial access was provided during September 2021 with further access established during December 2021. The overall 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 potentially resulting in unallocated days. This is expected during 21/22 hence the reason why the forecasted figure shows a reduction. This along with reviews that have either not required the full number of days to complete or those that have been deferred have been reflected in the adjustment.

Note 3: 'Other chargeable' days equate to times where there has been, for example, significant disruption to the IT provision resulting in lost productivity.

REDDITCH BOROUGH COUNCIL

Date: 14th April 2022

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

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 to 6. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement/Direction of Travel	2021/22 Position (as of 28 th February 2022)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = 15 (Minimum originally) Delivered = 8 (incl. WRS & DFG's) 6 @ Draft/Clearance 6 in progress	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	78%	When Audit Committee convene
3	Service productivity	Positive direction year on year	Q3 Average 56% (2020/21 average 62%)	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	1 (2020/21 = 4)	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	2 (2020/21 = 6)	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (Nil)	1 (2020/21 = 0)	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	1 issued to date Rec'd 1x Excellent 2020/21 1x Excellent	When Audit Committee convene

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

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

Opinion	Definition
Full Assurance	<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>
Significant Assurance	<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>
Moderate Assurance	<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>
Limited Assurance	<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>
No Assurance	<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>

Appendix B
Definition of Priority of Recommendations

Priority	Definition
High	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.
Medium	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.
Low	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.

2021/22 Audit Reports.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report

Benefits Audit 2021-22

Date 19th January 2022

Distribution:

To: Customer Support Manager
CC: Chief Executive
Head of Financial and Customer Services
Executive Director of Resources (Section 151 Officer)

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1. Introduction

- 1.1 The audit of the Benefits process was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2021/22 which was approved by the Governance and Standards Committee on 29th July 2021 and for Bromsgrove District Council by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a risk-based systems audit of the Benefits as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review relates to the strategic purposes of:
- BDC Plan 2019-23: Strategic Purpose - Work and Financial Independence. Priorities - Financial Stability.
 - RBC: Plan 2020-24: Strategic Purposes - Aspiration, Work & Financial independence

1.3 The following entries on the service risk register are relevant to this review.

BEN 1 Fail to effectively resource the service to meet demands

BEN3 Impact of Welfare Reform Act

BEN 4 Impact of Introduction of Local Council Tax Scheme

BEN 7 Benefits Subsidy

BEN 9 Failure to meet audit requirements

BEN 11 Failure of Corporate Fraud and Compliance Team

REV 6 Fail to make a timely decision (political direction) to manage changes to the Council Tax Support Scheme

REV 9 Impact of introduction of Local Council Tax Scheme

1.4 This review was undertaken during the month(s) of October 2021 and November 2021

2 Audit Scope and objective

2.1 The audit provided assurance on the accuracy of the award for the revised Council Tax Reduction Scheme, the Test and Trace Support payments, the action plan in place to deal with any backlog of work and that the service is operating as business as usual in these unprecedented times. Assurance was also given regarding the regular monitoring of Discretionary Housing Payment refusals and that the new performance measures are transparent, updated and Quality Monitoring also focuses on the areas of highest risk.

2.2 The scope covered:

- A review of the updated position in relation to the 2019/20 audit recommendations.
- Management of any backlogs of work and getting back to business as usual.
- Test and Trace Support payments are being awarded in line with the procedures for the main and discretionary scheme.
- Awards are being made in line with the revised Council Tax Reduction Scheme for 2021/22.
- Quality Assurance monitoring is taking place.
- Discretionary Housing Payment refusals are being monitored.
- New Performance measures are accurate, transparent, updated monthly and reported regularly.

2.3 This reviewed covered the period from 1st April 2021 to completion of the testing

2.4 This review did not cover

- Compliance with internal processes and external legislation to allow the prompt and accurate processing of new Housing Benefit claims and changes of circumstance as third-party assurance (DWP and External Audit Assessment) will be used to provide assurance.
- The process of recovery, including the classification of overpayments and its effect on subsidy.
- Payments made under the discretionary hardship scheme.

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 isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.

