

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

**Date: 19<sup>th</sup> September 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

**1. SUMMARY OF PROPOSALS**

**1.1 To present:**

- the monitoring report of internal audit work and performance as at 31<sup>st</sup> August 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.**

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This section of the report provides commentary on Internal Audit's performance for the period 01<sup>st</sup> April 2013 to 31<sup>st</sup> August 2013 against the performance indicators agreed for the service. Also included is the completion and reporting of 2012-2013 audits for information.

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

**2012/2013 audit completed**

**Creditors** (for high and medium priority recommendations see appendix 3)

The review was 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 did not look at the procuring of goods and services. The review found there is a generally sound system of internal control in place but that testing identified isolated weaknesses in the design of controls and inconsistent application of controls in one particular area. Because the Creditors' system is fully automated, the controls around the raising of orders through to the invoice authorisation were adequate. The controls around the reconciliation of the Creditor's system were also tested and it can be confirmed that they were sufficient and reliable to produce a true and accurate reflection of the Creditor's position on a monthly basis. However an area where the system could be further controlled to reduce the risk to the Council was regarding new suppliers' details.

Final Report Issued: 1<sup>st</sup> March 2013

Assurance: Significant

**ICT** (for high and medium priority recommendations see appendix 3)

The review was a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring. The review found there is generally a sound system of internal control in place for the areas of work reviewed during the audit. Testing identified isolated weaknesses in some areas of control including no risk register entry for the ICT Shared Service, no procedure documentation and no formal periodic review. The management of the inventory, and the stock replacement and disposals programmes is considered satisfactory for the needs of the organisation, although the process would be strengthened by the development of procedure documentation and the introduction of a formal periodic inventory review.

Final Report Issued: 26<sup>th</sup> February 2013

Assurance: Significant

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Asset Management (for high and medium priority recommendations see appendix 3)

The review was 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 concentrated 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. It found there is generally a sound system of internal control in place for managing assets. Processes are in place for the reconciling of the property registers and Insurance database to the main Fixed Asset Register. However, procedures for service areas to notify the Insurance Officer of vehicle changes are not formalised and although weaknesses were identified there was minimal risk found.

Final Report Issued: 21<sup>st</sup> March 2013

Assurance: Significant

Cemeteries ~ Bereavement Services (for high and medium priority recommendations see appendix 3)

The review was a full system audit concentrating on adherence with regulatory requirements including documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information. The review found although controls are working effectively improvements that can be made in the overall system of internal control particularly with regard to publication of fees & charges and the deposit of remittances. It was noted that invoices for funeral directors are raised directly via Agresso and this ensures that the automated recovery action is followed and action escalated when invoices remain unpaid. This has helped to ensure that debts in this area are kept to a minimum.

Final Report Issued: 26<sup>th</sup> April 2013

Assurance: Significant

Council Tax (for high and medium priority recommendations see appendix 3)

The review was 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. The review found there is a generally sound system of internal control in place for the administration of Council Tax accounts, but testing identified isolated issues with system controls in a small number of areas. It is understood that implementation of the shared service have resulted in delays with several elements of work, including the identification and processing of write-offs and the updating of recovery procedures. Other issues highlighted

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included the review of discounts and exemptions, and the monitoring of updates to system records following reviews by the Valuation Office.

Final Report Issued: 22<sup>nd</sup> May 2013  
Assurance: Significant: Significant

Non Domestic Rates (for high and medium priority recommendations see appendix 3)

The review was 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. The review found there is a generally sound system of internal control in place for the administration of Non-Domestic Rates accounts, but testing identified isolated issues with system controls in a small number of areas. It is understood that implementation of the shared service have resulted in delays with several elements of work, including the identification and processing of write-offs and the updating of recovery procedures. Other issues highlighted include the monitoring and management of updates to system records following reviews by the Valuation Office.

Final Report Issued: 22<sup>nd</sup> May 2013  
Assurance: Significant

Cash, Bank Reconciliations and General Ledger

The review was a full systems audit concentrating on the Cash collection system as operated by Bromsgrove District Council at the time of the audit from the point where the cash is collected, to being entered onto the main ledger, and, it being reflected in the Bank reconciliations. The review found there is a generally sound system of internal control in place but our testing has identified isolated weaknesses in the inconsistent application of controls in a small number of areas e.g. bank analysis and journal transfers. The cash handling procedures including the banking process are adequately controlled by the Cashier's team. There was sufficient evidence to show that the interfaces between Cash receipting system (CIVICA Icon) and the General ledger system (Agresso) are being monitored adequately, with sufficient contingency plans in the case of a failure of the daily interfaces. The Bank Reconciliation process was also tested and we can confirm that the controls in place are adequate to ensure information received from the Council's bank accounts match with the General Ledger entries and the Cash Receipting systems. There were no high or medium priority recommendations.

Final Report Issued: 11<sup>st</sup> March 2013  
Assurance: Significant

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Budgetary Control and Strategy (for high and medium priority recommendations see appendix 3)  
The audit was a risk based systems review concentrating on the Budgetary Control and Strategy. The purpose of the audit was to provide an assurance that sound controls and practices were evident in the budgetary control process as operated by Bromsgrove District Council. The review found the overall system of control is good in particular the budget monitoring arrangements. Identified improvements can be made regarding virements in particular the retention of supporting documentation to confirm adjustments made. The audit did not cover the management information provided and access to the financial management from a budget holder's perspective.

Final Report Issued: 26<sup>th</sup> April 2013  
Assurance: Significant

Housing and Council Tax Benefits (for high and medium priority recommendations see appendix 3)  
The review was 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. The review found that some key internal management controls/measures had ceased during the second half of the year due to staff shortages. These checks/measures when in place monitor various aspects of the benefit processing system including claim processing times, accuracy of claim assessments and the recovery and accuracy of overpayments etc. These key measures help provide an overall assurance level of the performance of the Service. The statutory performance indicators for DWP continued to be undertaken. All write offs examined had acquired the appropriate level of authorisation in accordance with the Council's Write Off Policy.

Final Report Issued: 20<sup>th</sup> June 2013  
Assurance: Significant

Climate Change

The audit was a risk based systems review of limited scope concentrating on areas including the utilisation of funding by Bromsgrove District Council, monitoring of savings and repayment of funding as per agreement. The review assessed the eligible projects that 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. The review found there is a generally a sound system of control in place, including the identification of viable projects and the accounting treatment of costs and loan repayments. Audit testing identified issues including the reporting of actual project savings to management, and the arrangements for on-going monitoring of energy usage which Management will address. There were no high or medium priority recommendations.

Final Report Issued: 18<sup>th</sup> June 2013  
Assurance: Significant

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Renovation Grants

The audit consisted of an independent evaluation of the new methods and approach taken by managers in processing and assessing renovation grants (including festival Housing and DFGs) as operated by Bromsgrove District Council. The new process was introduced because of the transformation process that brought about the Shared Service between Redditch Borough Council and Bromsgrove District Council being introduced from the 1st of April 2012.

