

# **AUDIT BOARD**

Date: 13th DECEMBER 2012

## **THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Teresa Kristunas Head of Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision
This report contains exempt information as defined in Paragraphs 7 of Part I of Schedule 12A to the Local Government Act 1972, as amended. (Appendices 3 & 4)	

### **1. SUMMARY OF PROPOSALS**

1.1 To present:

- the monitoring report of internal audit work and performance as at 30<sup>th</sup> November 2012;

### **2. RECOMMENDATIONS**

2.1 **The Board is asked to RESOLVE that the report be noted.**

### **3. KEY ISSUES**

#### **Financial Implications**

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

#### **Legal Implications**

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

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

3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

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This section of the report provides commentary on Internal Audit's performance for the period 01<sup>st</sup> April to 30<sup>th</sup> November 2012 against the performance indicators agreed for the service. As discussed at the 21<sup>st</sup> June Audit Board the Management of data audit will be included in the 2012/13 plan as part of the Governance audit. This will be scheduled to be undertaken later in the financial year with the outcome being reported to the Audit Board in a timely manner.

**AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:**

Asset Management 2011-12 (Final Report)

The audit covered the period from April 2011 to March 2012. The audit review was to confirm an Asset Management Register is maintained by Bromsgrove District Council in accordance with current accounting regulations along with the valuations undertaken by Worcestershire County Council on a cyclical basis to provide Bromsgrove District Council with sufficient information and advice to enable it to write its Corporate Asset Management plan. The audit identified that the Asset Management Group has authorised large value disposals; however, updating of acquisition and disposals on the Finance Asset Register has not been recorded against the asset categories of land disposals and vehicles and plant. Areas of good control identified during the audit include:

- Actions from the Asset Management Group had been assigned and actioned on a prompt and timely basis.
- Assets had the depreciation charge calculated correctly.

Assurance Level: Significant  
Final Report issued: 13<sup>th</sup> November 2012

Treasury Management (Draft Report Stage)

The review is a full system audit concentrating on the controls over the Treasury Management System. The audit did not express an opinion on the rates of interest obtained for individual investments/loans. Although several "medium priority" recommendations have been made and will be reported to the Board when the management response is received there is generally a strong system of internal control. Monthly reconciliations are undertaken, although at the time of this audit were not up to date but this has since been addressed. Interest is paid and received on a timely basis and investments are made based upon cash flow, appropriately authorised and in accordance with the approved Counterparty list.

Assurance Level: Significant  
Draft Report issued: 13<sup>th</sup> November 2012

Street Scene 2012-13 (2<sup>nd</sup> Draft Report stage)

- The review was a full system audit concentrating areas of Street Scene. Detailed testing of operational activities was limited to areas considered the highest priority for the public or the most regularly undertaken, such as fly tipping, dog fouling and hazardous waste. Although there is generally a sound system of control in place and areas of good practice were identified (for example budget monitoring, publicity campaigns and priority cleansing areas) the audit found a couple of areas where managers are required to address identified control weaknesses including no performance monitoring currently undertaken and no schedule for street sweeping in operation. These are to be considered by managers to ensure that processes are in place in the future.

The service is currently undergoing a transformation review and, therefore, the findings and consequential recommendations may be considered as part of this process.

Assurance Level: Moderate  
Draft Report issued: 16<sup>th</sup> July 2012

Summary of Assurance Levels:

<b>Audit</b>	<b>Assurance Level</b>
Asset Management 2011/12	Significant
Treasury Management 2012/13	Significant
Street Scene 2012/13	Moderate

2012/13 AUDITS IN PROGRESS AS AT 30<sup>th</sup> November 2012

ICT (Clearance Meeting Stage)

The review is a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring.

Debtors (Clearance Meeting Stage)

The review is a full system audit concentrating on the controls over the debtors system as operated from the point where the invoice is raised to entry onto the main ledger.

Parks and Open Spaces (Fieldwork Review Stage)

The review is a limited systems review of Sanders Park concentrating on the areas of the pavilion and café including, income collection and contractual and management information.

Creditors (Fieldwork Stage)

The review is a full system audit concentrating on the controls over the creditors system as operated from the point when the purchase order is raised to the point the payment is recorded in the ledger. The audit will not look at the procuring of goods and services.

Regulatory Services ~ Licensing Income (Fieldwork stage)

The review is a full systems audit concentrating on the Miscellaneous Environmental Licensing system. The review has included the granting and approval of licenses, renewal and enforcement, collection and payment of licenses and income performance monitoring.