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

- Implementation of the revised Council Tax Reduction scheme
- Processing of the Council Tax Reduction Scheme claims with good meaningful file notes.
- Processing the Test and Trace payment within a timely manner with unknown quantity of applications.
- Adapting to remote working and change during the pandemic and retaining business as usual.
- The work carried out within the quality assurance team.
- Monitoring of the spend against the Discretionary Housing Payments (DHP)

- 3.4 The follow up recommendation regarding reconciliations will be followed up within the Main Ledger Audit which is due to be carried out in quarter 4. The remaining follow up actions, review of the modules for efficiency and the implementation of the new Housing System are ongoing and will be reviewed again within the 2022/23 audit.
- 3.5 The Benefits team are still waiting the outcome from the proposed re-structure that has taken over 3 years to complete. This has left certain staff in secondment roles and carrying out duties that are not within their current job role description. This has led to ongoing pressures including within the quality assurance team.
- 3.6 This service has had to continue to deliver business as usual throughout the pandemic and in addition have had to take on additional activities such as the test and trace payments which has presented challenges with resourcing as it was unfamiliar and unknown quantity of applications. There was also pressure by Central Government to get these payments out to the customers quickly. The Team have also introduced and rolled out a revised council tax reduction scheme. Staff managed with little disruption to the service during the first lock down to continue with business as usual while obtaining the equipment to work remotely. With the current restrictions a return to the office is unlikely but it is important that any return to the office in future needs to be planned to minimise any disruption to the officers and customers due to the statutory nature and importance to the customer provided by this service. Based on previous audits there are clear indications of the positive direction of travel achieved by the Team and Service in very difficult times and the adoption of a more proactive approach.
- 3.7 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Outstanding Work Queue/Backlogs	Medium	1
Test and Trace Support Payments	Medium	2
Dashboard – Performance Measures	Medium	3

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
Issues brought forward from previous audit					
Reconciliation. This follow up action will be reviewed within the Main Ledger Audit in Quarter 4 2021/22.					
The remaining follow up actions, review of the modules for efficiency and the implementation of the new Housing System are ongoing and will be considered again within the 2022/23 audit.					
New matters arising					
1	M	<p>Outstanding Queue/Backlogs</p> <p>New Claims</p> <p>At the time of review the outstanding work is manageable and not considered to be a backlog. There are however a handful of cases that are older than desired (Oldest RBC case 8 weeks, oldest BDC case 10 weeks) These claims have been assigned to officers and are waiting on information before a decision is able to be made.</p>	<p>Work</p> <p>This has the potential to increase the average processing times which get reported to DWP and published in the public domain which could lead to reputational damage and DWP intervention similar to before,</p>	<p>Investigate if a report can be generated that separates defective claims so that the queue can be monitored for outstanding work/backlogs and defective claims so that customers can be reminded information is still outstanding or that, if appropriate the application is closed.</p> <p>If older cases are not closed, then a file note is added to</p>	<p>Response and Action:</p> <p>I agree with the recommendations with regards to monitoring outstanding work. This is already looked at and actioned by the team leaders and reported monthly. From January we will monitor the reasons behind the delays to gain a greater insight to what is causing the delays; for example – waiting information from customer, from the DWP, from housing provider. Or is it staff members not making</p>

		<p>Change of Circumstance Claims (COC)</p> <p>At the time of review the outstanding work is manageable and not considered to be a backlog. There are however a handful of cases that are older than desired (The bulk of the items within the work queue dated back 2 weeks for both RBC and BDC). These claims have been assigned to officers and are waiting on information before a decision is able to be made.</p>		<p>explain why the case remains within the outstanding queue and if a claim is made defective, it is clear within the file note that information has been requested and the date its due back by.</p>	<p>claims defective at the earliest opportunity.</p> <p>With regards to the change in circumstance days this is a known Civica fault which has caused delays in receiving ATLAS and UC documents at the time of the audit. This work has now been cleared and on average a change of circumstance takes 5 days to be processed.</p> <p>Responsible Manager: Assistant Financial Support Manager</p> <p>Implementation date: March 2022</p>
2	M	<p>Test and Trace Support payments</p> <p>There are several claims where I was unable to open the attachments. The audit trail was not always clear if customer had provided a response to questions such as, do they have any accessible savings/capital and do</p>	<p>Potential risk if the full audit trail cannot be viewed regarding the checks made and information received in the event of a challenge if unable to open attachments.</p>	<p>Ensure Officers record the responses to any information requested.</p> <p>Investigate why certain attachments cannot be opened.</p>	<p>Response:</p> <p>The loading of the documents is again a Civica fault that has been reported. It is intermittent and not on every case.</p>

