

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 14th MARCH 2013

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 Paragraph(s) 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 31st January 2013;

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. This section of the report provides commentary on Internal Audit’s performance for the period 01st April 2012 to 31st January 2013 against the performance indicators agreed for the service. As discussed at the 21st June Audit Board the Management of Data audit will be included in the 2012/13 plan as part of the

Governance audit. This is scheduled to be undertaken this quarter with the outcome being reported to the Audit Board in a timely manner.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:

Debtors (Final Report)

The review was 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. The review found there is a generally sound system of internal control in place. The debtors system is running effectively and efficiently in the majority of areas, including, invoice requests authorised appropriately and timely by the Exchequer team with the payments being recorded correctly and accurately in the Main Ledger. Although 'parked' invoices were not being reviewed on a regular basis, there was sufficient evidence to show that a procedure was in the process of being implemented with the monthly reconciliations. Areas where further enhancements could be made to the control environment included better narrative and notes detail being entered against accounts and an updating of accounts when final reminder thresholds have been reached.

Assurance Level: Significant
Final Report issued: 3rd January 2013

Treasury Management (Final Report)

The review was 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. 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
Final Report issued: 13th November 2012

Street Scene 2012-13 (Final Report)

The review was a full system audit concentrating on 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, performance monitoring currently undertaken and

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the development of the street sweeping schedules currently in operation (e.g. detail how often a street is cleaned, different streets having different frequencies dependent on usage (footfall), etc) These are with managers to ensure that processes continue to be developed for the future.

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

Assurance Level: Significant
Final Report issued: 7th January 2013

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
Debtors 2012/13	Significant
Treasury Management 2012/13	Significant
Street Scene 2012/13	Significant

2012/13 AUDITS IN PROGRESS AS AT 31st January 2013

Creditors (Draft Report 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.

Parks and Open Spaces (Draft Report 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.

ICT (Draft Report Stage)

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

Asset Management (Clearance Meeting Stage)

The review is a risk based systems review seeking assurance on the accuracy of the records maintained for recording Fixed Assets with regards to both the Fixed Asset Register and other service department registers. All land and property valuations are performed under a service level agreement with Worcestershire County Council. The review will concentrate on areas including assets per the Fixed Asset Register are owned by Bromsgrove District Council, there are procedures in place for Acquisition and Disposal of Assets, Valuation of Assets as well as assets per the Fixed Asset Register are reconciled to other asset

records held e.g. the land and property database maintained by the Property Section and there is evidence to support this.

Renovation Grants (Clearance Meeting Stage)

The review is a risk based systems audit concentrating on the Renovation Grants system from the point where the application form is received to the approval of the grant. The review will assess control objectives of Renovation Grants including critical appraisal of each stage of the process, grants are consistent and awarded only to eligible applicants and the contract with Festival Housing is monitored.

Climate Change (Fieldwork Stage)

The audit is a risk based systems review of limited scope. The review is to concentrate on areas including the utilisation of funding by Bromsgrove District Council, monitoring of savings and repayment of funding as per agreement. The review will assess the eligible projects have been identified to maximise the use of available grant and Salix funding, in accordance with determined criteria along with effectively monitoring of performance and promotion.

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

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 is due to recommence towards the end of February having been placed on hold.

As the above audits 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 31st January 2013 a total of 187 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 a summary of 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 secured and in place to assist the delivery of the partner's plans in relation to forecasted demand for the remainder of quarter 4. WIASS remains committed to delivering all audits as indicated in the 2012/13 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.

Customer / Equalities and Diversity Implications

- 3.7 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.

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7. KEY

N/a

AUTHOR OF REPORT

Name: Andy Bromage
Service Manager - Worcestershire Internal Audit Shared Service
E Mail: andy.bromage@worcester.gov.uk
Tel: 01905 722051

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APPENDIX 1

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

Audit Area	2012/13 PLANNED DAYS	DAYS PLANNED TO THE END OF THE 3rd QUARTER	DAYS USED TO 31/01/13
Core Financial Systems (*Note 1)	88	71	46
Corporate Audits (*Note 2)	69	31	27
Other Systems Audits (*Note 3)	109	73	79
TOTAL	266	175	152
Audit Management Meetings	15	11	13
Corporate Meetings / Reading	5	4	4
Annual Plans and Reports	8	6	5
Audit Board support	6	5	6
Other chargeable	0	0	7
TOTAL	34	26	35
TOTAL	300	201	187

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***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. An explanation as to the short fall against the projected days is provided at paragraph 3.6 above and the situation is being addressed.

***Note 2**

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

***Note 3**

A number of the budgets in this section are 'on demand' e.g. consultancy, investigations so the requirements can fluctuate.

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APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2012 to 31st March 2013.

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

	KPI	Progress to date (1/4/12 to 31/01/13)	Target	Frequency of Reporting
1	% Plan delivered excluding overruns	62%	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	2012/13 6x Final Reports 3x Draft Reports & 8x in progress 2011/12 2	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.