Final Report Issued: 2<sup>nd</sup> April 2013

Assurance: N/a ~ Critical Review

Post Room ~ Processing of Documents

The review critically assessed changes implemented following a Transformation Review to ensure all incoming and outgoing post handled by the Post Room is promptly and securely distributed, confidential, valuable documents and material is handled or distributed in an appropriate manner and payments received are securely processed and receipted. The review did not include an assessment of post room staffing/resources, except where they were relevant to achieving the above objectives. The review was a critical review appraisal which identified there is a generally sound system of internal control in place following transformation. Some small isolated weaknesses were identified which included post delivered by the Post Office early in the morning is not left in a secure place, documents for Worcestershire Regulatory Services are not scanned in per the service Level Agreement and with the exception of Freedom of Information requests; post room staff do not date stamp documents.

Final Report Issued: 22<sup>nd</sup> May 2013

Assurance: N/a ~ Critical Review

Risk Management

The review was modified from a limited scope audit to a critical review audit due to the stage the merging of the risk registers was at. The review was an independent evaluation of the new methods and approach taken by managers in ensuring the shared services risk management implementation is adequate and covers all risks at Bromsgrove District Council. The review found there is satisfactory evidence of regularly planned monitoring of the risk registers. This process is being led by the Head of Resources with regular updates being passed to the Risk Management Monitoring Group. Overall, good progress has been made with the implementation of the new system. There have been clear distinctions made for both corporate and operational risks with adequate monitoring from the External Risk Management Consultant and the Head of Finance & Resources. Adequate training has been provided for the Councils' Audit Board Members and staff directly involved with the Risk Register.

Final Report Issued: 22<sup>nd</sup> May 2013

Assurance: N/a ~ Critical Review

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**Parks and Open Spaces** (for high and medium priority recommendations see appendix 3)

The review was a limited systems review of Sanders Park concentrating on the areas of the pavilion and café including, income collection and contractual and management information. The review found weaknesses in relation to procedures in respect of purchasing of low value items from income and regularity of bankings. Regular meetings are taking place with the Contractors who run the Café under a Service Level Agreement so that any issues identified can be addressed in a timely manner. At the time of the audit some issues regarding the supplying of information by the contractors to the Council were identified but have now been addressed and are being monitored to ensure compliance, and, new systems and procedures along with staff training was planned for the start of the season (1<sup>st</sup> April 2013).

Final Report Issued: 18<sup>th</sup> March 2013

Assurance: Moderate

**Markets** (for high and medium priority recommendations see appendix 3)

The audit was a limited scope and covered the activities and security of revenue collection into Bromsgrove District Council. The market is managed as part of a shared service hosted by Wyre Forest District Council. An SLA is in place between the two councils for the services provided and this has been fully operational since 1st April 2012. The review found there are several weaknesses within the control environment which is exposing the Council to financial risk and possible reputational damage. Recommendations have been made below to improve controls over areas such as cash collection, documented market procedures, reconciliations, trader's public liability insurance and management reporting. To allow security, comfort and a safe working environment for the staff, a Market Office was introduced in November 2012. During the audit it was already noted that this has given some stability to the day to day processes and should assist in rectifying the audit findings.

Final Report Issued: 21<sup>st</sup> March 2013

Assurance: Limited

**Regulatory Services ~ Licensing Income** (for high and medium priority recommendations see appendix 3)

The review was a full systems audit concentrating on the Miscellaneous Environmental Licensing system. The review included the granting and approval of licenses, renewal and enforcement, collection and payment of licenses and income performance monitoring. The review found although Technical Officers at each authority are efficiently processing licence applications but procedural failings were identified due to limitations in computer systems and the technical knowledge available with certain staff changes. In addition it was not clear from the partnership agreement that Worcestershire Regulatory Services were responsible for providing each Council with information to carry out the billing

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and how the organisations should work in partnership in respect of the chasing of arrears, initially resulting in a drop in income for some Councils. During the review it was apparent that it was always the intention to install a new computer system (fit for purpose) to manage WRS functions/services, however, the implementation date had been delayed; the implementation is due to start June 2013. The installation will provide an opportunity to resolve the issues and to improve the ability to produce more efficient management/performance information to assess service delivery. The necessary migration of data to the new system will also provide an opportunity to data cleanse any differences in licensing and debtor systems data. Changes to administrative procedures and the different practices operated at each authority need to be formally agreed. This is especially important in relation to procedures to suspend the licence of and take enforcement action against licence holders who have not paid the annual fee, as the Police Reform and Social Responsibility Act 2011 makes this an obligation.

Final Report Issued: 2<sup>nd</sup> August 2013

Assurance: Limited

#### Summary of Assurance Levels:

<b><u>Audit</u></b>	<b><u>Assurance Level</u></b>
<b>2012/2013</b>	
Creditors	Significant
ICT	Significant
Asset Management	Significant
Cemetery and Crematorium	Significant
Council Tax	Significant
NNDR	Significant
Cash, Bank Reconciliation and General ledger	Significant
Budgetary Control and Strategy	Significant
Housing and Council Tax Benefits	Significant
Climate Change	Significant
Renovation Grants	N/a ~ Critical Review
Post Room Processing	N/a ~ Critical Review
Risk Management	N/a ~ Critical Review
Parks and Open Spaces	Moderate
Markets	Limited
Regulatory Services ~ Licensing Income	Limited



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Shared Service ~ (Shared Service/Transformation Savings and Clarity of Reporting to the Members)

The audit of the Corporate Governance (Shared Service/Transformation Savings and Clarity of Reporting to the Members) was requested by the members of the Shared Services Committee to review the accuracy of the savings and the clarity of the information provided to the committee. It was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13.

This audit had reached draft report stage but in discussion the s151 Officer requested further work to be undertaken in this area. The audit, therefore, is progressing and will be reported in the near future.

As the above audit remains in progress an assurance level will be allocated on completion.

**2013/14 AUDITS COMPLETED AS AT 31<sup>st</sup> AUGUST 2013**

Land Charges

The review was a full system audit concentrating on areas of Land Charges including Fees charged are in accordance with the Council's agreed scale of fees, income received is properly accounted for and can be easily identified in the Council's Main Ledger, all deletions and additions to the Register are properly authorised including charges on property, searches are carried out on fully completed applications and within agreed local timescales and Information and data whether electronic or hard copy are properly protected and held securely for an agreed period. This audit did not cover the setting of fees and charges. The review found that all of the key controls tested are in place and operating effectively. Income received is recorded and properly accounted for and can be easily identified in the Council's Main Ledger. The Land Charges officer ensures that all deletions and additions to the Land Charges Database are properly authorised including charges on property as soon as they receive sufficient evidence of the required changes. There is currently no statutory limit in which the searches have to be turned around. However Bromsgrove District Council's average turn around time for all local completed searches is currently 2 working days. All Information and data are properly protected and held securely in line with the Council's retention periods. There were no high or medium priority recommendations.

Final Report Issued: 29<sup>th</sup> July 2013

Assurance: Full

Environmental Crime Enforcement

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The review was a critical review concentrating on the Community Safety/Environmental Enforcement system as it is provided by Bromsgrove District Council including areas such as resources are effectively allocated between the different roles and responsibilities to meet the needs of the community, e.g. Community Safety and Environmental Enforcement, management Information is available on a timely basis, reported to Senior Managers and Members, and is used to improve and develop the service and Fixed Penalty Notice income is only used by the council in line with regulations. The assessment found overall, good progress has been made with the implementation of the new Environmental Crime Enforcement system since its start in October 2011. Suggestions were made throughout the review on possible system improvements. Management are to decide on an appropriate way forward to further improve the service and to take it to the next level of development. There were no high or medium priority recommendations.