		they have to pay any rent/mortgage?			<p>Action:</p> <p>I have noted concerns with regards to notes on these cases and will action. The scheme is currently only being worked on by 2 officers and there are lots of things to consider and appreciate in the work they are doing under testing circumstances.</p> <p>Responsible Manager: Assistant Financial Support Manager</p> <p>Implementation date: Pending a Civica fix, so date for this unknown. Clarity in notepads from January 2022</p>
3	M	<p>Dashboard – Performance Measures</p> <p>Not all the new performance measures have a number allocated to the measure. The graph was not always up to date for certain measures such as New Claims Speed of processing and Change of Circumstance Speed of processing. Not all</p>	<p>Lack of transparency and context which could lead to inaccurate assumptions by senior managers and members that review this information and Service performance.</p>	<p>Ensure the performance measures on the dashboard are complete and updated monthly where applicable for transparency or there is context within the graph so that the audience can understand if the</p>	<p>Response and Action</p> <p>Some of the measures are not showing on the dashboard again due to a Civica fault. The issue surrounds us being 2 separate authorities on one database. The error is with Civica to fix.</p>

		<p>measures provided context to understand if the performance is good, or not especially where there were no notes within the comment history either advising on any variation positive or negative. There was no performance information for 2 measures. There were no weekly measures on the dashboard.</p>		<p>performance shown is good, expected etc.</p>	<p>With regards to no notes or comment history we will look to add these; suggest that we have national average and local average were possible so we can see how we are performing compared to our neighbouring authorities.</p> <p>The weekly measures that were provided to you are purely for operational purposes and are not strategic measures. They were never intended to be added to the dashboard.</p> <p>Responsible Manager: Customer Support Manager</p> <p>Implementation date: Pending a Civica fix, date for this unknown.</p> <p>Clarity and narrative on measures will be introduced from January 2022</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 with 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 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

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
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Internal Audit Report

Risk Management (Follow-up of the 2020/21 Audit) 2021/22

22nd March 2022

Distribution:

To: Executive Director of Resources (Section 151 Officer)
Interim Head of Finance

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1. Introduction

In 2018/19, an audit of Risk Management provided an assurance level of limited assurance (See Appendix A) due to weaknesses in the design and inconsistent application of controls. As a result of the audit, a review was commissioned and undertaken by Zurich Municipal to consider the Council's risk management arrangements and to advise of any recommendations. In response to the Zurich review a Risk Management Strategy was produced for both Bromsgrove District Council and Redditch Borough Council.

A follow-up review was carried out by Internal Audit in March 2021 (Final Report June 2021) with the purpose of identifying what progress had been made against the Risk Management Strategies. At that time there was a lack of evidence that the actions within the Risk Management Strategies had been fully completed and embedded within the Councils and therefore no assurance could be given.

As a result of the June 2021 audit report, it was agreed that the next step would be to produce an action plan to identify responsibilities, actions, timescales and expected output so that there was a clear plan on what needed to happen and would allow the action plan to be monitored. It was proposed that this should include but would not be limited to:

-
- Understanding the risk appetite of the Councils
 - Review the strategy and the way risks are identified
 - Review the current 4risk system to ensure it fits the needs of the Council and that if this is to be the central recording system that it is kept up to date so that current and emerging risks are transparent and there is evidence by a footprint within the system that the risk are being reviewed regularly.
 - Provide training and consider different training styles such as workshops, group discussion (this can still take place virtually) in order to have officers buy in at an early stage and start to embed risk management throughout the Councils. There was lack of evidence that training on the 4risk system or on risk management has taken place and this was highlighted within the Internal Audit Report 2018/19 and a key recommendation following the Zurich review.
 - Consideration of the Role of Risk Champions, Insurance and Risk Officer, Risk Management Groups and defining expectations.
 - Aligning processes such as reporting to members, project proposals, etc. so that risk is considered as part of management decision making.