Council Tax (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Council tax system in connection with key areas such as discounts, recovery of debt, write offs and system access.

Non Domestic Rates (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Non Domestic Rate system in connection with key areas such as discounts, recovery of debt, write offs and system access.

Housing and Council Tax Benefits (Fieldwork Stage)

The review is a full systems audit concentrating on the controls within the Housing and Council Tax Benefit system in connection with key areas such as overpayments, back dated claims and reconciliations.

Cemetery and Crematorium (on hold)

The review will be a full system audit which will concentrate on adherence with regulatory requirements, for example, documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information. The audit has been placed on hold for the several weeks but remains under regular review for recommencement at an appropriate time.

As the above audits are in remain in progress an assurance level will be allocated on completion.

**3.4 AUDIT DAYS**

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at

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30<sup>th</sup> November 2012 a total of 138 days had been delivered against a target of 300 days for 2012/13.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Board on the 29th March 2012 for 2012/13.

Appendix 3 shows the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 shows an updated list of recommendations reported to the Board previously. The 'Action Tracker' reporting mechanism has been superseded by Appendix 3 but will continue to be reported until the points have been satisfied.

### **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 friend
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

### **Recruitment**

- 3.6 WIASS has experienced natural turnover of staff and has also had to manage sickness absence during the year to date. This has been achieved with the careful allocation of resource and engaging the services of agency workers to assist in the overall delivery of the plans to all the partners. Close monitoring of resource is continuing using current management information and further resource is being sourced to assist the delivery of the partner's plans in relation to forecasted demand for the remainder of quarter 3 and quarter 4. WIASS remains committed to delivering the full audit plan for Bromsgrove District Council and continues to take active steps to achieve this. There is no

expectation that engaging agency workers will result in an increased contribution requirement from Bromsgrove District Council.

**Protecting the Public Purse**

- 3.7 Housing Tenancy: The allocation and occupation of social housing is covered in the contractual arrangement between Bromsgrove District Council and the Bromsgrove District Housing Trust. The Housing Trust operate and apply their own internal arrangements and controls in order to provide tenancy arrangements. It is understood that the internal controls operated within the Trust seek to identify any tenancy fraud with appropriate enforcement action taking place. Under the current agreement Internal Audit does not have right of access to enter the Trust, or, audit processes on behalf of Bromsgrove District Council therefore there is a reliance on the service level agreement in place.

**Customer / Equalities and Diversity Implications**

- 3.8 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.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

**5. APPENDICES**

- Appendix 1 ~ Internal Audit Plan delivery 2012/13
- Appendix 2 ~ Key performance indicators 2012/13
- Appendix 3 ~ 'High' and 'Medium' priority recommendations summary and complete finalised reports
- Appendix 4 ~ Action Tracker entries

**6. BACKGROUND PAPERS**

Individual Internal Audit reports.

**7. KEY**

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N/a

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**APPENDIX 1**

**Delivery against Internal Audit Plan for 2012/13**  
**1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013**

Audit Area	DAYS USED TO 30/11/12	2012/13 PLANNED DAYS
Core Financial Systems (*Note 1)	24	88
Corporate Audits (*Note 2)	20	69
Other Systems Audits	66	109
<b>TOTAL</b>	<b>110</b>	<b>266</b>
Audit Management Meetings	11	15
Corporate Meetings / Reading	3	5
Annual Plans and Reports	3	8
Audit Board support	6	6
Other chargeable	5	0
<b>TOTAL</b>	<b>28</b>	<b>34</b>
<b>TOTAL</b>	<b>138</b>	<b>300</b>

**\*Note 1**

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

**\*Note 2**

Corporate Audits to include Management of Data audit request per Audit Board 21<sup>st</sup> June 2012.



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**APPENDIX 2**

**Key Performance Indicators (KPIs) for 01<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.**

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2012/13.

	<b>KPI</b>	<b>Progress to date (1/4/12 to 30/11/12)</b>	<b>Target</b>	<b>Frequency of Reporting</b>
1	% Plan delivered excluding overruns	46%	90% for year	Quarterly
2	Customer satisfaction surveys	None received at time of publishing	90% Good or above	Quarterly
3	Number of audits delivered compared to plan	2011/12 2  2012/13 3 & 9 in progress	18	Quarterly
4	Annual survey of Internal Audit Service	To be monitored by the Client Officer Group throughout the year	Good or above	Annually

The Internal Audit Self-Assessment checklist assessing compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 will also be completed at the end of the annual cycle. Any areas of partial or non-compliance with the Code will be reported as exceptions to the Client Officer Group and Audit Board.