Final Report Issued: 16<sup>th</sup> July 2013

Assurance: N/a ~ Critical Appraisal/Assessment

2013/14 AUDITS IN PROGRESS AS AT 31<sup>st</sup> AUGUST 2013

Development and Building Control (currently at fieldwork review stage)

The review is a full systems audit concentrating on the receipt, payment and processing of Building Control applications as operated by Bromsgrove District Council for all three partners as at the time of audit. This audit will not cover the Service Level Agreement for the North Worcestershire Building Control Service.

S106's (currently progressing through fieldwork stage)

The review is a full system audit concentrating on S106 Agreements from the point the agreement is signed and will cover the S106 Agreements in place at the time of the audit. The review will not cover the reasoning behind or procedures undertaken to obtain agreement to a S106 Agreements.

Dial a Ride (currently progressing through fieldwork stage)

The review is a health check audit concentrating on areas specific areas of the Dial a Ride system including effective reporting, overall management arrangements are satisfactory, key systems are backed up and staff are appropriately trained.

ANTI-FRAUD AND CORRUPTION SURVEY.

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The anti fraud and corruption survey was completed by Internal Audit and submitted on the 17th May 2013 in respect of financial year 2012/13. The survey examined several key anti fraud measures that exist within the Council. There were no significant weaknesses identified by the survey.

**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 31<sup>st</sup> August 2013 a total of 71 days had been delivered against a target of 300 days for 2013/14.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Board on the 14th March 2013 for 2013/14.

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 provides the Board with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

**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 review
- 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**

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- 3.6 Due to natural turnover WIASS currently has three establishment posts vacant; one which is due to be filled at the start of October. Further active recruitment is planned for later in the year with interim cover being organised for quarter 3. Close monitoring of resource is continuing using current management information to assist the delivery of the partner's plans in relation to forecasted demand for the remainder of the year. WIASS is committed to delivering all audits as indicated in the 2013/14 plan for Bromsgrove District Council and will continue to take active steps to achieve this.

**Customer / Equalities and Diversity Implications**

- 3.7 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

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 2013/14  
Appendix 2 ~ Key performance indicators 2013/14  
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary with an example of a finalised audit report and a 'critical review' report.

**6. BACKGROUND PAPERS**

Individual Internal Audit reports.

**7. KEY**

N/a

**AUTHOR OF REPORT**

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**APPENDIX 1**

**Delivery against Internal Audit Plan for 2013/14**  
**1<sup>st</sup> April 2013 to 31<sup>st</sup> August 2013**

Audit Area	2013/14 PLANNED DAYS	DAYS PLANNED TO THE END OF QUARTER 2 (30 <sup>th</sup> September 2013)	DAYS USED TO 31/08/13
Core Financial Systems (*Note 1)	87	7	1
Corporate Audits	68	24	4
Other Systems Audits (*Note 2)	109	60	51
<b>TOTAL</b>	<b>264</b>	<b>91</b>	<b>56</b>
Audit Management Meetings	15	8	8
Corporate Meetings / Reading	5	3	2
Annual Plans and Reports	8	0	0
Audit Board Support	8	4	4
Other chargeable	0	0	1
<b>TOTAL</b>	<b>36</b>	<b>15</b>	<b>15</b>
<b>TOTAL</b>	<b>300</b>	<b>106</b>	<b>71</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. 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**

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

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#### **KEY PERFORMANCE INDICATORS 2013/14**

#### **APPENDIX 2**

The indicators provide the Board with an overall assessment in respect of reports delivered by the Internal Audit Shared Service as well as Corporate factors including the number of 'high' priority recommendations which may lead to an added overall corporate risk factor perspective.

	<b>KPI</b>	<b>Trend requirement</b>	<b>2012/13 Year End Position</b>	<b>2013/14 Position (as at August 2013)</b>	<b>Frequency of Reporting</b>
1	No. of high recommendations	Downward	8	0	Quarterly
2	No. of moderate or below assurances	Downward	3	0	Quarterly
3	No. of customers who assess the service as excellent	Upward	2	2	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 20 (1x ongoing)	Target = 15(minimum) Delivered = 2	Quarterly

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. WIASS operates within and conforms to the Public Sector Internal Audit Standards.

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>



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#### **Definition of Priority of Recommendations**

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

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### APPENDIX 3

#### ‘High’ & ‘Medium’ Priority Recommendations Summary

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Creditors</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> The review was 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 did not look at the procuring of goods and services.					
1	M	<p><u>Exception Reports</u></p> <p>Reports which detail new suppliers, amendments and deletions are not currently produced for management review.</p> <p>In addition, the audit carried out in November/December 2012 found insufficient evidence to show that an independent member of staff is verifying the raising of a new supplier to the Creditors system.</p>	There is a risk of financial loss to the Council by paying to the wrong supplier.	<ul style="list-style-type: none"> <li>Exception reports that detail new suppliers, amendments and deletions are produced on a quarterly basis.</li> <li>The reports are subject to management review for content and reasonableness prior to the payment run.</li> <li>Raising of new suppliers and/or deletion of existing creditor requests must be</li> </ul>	<p>This exception had not been completed due to essential high priority work required during the year, which included transformation work in the Shared Services. It has been confirmed that the same response from the previous year would be carried forward, i.e.:</p> <ul style="list-style-type: none"> <li>A ‘pilot’ exercise will be carried out for a trial period of 3 months.</li> <li>Reports will be produced and be subject to risk based reasonableness checks.</li> <li>At the end of the trial period to become either a ‘business as usual activity’</li> </ul>

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				appropriately documented and authorised.	<p>or be discontinued.</p> <ul style="list-style-type: none"> <li>If discontinued, the reason will be recorded.</li> </ul> <p><b>Responsible Manager:</b> Financial Services Manager</p> <p><b>Implementation date:</b>  April 2013</p>
<b>ICT</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> The review was a full system audit focusing on inventory; replacement programme; IT Helpdesk; communications and monitoring. The review found there is a generally a sound system of internal control in place for the areas of work reviewed during the audit					
1	M	There is no formal process for periodically reviewing the ICT inventory, to ensure all equipment can be accounted for.	Inadequate monitoring leading to unnoticed theft, potentially leading to financial loss or reputational damage.	<p>ICT equipment records should be checked on an annual basis, to ensure information held is correct.</p> <p>Instances of missing equipment should be investigated and reported to management.</p>	<p><b>Management Response:</b> Process to be in place to annually check ICT inventory to ensure information is correct.</p> <p><b>Responsible Manager:</b> ICT Operations Manager</p> <p><b>Implementation Date:</b> 31.03.2013</p>