It was agreed that a follow up would be carried out to ensure that an action plan was in place and to review the progress against it.

2. Current Position

This review was to be undertaken on the basis that an action plan to identify responsibilities, actions, timescales and expected output would be produced so that there is a clear plan on what needs to happen which would allow the action plan to be monitored.

Verbal updates relating to Risk Management were provided to the Redditch Borough Council Audit, Governance and Standards Committee by the Head of Finance and Customer Services on 29.07.2021 regarding Corporate Governance and Risk - and the new Risk and Assurance Officer post with a focus on risk, and on 28.10.2021 regarding the Corporate Risk Register and the ongoing work being undertaken with the Council's insurance provider, Zurich Municipal.

Verbal updates relating to Risk Management were provided to the Bromsgrove District Council Audit, Governance and Standards Committee by the Head of Finance and Customer Services on 15.07.2021 regarding the Corporate Risk Register and work with Zurich which included looking at best practice and internal policy from a risk perspective, and on 07.10.2021 regarding further work with Zurich and updates to the Risk Register.

Audit, Governance & Standards Committee

14th April 2022

A Risk Strategy outlining the approach to Risk Management was taken before CMT on 16th March 2022. This addresses the requirement to understand the risk appetite of the Councils and the way risks are identified.

Several other actions have also been proposed:

- Nominate a Representative from each Department as Risk Representative
- Each Department to complete an updated Risk Register by Wednesday 6th April (linked to the Zurich Recommendations)
- First Officer Risk Board to take place on (Thursday 7th/Friday 8th April)
- Verbally update Audit Committees w/c 11th April on Progress
- Update CMT at meeting on 13th April on Progress and present draft updated Risk Register for approval
- Prepare updated reports for next cycle of Audit Committees
- Officer Group to update Risk Register and formally report for CMT on a quarterly basis

3. Conclusion

From the follow-up carried out in early March 2022, we gave an opinion of **no assurance** over the control environment in this area. The level of assurance having 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.

We gave an opinion of **no assurance** in this area because the action plan that was to form the basis of this review had not been produced and implemented therefore no assurance could have been provided. It was acknowledged that there is a risk management system in place, and there are areas of good practice however this is not uniform across the Councils. The embedding of effective risk management needed to be driven and led by senior management and cascaded down throughout the Councils.

However, since the issue of the draft report, in order to progress the current position in relation to Risk Management, a paper was presented to CMT on 16th March 2022 with the actions as detailed above in Section 2.

These actions represent a positive step forward for the Councils in addressing the requirements set out in the action plan mentioned in the previous review. However Internal Audit cannot at this stage provide an assurance over the actions and their effectiveness in addressing the weaknesses previously identified but will carry out a follow up in three months' time to assess progress against these actions.

4. 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 with 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 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

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council

www.bromsgrove.gov.uk

Final Internal Audit Report

Light touch Treasury Management Audit 2021/22

Date 5th January 2022

Distribution:

To: Financial Services Manager
CC: Head of Financial and Customer Services
Executive Director of Resources (Section 151 Officer)
Chief Executive

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1. Introduction

- 1.1 The audit of the Light touch Treasury Management Audit was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council by the Audit, Standards and Governance Committee on 22nd July 2021. The audit was a light touch risk-based systems audit of the Treasury Management system as operated by Bromsgrove District Council.
- 1.2 This area of review is a back-office function and therefore underpins all of the Strategic Purposes
- 1.3 The service risks relevant to this review:
 - Fin 2 Poor Treasury Management
- 1.4 There is a potential for fraud in this area with the transfer of funds fraudulently to personal or third party bank accounts.