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2	M	There is currently no procedure document stating the process for disposing of computer and other electronic equipment.	Mismanagement of disposals resulting in loss of business information leading to reputational damage and financial loss, and possible contravention of current electronic disposal legislation.	<p>There should be a procedure document which clearly states the process for disposing of equipment.</p> <p>This disposal procedure should indicate the need to identify when each inventory item has been disposed, to ensure approval for all disposals has been received, and also to obtain appropriate destruction certificates for each collection by an approved third party.</p>	<p><b>Management Response:</b> Procedure document to be written.</p> <p><b>Responsible Manager:</b> ICT Operations Manager</p> <p><b>Implementation Date:</b> 31.03.2013</p>
3	M	<p>There is currently no risk register entry for the ICT Shared Service.</p> <p>There is a corporate 4Risk review process underway for the organisation, which aims to address this issue.</p>	Lack of corporate understanding and mitigation of the risks associated with the ICT Shared Service, leading to potential financial loss or reputational damage, & service interruption.	<p>The work underway to address the Risk Register should be completed to ensure appropriate measures have been considered to address the inherent risks associated with ICT.</p> <p>The risk register entries should be reviewed on a continual basis.</p>	<p><b>Management Response:</b> Awaiting corporate decision meeting rearranged by 4risk.</p> <p><b>Responsible Manager:</b> ICT Operations Manager</p> <p><b>Implementation Date:</b> 01.04.2013</p>

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Asset Management					
Assurance: Significant					
Summary: The review was 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.					
1	M	<u>Vehicle Insurance Details</u>  During a comparison of vehicle insurance records and the asset register it was found that there was at times a substantial delay in adding or removing vehicles on the Council's insurance policy. Although this is not deemed to be a significant risk as all vehicles would be covered under the blanket policy there is an opportunity for vehicles not to be removed and therefore potentially cause higher premiums at renewal. It is evident that the process of notifying Finance is not working correctly.	Waste of resources chasing acquisitions and disposals. Potential overpayment of insurance premium.	A process to be introduced that ensures vehicles acquired or disposed of are timely reflected on the insurance application.	<b>Management Action:</b> The process for updating insurance records is being moved to the depot that controls the purchase/disposal of vehicles. Work has commenced but awaiting input from Zurich to set up new users.  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> 30 <sup>th</sup> August 2013

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Cemeteries ~ Bereavement Services					
Assurance: Significant					
Summary: The review was a full system audit concentrating on adherence with regulatory requirements including documentation and authorisation; income collection; pursuit of debts; landscaping maintenance and management information.					
1	H	<u>Fees &amp; charges</u>  Incorrect fees & charges (i.e. as at April 2011) are displayed on the web site.	Incorrect information to the public/ potential for incorrect charging leading to reputational damage	Procedures ensure that the web site is updated when fees & charges are approved by Council.	Agreed.  <b>Responsible Manager:</b> Bereavement Services Manager  <b>Implementation date:</b> 31 <sup>st</sup> May 2013
2	M	<u>Paying in of Remittances</u>  Proforma paying in slips are not always adequately completed (e.g. dated) & are not always accompanied by evidence of receipt (i.e. cashiers receipt).  In addition income received at the cemetery office is paid in to the Bromsgrove cashiers using unnumbered paying in slips.	Reputational Damage and loss of income	Staff to be reminded that Proforma paying in slips must be properly completed and cashiers receipts attached to provide a complete audit trail of transactions. Consideration to be given to Proforma paying in slips being sequentially numbered for control purposes.	Agreed.  <b>Responsible Manager:</b> Bereavement Services Manager  <b>Implementation date:</b> Immediately

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Council Tax					
Assurance: Significant					
Summary: The review was 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.					
1	M	Officers undertaking reviews of discounts and exemptions on occasions are accepting a low level of evidence to support the continued application of a reduction; for example repeatedly accepting the word of neighbours.	Inappropriate discounts and exemptions applied to accounts.	Officers need to seek and record an appropriate level of evidence prior to applying account discounts and exemptions.  The level of acceptable evidence to be defined.	<b>Management Response:</b>  Levels of acceptable evidence will be defined and communicated to all staff  <b>Responsible Manager:</b>  Revenue Services Manager  <b>Implementation date:</b>  November 2013
2	M	Requests sent to the Valuation Office for property additions, deletions and amendments were not being monitored to ensure they were being actioned timely.	Potential for incorrect/untimely billing resulting in higher arrears o/s balances leading to over-stated position and reputation damage.	A system of monitoring and referring cases reported to the Valuation Office needs to be introduced.	<b>Management Response:</b>  Noted comments – procedure for reviewing outstanding Valuation Office Notifications to be implemented.  <b>Responsible Manager:</b>  Revenue Services Manager  <b>Implementation date:</b>  August 2013.

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NNDR					
Assurance: Significant					
Summary: The review was 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.					
1	M	Although system Rateable Value totals agree to Valuation Office reports, there has been a difference between property totals since 20/06/2012.	Inconsistencies could lead to incorrect billing	An explanation should be sought for the differences in the property totals in the VO reports and Academy system.	<b>Management Response:</b>  Full list reconciliation will be run during 2013 to identify any discrepancies in the contents of the rating list and our records.  Timetable for reconciliation of VOA list to system will be agreed.  <b>Responsible Manager:</b>  Revenue Services Manager  <b>Implementation date:</b>  30 April 2013
2	M	System outputs used to monitor 'indicators' applied to accounts by Revenues Officers for suppressing further recovery action, have not been run or actioned for some time, e.g. October for 'Circumstances' indicators and December	Failure to timely pursue arrears leading to increase in arrears/ worsening collection rates.	Reports to monitor 'system indicators' which suppress recovery action to be produced and actioned timely throughout the financial year.	<b>Management Response:</b>  Will agree timetable for production of inhibits  <b>Responsible Manager:</b>  Revenue Services Manager



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		for 'Arrangement' indicators.			<b>Implementation date:</b>  30 November 2013
3	M	<p>Requests sent to the Valuation Office for property additions, deletions and amendments are not being monitored to ensure they are being actioned timely.</p> <p>Audit testing indicated that Revenues Officers were not 'closing' cases actioned correctly as a Academy system listing shows that there are 453 outstanding.</p>	Incorrect billing resulting in higher arrears o/s balances.	System of monitoring/re referring cases reported to the Valuation Office to be introduced.	<b>Management Response:</b>  To be addressed as part of point 1.  <b>Responsible Manager:</b>  Revenue Services Manager  <b>Implementation date:</b>  30 April 2013

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<b>Budgetary Control and Strategy</b>					
<b>Assurance: Significant</b>					
<b>Summary:</b> The audit was a risk based systems review concentrating on the Budgetary Control and Strategy. The purpose of the audit was to provide an assurance that sound controls and practices were evident in the budgetary control process as operated by Bromsgrove District Council.					
1	H	Not all supporting documents for virements processed during 2012/13 could be found.  (e.g. virements 1001206 – 8)	Unauthorised transactions	All supporting documentation to be retained on file.	Agreed.  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> 31 October 2013
2	M	System access for Agresso has not been reviewed for some time.	Inappropriate system access provided	Agresso system access to be reviewed as soon as possible.	Agreed.  <b>Responsible Manager:</b> Financial Services Manager / Systems & Control Accountant  <b>Implementation date:</b> 31 October 2013
3	M	Excessive number of users assigned to high level access profile.	Unnecessary high level access	Review the number of users assigned to high level system access.	Agreed.  <b>Responsible Manager:</b> Financial Services Manager / Systems & Control Accountant  <b>Implementation date:</b> 31 October 2013

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Housing and Council Tax Benefits					
Assurance: Significant					
Summary: The review was 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.					
1	M	<u>Management monitoring</u>  There was a reduced level of internal management monitoring for some key performance areas during the latter part of the financial period due to a lack of resources.  Statutory performance reporting practices to external bodies, e.g. DWP, were still being undertaken.	Failure to identify and address performance issues in a timely manner, resulting in reputational damage.	Internal management performance monitoring practices to be reviewed, to ensure all key areas are fully and effectively monitored.	<b>Management Response:</b> Interim restructure of staff to enable these functions to be carried out again.  <b>Responsible Manager:</b> Benefits Services Manager  <b>Implementation date:</b> 01/07/2013
2	M	<u>Monitoring of suspended claims</u>  Out of a sample of ten suspensions examined it was noted that one claim remained suspended since the 6 July 2012.	Reputational risk if claimant entitled and not paid/ failure to recover any potential overpayments resulting in financial loss	A review of suspended claims to be carried out quarterly.	<b>Management Response:</b> Interim restructure of staff to monitor these reports.  <b>Responsible Manager:</b> Benefits Services Manager  <b>Implementation date:</b> 01/07/2013

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Parks and Open Spaces (Sanders Park)					
Assurance: Moderate					
Summary: The review was a limited systems review of SandersPark concentrating on the areas of the pavilion and café including, income collection and contractual and management information.					
1	M	<p><u>Internal Check - Banking</u></p> <p>The banking of income is not always occurring as per agreed procedures.</p> <p>Procedures state that banking of income should be undertaken weekly as a minimum and twice weekly during the peak season.</p> <p>However some weeks the takings are nominal.</p>	<p>In efficient working practises leading to unnecessary resource pressures on the Service.</p>	<p>Procedures for bankings to be reviewed to ensure that they are adequate.</p> <p>The insurance levels for cash and cheques held at SandersPark to be reviewed in line with the above to ensure that it has been set at a level that is efficient for the service while protecting the interests of the Council.</p>	<p><b>Responsible Manager:</b> The banking procedure has been reinforced with operational staff and the requirements for banking practice reaffirmed by line manager.</p> <p>Weekly banking procedure has now been reviewed in line with audit recommendations and will commence at the beginning of the new season – March 2013. Advice has been sought as to the threshold of insurance levels and process for 'end of day' records and 'weekly banking'.</p> <p><b>Implementation date:</b> Staff training completed with new systems and procedures implemented and on-going meeting with the team planned throughout the season.</p>
2	M	<p><u>Incomplete Banking Records</u></p> <p>Deductions have been made from income to make sundry</p>	<p>Unaccounted income in the financial records.</p>	<p>Procedures to be introduced for the purchasing of low value items for example a petty</p>	<p><b>Responsible Manager:</b> Deductions were made for emergency repairs during the event season, a new procedure in</p>

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		<p>purchases at the Park Pavilion Site.</p> <p>These were for low value items.</p>		cash float.	<p>line with the audit recommendation will be implemented in the new season commencing March 2013 with the use of a GPC card allowing for emergency purchases, reviewed and recorded within weekly banking procedure and audit.</p> <p><b>Implementation date:</b> Staff training completed with new systems and procedures implemented and on-going meeting with the team planned throughout the season..</p>
3	M	<p><u>Contractor Check.</u></p> <p>The Operating Agreement states that the contractor will not:-</p> <p>‘allow any employee to commence work at the Premises until a clear Criminal Records Bureau report in respect of such employee have been supplied to the Council’s Parks and Recreations Officer’</p> <p>Although Bromsgrove District Council has requested copies of CRB checks these have as</p>	Reputation damage from unclear requirement of contractors.	The requirement for CRB checks is to be clarified and if they are not required then this should be noted along with the reasons and retained with the Service Level Agreement.	<p><b>Responsible Manager:</b> To safeguard any liability to the council this requirement remains on the agreement with the contractor. The contractor has been made aware of the requirement and certificates are pending prior to the commencement of the main parks season March to September. Certificates will be kept on file by the contract manager.</p>

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		yet not been received. Clarification is being sought as to whether CRB checks are required in these situations.			<b>Implementation date:</b> On-going through the length of current agreement with certificates supplied as required by March 2013.
<b>Markets</b>					
<b>Overall Assurance: Limited</b>					
<b>Summary:</b> The audit was a limited scope and covered the activities and security of revenue collection into Bromsgrove District Council. The market is managed as part of a shared service hosted by Wyre Forest District Council. An SLA is in place between the two councils for the services provided and this has been fully operational since 1st April 2012.					
1	H	<u>Insurance Documents</u>  All traders on the Market are required to hold current insurance that includes public liability of £5m. Only 4 copies of an insurance certificate were found out of a sample of 10.	The Council could be subject to litigation claims should a stallholder not present the required insurance.	It is recommended that: <ul style="list-style-type: none"> <li>• Traders are only allowed to trade on the markets after production of a current and valid certificate of public liability insurance, in accordance with market regulations.</li> <li>• The Market Operative to regularly review insurance</li> </ul>	<b>Management Response:</b> The Market Operatives, who allow traders onto the market, have been reminded of their responsibility to ensure traders produce a current and valid PLI certificate prior to trading. Also a reminder system will be set up to ensure certificates which are approaching expiry date are renewed as required.  <b>Responsible Manager:</b> Economic Development

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				documentation to ensure there is no lapse of current certification. Stallholders must be advised that they will not be allowed to continue trading after insurance cover expires.	Manager North Worcestershire  <b>Implementation date:</b> 16 <sup>th</sup> August 2013
2	H	<p><u>Cash Collection</u></p> <p>Out of a sample of 20 daily cash collections reviewed the following were noted:</p> <ul style="list-style-type: none"> <li>• There were 4 instances where the amount banked was higher than the physical written receipts.</li> <li>• Written receipts could not be located for one sampled date. On a further date the Farmers Markets receipts could not be located</li> <li>• 3 instances of gaps in the receipt numbers were found that could not be explained</li> <li>• One instance where the daily takings on a</li> </ul>	The inconsistency in the written receipts and the banking of the daily cash may cause a financial and reputational risk.	<p>All stallholders must have a written receipt. The office copies to be filed for review and audit purposes with the used banking books.</p> <p>Cash must always be placed in the night safe and not kept in an office or taken off premises overnight. There is no safe facility to ensure security in the market office so there must be clear instruction for the safe keeping of the cash.</p>	<p><b>Management Response:</b> The Senior Market Operative and Market Operatives, who allow traders onto the market, have been reminded of their responsibility to give all stall holders/traders a written receipt and to file the office copy.</p> <p>Any previous irregularities with this process should be avoided following the opening of the market office in November 2012.</p> <p>A process for the safe keeping of cash will be worked up, approved by Internal Audit, put in writing and imparted to the Senior Market Operative and</p>