1.5 This review was undertaken during the month of December 2021

2 Audit Scope and objective

- 2.1 A full audit was undertaken in 2020/21. No concerns were raised so this year a light touch audit has been undertaken to provide assurance that controls are still in place and operating effectively.
- 2.2 The review covered authorisation of investment and borrowings, compliance with the Treasury Management Strategy in relation to Institutions invested in and the limits invested, and the interest received and paid. In addition to this the 2020/21 audit findings were also followed up.
- 2.3 This review covered processes in place at the time 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 but that our testing has identified an isolated weakness in the design of controls and / or inconsistent application of controls in one area.
- 3.3 The review found the following areas of the system were working well:
- Management approval had been obtained for the Investments/Borrowing
 - Ledger shows the money being paid out and back in.

- Investments were made in line with the Counterparties lists and were within investment limits

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

	Priority (see Appendix B)	Section 4 Recommendation number
Reconciliation and Borrowing Sign off	Medium	1
Treasury Members Training	Medium	2

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
Issues brought forward from previous audit					
1	M	<p>Reconciliation and Borrowing Sign off (Follow up from the 2020/21 Audit)</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</p>	<p>Risk of financial loss borrowings are agreed when they are not required, or the</p>	<p>As a minimum and in order to ensure that the process does not suffer undue delay the Treasury Management</p>	<p>Responsible Manager: Financial Services Manager</p>

		<p>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>The implementation of a new system and the turnover of staff has resulted in the resources being reallocated to high risk areas.</p>	<p>interest rate is not a good deal for the Council</p>	<p>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>Agreed that this is a sensible approach.</p> <p>Implementation date:</p> <p>By end of June 22</p>
<p>2</p>		<p>Treasury Members Training (Follow up from the 2020/21 Audit)</p> <p>During testing it was ascertained Members of Bromsgrove District Council elected in May 2019 had not been offered treasury management training by an accredited provider.</p> <p>Due to Covid-19 and the reliance on a third party this training was not possible to complete.</p>	<p>The council may be open to unacceptable risks that could have been mitigated by the implementation of additional controls.</p>	<p>Training is offered to those Members newly appointed to relevant Committees as soon as practical with an accredited provider to allow members to be further informed when making decisions on the strategy and procedures relating to treasury management.</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Agreed that this is a sensible approach.</p> <p>Implementation date:</p> <p>By end of June 22</p>

New matters arising

There have been no areas of control issues or risks highlighted by this light touch review that require reporting.

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 with the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 (revised 1st April 2017) 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 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

FOLLOW-UP REPORTS:

Since the previous progress report reported to Committee there have been three finalised 'Follow-Up' reports.

Worcestershire Internal Audit Shared Service



St David's House 2020-21

1st Follow-up Report - 17th December 2021

Distribution:

To: Head of Community and Housing Services
Business Manager

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Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 30/04/2021 and followed up because:

- 1 medium priority recommendation was outstanding.

The following audit approach was therefore taken:

1. 1 medium priority recommendation has been updated with the current position.
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 significant assurance over the control environment and this was the 1st follow-up.

Internal Audit is satisfied that all actions detailed in the management response have been completed and therefore no further follow up is required.

This follow up was undertaken during the month of December 2021

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as of 14th December 2021</u>
<p>1 Medium</p>	<p>Controls - Testing (Laundry)</p> <p>Review the current process and ensure that there is a clear audit trail detailing reasons why charges have not been in line with usage.</p> <p>Introduce sample checks to ensure that the information sent for invoicing is correct.</p>	<p>Responsible Manager: Business Manager</p> <p>Recording log for laundry has been amended so that it is clear which laundry is covered by a care package paid by WCC.</p> <p>All tenants now charged for all laundry loads regardless of the total number during a week.</p> <p>Implementation date: Completed</p>	<p>Implemented</p> <p>Testing has been carried out to ensure that the recording of the laundry is clear in relation to what was paid for by Worcester County Council as part of the tenant's care package. Any extra loads that are payable by the tenants are charged and invoiced correctly. All information was available for review and no issues identified.</p>

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

The Orb 2020/21

1st Follow-up Report - 30th September 2021

Distribution:

To: Head of Transformation
Communications and Marketing Manager
ICT Transformation manager
ICT Operations Manager
Web Developer
Senior Communications and Marketing Officer

CC: Chief Executive

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Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 27/08/2020 and was followed up because:

- 2 medium priority recommendations were made.

The following audit approach was therefore applied:

- The 2 medium priority recommendations have been updated with the current position.
- 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 1st follow-up.