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		<p>Saturday had not been banked until the following Tuesday</p> <p>It was noted that many of the above inconsistencies were prior to the new market office being introduced. As such it is noted that the ability to maintain a filing system and paperwork flow has increased with the new facility.</p>			<p>Market Operatives.</p> <p><b>Responsible Manager:</b> Economic Development Manager North Worcestershire</p> <p><b>Implementation date:</b> 16<sup>th</sup> August 2013</p>
3	H	<p><u>Market Procedures and relative paperwork</u></p> <p>There are no documented Bromsgrove Market procedures for use by the staff. This includes but is not limited to the following:</p> <ul style="list-style-type: none"> <li>• Current stallholder details including current insurance certificates.</li> <li>• Expected daily allocation sheets including stallholder absences and back fills</li> <li>• Cash collection and banking procedures</li> </ul>	<p>Risk of litigation for non-compliance with legal requirements. Staff changes leading to an inconsistent approach in customer service and loss of revenue.</p>	<p>Full relevant procedural documentation to be produced and agreed covering all legal requirements, day to day running of the market and record control. This should be in an appropriate format for use by the staff, e.g. a bullet point approach with screen pictures and copied documents rather than a manual.</p>	<p><b>Management Response:</b> Whilst there are established procedures in place for running the market, it is accepted that not all of these are currently documented.</p> <p>Management are aware of this situation and were proposing to address the same in the run up to the planned refurbishment of the High Street which is to include a new layout for the Market.</p>



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		<p>including appropriate completed paperwork.</p> <ul style="list-style-type: none"> <li>• Dealing with poor stallholder behaviour and/or limiting trading.</li> <li>• Setting up and removal of the market stalls.</li> <li>• Health and Safety training records and appropriate risk assessments.</li> <li>• Appropriate Record Retention periods.</li> </ul>		<p>All relevant paperwork should be securely held for future reference</p>	<p>Indeed elements of implementing the procedures – including the completion of a 2013 Risk Assessment and dealing with poor stallholder behaviour within a re drafted set of Market Regulations, have taken place.</p> <p>Management will work with the Operatives to develop a set of written procedures in accordance with the recommendations of this audit.</p> <p><b>Responsible Manager:</b> Economic Development Manager North Worcestershire</p> <p><b>Implementation date:</b> 16<sup>th</sup> August 2013</p>
4	M	<p><u>Management Information</u></p> <p>No management information has been located surrounding the performance of the market that would assist in the correct decisions to be</p>	<p>Inability to manage the market process and plan for the future potentially leading to poor decision making and financial loss.</p>	<p>Appropriate management information and controls to be introduced such as:</p> <ul style="list-style-type: none"> <li>• Stallholder payment</li> </ul>	<p><b>Management Response:</b> When the Shared Service took over the running of the Market, the current Management was not advised of the existence of “management information” or of</p>

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		made to ensure the market is maintained for future years.		<p>performance.</p> <ul style="list-style-type: none"><li>• Monthly market revenue and stall allocation in conjunction with trends for the year and against seasons for the previous years</li><li>• Performance analysis against other open air markets to show value for money is being achieved for the Council.</li></ul>	<p>any requirement to introduce the same.</p> <p>Whilst Management is prepared to consider introducing "management information", some guidance is required from the Shared Service Client Management Group as to a) whether management information is required and b) what this might include.</p> <p>Recording data and analysing trends could be undertaken.</p> <p>However, <i>Stallholder payment performance</i>, for example, is considered irrelevant as all traders pay for their stall either on the day or at least weekly which results in a consistent 100% payment performance.</p> <p>Similarly, given that all outdoor markets operate under different circumstances and are subject to a host of variants, it is considered unrealistic to benchmark this Market against other operations.</p>
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					<b>Responsible Manager:</b> Economic Development Manager North Worcestershire  <b>Implementation date:</b> 16 <sup>th</sup> August 2013
5	M	<u>Terms &amp; Conditions</u>  It was found that the Bromsgrove High Street Market Terms & Conditions were not dated or contained valid version control.	Out of date Terms & Conditions used causing reduced customer service and reputation risk.	Terms & Conditions to be dated and with version control to ensure that superseded versions are removed from circulation and there is no confusion as to which version is current.	<b>Management Response:</b> The current Market Terms and Conditions have now been dated as at April 2012.  If any changes are made to the current Conditions, prior to the introduction of the brand new Regulations following the forthcoming High Street refurbishment and subsequent relocation of the Market, then these will be dated accordingly.  <b>Responsible Manager:</b> Economic Development Manager North Worcestershire  <b>Implementation date:</b> 16 <sup>th</sup> August 2013

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6	M	<u>Reconciliation</u>  During the audit it was found that there was no reconciliation between the takings from the stallholders and the amounts received in the bank account. Daily receipts showed inconsistencies in the written receipts and the value banked. Performing a reconciliation would identify these inconsistencies that could then be eradicated.	Potential for fraudulent activity leading to reputation damage and loss of income.	It is recommended that a stallholder receipt to bank receipt reconciliation is undertaken on a monthly basis and any reconciling items be investigated and resolved.	<b>Management Response:</b> A procedure for undertaking a reconciliation as per the Recommendation will be implemented.  <b>Responsible Manager:</b> Economic Development Manager North Worcestershire  <b>Implementation date:</b> 16 <sup>th</sup> August 2013
<b>Worcestershire Regulatory Services ~ Licensing Functions</b>					
<b>Assurance: Limited</b>					
<b>Summary:</b> The review was a full systems audit concentrating on the Miscellaneous Environmental Licensing system. The review included the granting and approval of licenses, renewal and enforcement, collection and payment of licenses and income performance monitoring.					
1	H	At the time of the audit although draft Worcestershire Regulatory Services procedures	Councils are not complying with legislative requirements leading to possible	Procedures to be agreed between Worcestershire Regulatory Services	Licensing Act requirements – agreement reached with all Partners 27/6/13 – internal processes to be agreed by

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		<p>detailing the Council's expectations for dealing with unpaid licensing debtors were in progress they were incomplete and required formal approval.</p> <p>Legislation obliges authorities to suspend and enforce against holders who have not paid their annual fee.</p> <p>Licence holders are liable until a licence is surrendered or re-assigned.</p>	litigation, reputation damage and financial implications.	and Councils for the communication of details of debtors, the serving of suspension orders, and enforcement expectations when licence fees are not paid.	<p>5/7/13.</p> <p><b>Responsible Manager:</b> Business Manager/Licensing Manager and Acting Business Support Manager</p> <p><b>Implementation date:</b> 15<sup>th</sup> July 2013</p>
2	H	<p>Reconciliations are not undertaken to agree licensing monies due to monies received by each authority.</p> <p>Due to limitations with the computer systems operated by Worcestershire Regulatory Services to administer the licensing functions (inherited from the authorities; seven different systems in total), and a lack</p>	Loss of income and the potential loss of audit trail leading to challenge and reputation damage	<p>Reconciliations between Worcestershire Regulatory Services system and reports from each authorities financial systems to agree monies due to monies received by each authority to be undertaken on a regular basis.</p> <p>Worcestershire Regulatory Services to</p>	<p>Agreement reached with all partners 27/6/13.</p> <p>WRS to provide yearly public register details for Finance teams to reconcile.</p> <p>This requires the new software system to be fully functioning.</p> <p><b>Responsible Manager:</b> Business Manager/Licensing Manager and Acting Business Support Manager</p>

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		of technical knowledge in some cases this is not currently considered possible.		hold discussions with relevant Finance officers from each of the partners to discuss the best way forward for this including agreeing the most appropriate responsible officer.  (To be introduced as part of the implementation of the replacement licensing computer system)	<b>Implementation date:</b> 1 <sup>st</sup> September 2013
3	H	Licence fee increases for taxi licensing were not communicated to a responsible officer for one particular Council resulting in incorrect charging through out the financial year.	Loss of income and reputation damage and potential breach of the SLA.	A procedure is introduced to formally instruct responsible officers of licence fees to be charged.	Communication issue; discussions have taken place with District Council concerned and proper processes put in place to combat risk.  <b>Responsible Manager:</b> Business Manager/Licensing Manager and Acting Business Support Manager  <b>Implementation date:</b> Already implemented

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4	M	Performance reports are currently unavailable from the current licensing system to ensure all licenses are being processed within agreed/statutory deadlines. However the responsibility of each license lies with the responsible licensing officer.	Potential for Councils to not comply with legislative requirements and no performance management information on which to consider the performance of the service.	Once the new computer system is up and running performance monitoring reports should be generated to ensure license delivery times are satisfactory and with agreed/statutory deadlines.	<b>Responsible Manager:</b> Business Manager/Licensing Manager and Acting Business Support Manager  <b>Implementation date:</b> This requires new software system to be fully functioning implementation/commencement date: 1 <sup>st</sup> October 2013
end					

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Full Finalised Reports Issued

Appendix 3

**Worcestershire Internal Audit Shared Service**



**Bromsgrove**  
District Council  
[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

**Final Internal Audit Report**

**Creditors 2012/13**

**1<sup>st</sup> March 2013**

**Distribution:**

Kevin Dicks	:	Chief Executive
Jayne Pickering	:	Executive Director, Finance and Corporate Resources
Teresa Kristunas	:	Head of Finance and Resources
Sam Morgan	:	Financial Services Manager





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### **1. Introduction**

The audit of the Creditors system will be carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2011/12 as approved by the Audit Board on 29<sup>th</sup> March 2012. The audit will be a risk based systems review

In April 2012, the Authority merged the Bromsgrove payments team with the Redditch payments team. The Bromsgrove District Council payments team still use the fully automated system (Agresso) to run their Creditors. The management of the team has been transferred to the Redditch Borough Council Senior Payments Officer.

This review was undertaken by Fiona Ziro during November and December 2012

### **2. Audit Scope and Objectives**

The review assessed whether the following control objectives of the Creditors were being achieved:

- Audit findings from 2011/12 have been implemented
- User access and profile to Agresso systems are appropriately controlled;
- Orders are appropriately authorised in accordance with delegated authority and are raised prior to the receipt of goods/services
- New suppliers and amendments to the creditor database are controlled effectively;
- Payments are made correctly in accordance with the Council's Financial Regulations and agreed procedures and invoices are chargeable to Bromsgrove District Council and are only paid once;
- Payments are recorded accurately and timely in the general ledger and there is a regular reconciliation between the creditor day book and the general ledger and this is done in a timely manner.
- There are adequate controls over cheques and BACS payment and a reconciliation between the creditors' day book and the BACS report and cheque run is carried out.

The review was a full systems audit. The review concentrated on the controls over the creditors system as operated by Bromsgrove District Council at the time of the audit from the point when the purchase order is raised to the point the payment is recorded in the ledger and the period from 1<sup>st</sup> April 2012 to the 31<sup>st</sup> October 2012:

The audit did not look at the procuring of goods and services

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#### **3. Audit Opinion and Executive Summary**

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 in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

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 inconsistent application of controls in one particular area. Because the Creditors' system is fully automated, the controls around the raising of orders through to the invoice authorisation were adequate. The controls around the reconciliation of the Creditor's system were also tested and it can be confirmed that they were sufficient and reliable to produce a true and accurate reflection of the Creditor's position on a monthly basis. There are however areas where the system could be further controlled to reduce the risk to the Council regarding new suppliers' details.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the "Definition of Priority of Recommendations" table in Appendix B.

<b>Priority</b>	<b>Number of Recommendations</b>
<b>High</b>	<b>0</b>
<b>Medium</b>	<b>1</b>
<b>Low</b>	<b>0</b>

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#### 4. Detailed Findings and Recommendations

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

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Issues brought forward from previous audit</b>					
1	M	<p><u>Exception Reports</u></p> <p>Reports which detail new suppliers, amendments and deletions are not currently produced for management review.</p> <p>In addition, the audit carried out in November/December 2012 found insufficient evidence to show that an independent member of staff is verifying the raising of a new supplier to the Creditors system.</p>	There is a risk of financial loss to the Council by paying to the wrong supplier.	<ul style="list-style-type: none"> <li>Exception reports that detail new suppliers, amendments and deletions are produced on a quarterly basis.</li> <li>The reports are subject to management review for content and reasonableness prior to the payment run.</li> <li>Raising of new suppliers and/or deletion of existing creditor requests must be appropriately documented and authorised.</li> </ul>	<p>This exception had not been completed due to essential high priority work required during the year, which included transformation work in the Shared Services. It has been confirmed that the same response from the previous year would be carried forward, i.e.:</p> <ul style="list-style-type: none"> <li>A 'pilot' exercise will be carried out for a trial period of 3 months.</li> <li>Reports will be produced and be subject to risk based reasonableness checks.</li> <li>At the end of the trial period to become either a 'business as usual activity' or be discontinued.</li> <li>If discontinued, the reason</li> </ul>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					<p>will be recorded.</p> <p><b>Responsible Manager:</b> Financial Services Manager</p> <p><b>Implementation date:</b> April 2013</p>

# **AUDIT BOARD**

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## **APPENDIX A**

### **Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

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## APPENDIX B

### Definition of Priority of Recommendations

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

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### Worcestershire Internal Audit Shared Service



**Bromsgrove**  
District Council  
[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

## Final Internal Audit Report Renovation Grants 2012/13 2<sup>nd</sup> April 2013

### Distribution:

Kevin Dicks	:	Chief Executive
Jayne Pickering	:	Director Finance and Resources
Sue Hanley	:	Deputy Chief Executive & Executive Director for Leisure, Environment & Community Services
Angie Heighway	:	Head of Community
Derek Allen	:	Strategic Housing Manager
Steve Shammon	:	Private Sector Housing Team Leader



# **AUDIT BOARD**

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## **1. Introduction**

The audit of Renovation Grants was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13 as approved by the Audit Board on 29<sup>th</sup> March 2012.

From the 1<sup>st</sup> of April 2012, Bromsgrove District Council became part of the Shared Service with Redditch Borough Council in relation to all Renovation Grants processing. Prior to the shared service, the system used to approve grants (UNI-form) was handled by the BDC housing team. This system is no longer in use as details of applicants are recorded on an excel spreadsheet.