From the explanations received and the evidence provided, internal audit is satisfied that in relation to the user-friendly recommendation it has been partially implemented. Due to other work priorities e.g. implementation of new systems, Covid-19 requirements and work on the public website the other recommendation has not yet been implemented.

A further follow up will be undertaken in 6 months to assess the progress against actions which are not yet fully implemented.

This follow up was undertaken during the month of September 2021.

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as of 30th September 2021</u>
1 Medium	<p>Ownership</p> <p>An assessment to be undertaken on whether a corporate steer is required to drive the orb forwards with a strategic action plan, to shape how the orb is to be used over the next several years.</p> <p>This needs to include exactly what the organisation wants a corporate shared area to achieve and how best to achieve this, especially with the introduction of a new windows platform and Microsoft packages. It should also allocate ownership for the delivery of any proposals.</p>	<p>Responsible Manager:</p> <p>Head of Transformation, OD & Digital Services</p> <p>Senior Marketing & Communications Officer</p> <p>Implementation Date: April 2021</p> <p>An intranet strategy and action plan will be developed to outline the future direction of the ORB.</p>	<p>Not Implemented</p> <p>Although changes have started to be made to the orb (see recommendation 2), this action is still to be commenced and has been delayed due to other work commitments.</p> <p>It is hoped that this will be undertaken in December 2021.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up</u> <u>Position as of 30th September 2021</u>
<p>2 Medium</p>	<p>User friendly</p> <p>Survey the staff in order to get a full understanding of their requirements in relation to a shared area for reference material and Governance Policies.</p> <p>The results should be built into the review above.</p>	<p>Responsible Manager:</p> <p>IT Manager</p> <p>Implementation Date: Feb 2021</p> <p>Create a user group of internet and intranet staff to look at out of date content and how it will be resolved by their departments. Members of this group to agree an action plan with their respective Head of Service if content is out of date. The content on the Intranet is the responsibility of each service area.</p> <p>The Web Team will look at the site design and make the search more user friendly. Training will also be provided through the user group. N Perrett and N Chapman will be the lead officers for this work.</p> <p>The Web Team will create a survey to address issues raised in this audit. N Perrett and J Carradine will be the lead officers for this work.</p>	<p>Partially Implemented</p> <p>There is a positive direction of travel as some changes have started to take place on the orb following the audit review – a new and updated homepage has been implemented and work has been conducted to remove items that should not be on the orb.</p> <p>ICT have created a feedback survey which can be found on the orb. This was to allow staff to provide feedback in relation to how they find the orb to navigate through, the orb search engine, how useful oracle news is, if they use their team area and also to provide comments as to where they would like improvements to be made. Covid derailed the initial launch, but this now live.</p> <p>The search engine has had a background overhaul to enable it to be nimbler on searching for specific documents and as a result of the work, the results coming back are more relevant. ICT have stated that the user will not notice a change to the appearance of the search engine but will experience the improvement when searching items.</p> <p>However, since the pandemic resources have been used on the public website to improve</p>

Audit, Governance & Standards Committee

14th April 2022

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as of 30th September 2021</u>
			<p>certain items and this has caused delays in some areas of lower risk.</p> <p>ICT have had to delay the implementation on the remaining items that require implementation to March 2022.</p>

Quality Assurance Improvement Plan.

Action Number	Area for Action and Standards Reference	Outcome Required	Action	Lead person	Target Date for completion	Date of Completion	Latest Position (Quarterly)
1	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 2021: Auditor enrolled with IIA and continuing training to obtain further professional qualifications. Progressing. On target.
2	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-22	Ongoing	December 2021: Being monitored Progressing. On target.
3	2500.A1 - Follow Up	More efficient and timely follow up regarding reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-22	Ongoing	December 2021: Included in Auditors work plan for the year. Being monitored and tracked and discussed at 1:2:1s Progressing. On target.

Audit, Governance & Standards Committee

14th April 2022

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder		
Lead Director / Head of Service		
Financial Services		
Legal Services		
Policy Team (if equalities implications apply)	N/a	March 2022
Climate Change Officer (if climate change implications apply)	N/a	March 2022