Bromsgrove District Council was responsible for performing the administrative duties for all applications received until June 2010. This service was then fully contracted to the Housing Improvement Agency for a three year period (31 March 2013). In 2012, this contract was extended to 31<sup>st</sup> March 2014 to ensure that there is sufficient time to cover the tendering process. This agency is one of the services provided by Festival Housing Group.

The Housing Improvement Agency charges a 10% administration charge on each closed case that they handle on behalf of the applicant and Bromsgrove District Council.

The total budget allocation for the Bromsgrove District Council Disabled Fund Grants (DFG) was £601,000 and the Home repair assistance budget allocation was £63,000 for the financial year of 2012/13

## **2. Audit Scope and Objectives**

The audit consisted of an independent evaluation of the new methods and approach taken by managers in processing and assessing renovation grants (including festival Housing and DFGs) as operated by Bromsgrove District Council. The new process was introduced because of the transformation process that brought about the Shared Service between Redditch Borough Council and Bromsgrove District Council being introduced from the 1<sup>st</sup> of April 2012.

The review assessed whether the following control objectives of Renovation Grants are being achieved:

- To review, critically appraise and challenge workings, recording medium, assumptions, logical reasoning etcetera for each stage of the Renovation Grants (including Festival Housing Contracts and DFGs) process;
- To ensure that grants are appropriately awarded to eligible applicants in a timely manner
- To ensure that the terms of the Festival Housing contract are monitored;
- To assess the logic applied from the above process to the approval of payments to ensure consistency.



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### **3. Audit Opinion and Executive Summary**

A number of issues resulting from audit testing and evaluation were satisfactorily addressed by the Private Sector Housing Team Leader. The majority of these related to seeking confirmation that the Strategic Housing Manager and the Private Sector Housing Team Leader were aware of the consequences of specific changes to the process of approval straight to the payments of grants, and were comfortable that decisions made could be defended.

The new process has brought about the removal of the waiting list in Bromsgrove District Council. This allows all grant applications to be dealt with as soon as the Worcestershire County Council Social Services department have reviewed the application to see what services/materials they can provide after having received a recommendation from the Occupational Therapists team (NHS Trust). It was also noted that these recommendations are now sent straight to the Housing Improvement Agency for them to start the administrative work to cut down on the time taken for the work to be commenced. Prior to this, the Worcestershire County Council Social Services used to send them to Bromsgrove District Council for them to forward onto to the Housing Improvement Agency.

Bromsgrove District Council is currently involved in a process mapping exercise that is working in partnerships with all the organisations involved in the grants process. These meetings are being held to try and implement new and eliminate unnecessary processes in the current procedure. We are aware that this will be a long process but also beneficial to the way the Council works with the other parties involved.

From the work undertaken and responses received from the Private Sector Housing Team Leader, assurance can be given that the new process in place from the 1<sup>st</sup> of April 2012 has made the grants process run more efficiently. The new process has cut down on time consuming procedures at the payment stage and ensures that the figures that are forwarded to Payments are as accurate as possible.

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

At present the Service Level Agreement states the time frames that should be taken by both the Housing Improvement Agency and Bromsgrove District Council at different stages of the work being done. Although Bromsgrove District Council is not currently open to any additional risk they need to take consideration in relation to having an input in improving the time taken by the Housing Improvement Agency in administering the applications passed to them by the Worcestershire County Council Social Services department.

There is no evidence of timeframes showing the time taken for applications being received from Worcestershire Council County by the Home Improvement Agency to the point of handing them over as being complete to Bromsgrove District Council for payment, being reported in detail by the Housing Improvement Agency's quarterly performance reports. The performance reports are an overview of the cases they are working on. There are also insufficient details of cases that have been left idle with or without reason for the delay.

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There is no evidence to show that regular updates of the process mapping being led by the Housing Improvement Agency are being shared or communicated with Senior Management or the Housing team members in Bromsgrove District Council. Regular updates of the Housing Improvement Agency process mapping to the Housing team will ensure that Bromsgrove District Council's working procedures are as efficient as possible in line with the proposed changes at every stage.

## **AUDIT BOARD**

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### **APPENDIX 4**

#### **Follow Up**

##### **Planned Follow Ups:**

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of September 2013. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load.

Follow up in connection with the core financials is undertaken as part of the routine audits that are/were performed during quarter 3.

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<b>Audit</b>	<b><u>Date Final Audit Report Issued</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Date to be 1st Followed up</u></b>	<b><u>2nd</u></b>	<b><u>3rd</u></b>
			High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementa tion date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementa tion date has passed
<b>2011-12 Audits</b>					
Regulatory Services - DP, FOI, and RIPA	12th June 2012	Regulatory Services Shared Service Manager			
<b>2012-13 Audits</b>					
Housing Benefits	20th June 2013	Benefits Manager	Follow up in 13/14 audit		
Cash, General Ledger & Bank Reconciliations	11th March 2013	Financial Services Manager	No follow up required		
NDR	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit		
Council Tax	22nd May 2013	Revenue Services Manager	Follow up in 13/14 audit		

**BROMSGROVE DISTRICT COUNCIL**

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Budgetary Control & Strategy	26th April 2013	Financial Services Manager	Follow up in 13/14 audit		
Treasury Management	13th November 2012	Financial Services Manager	Follow up in 13/14 audit		
Debtors	3rd January 2013	Financial Services Manager	Follow up in 13/14 audit		
Creditors	1st March 2013	Financial Services Manager	Follow up in 13/14 audit		
Asset Management	21st March 2013	Financial Services Manager	Follow up in 13/14 audit		
ICT inc. project auditing	26th February 2013	ICT Operations Manager	Follow up in 13/14 audit		
Shared Services	Draft report stage	To be agreed	To be agreed		
Governance inc Procurement	20th May 2013	Financial Services Manager	<b>Nov-13</b>		
Risk Management	9th May 2013	Head of Finance and Resource	No follow up required. Critical review audit done.		
Markets	21st March 2013	Head of Planning Services	<b>Sep-13</b>		
Data Management - Post opening	1st May 2013	PA to Chief Executive and Office Services Manager	<b>Nov-13</b>		
Street Scene inc abandoned vehicles, fly tipping, etc.	7th January 2013	Head of Environmental Services	<b>Aug-13</b>		
Cemeteries	26th April 2013	Head of Environmental Services	<b>Oct-13</b>		

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Parks & Open Spaces (Sanders Park)	18th March 2013	Capital Project & Greenspace Manager	<b>Sep-13</b>		
Renovation Grants (including Festival Housing Contract and DFGs)	2nd April 2013	Strategic Housing Manager	No follow up required. Critical review audit done.		
Regulatory Service/Environmental Health	2 <sup>nd</sup> August 2013	Regulatory Services Shared Service Manager	<b>Feb-14</b>		
Climate Change (grants received)	18th June 2013	Head of Environmental Services	No follow up required		
<b>2013-14 Audits</b>					
Land Charges	29th July 2013	Head of Legal, Equalities and Democratic Services / Legal Services Manager	No follow up required. 1 low exception identified		
Environmental Crime Enforcement	16th July 2013	Acting Head of Community Services/Community Safety Officer	No follow up required. Critical review audit.		