

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 12<sup>th</sup> December 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        | Sam Morgan, Financial Services Manager |
| 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> October 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 01<sup>st</sup> April 2013 to 31<sup>st</sup> October 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:**

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

**Bromsgrove Urban Rural Transport (BURT) ~ Community Transport**

The review was a health check audit concentrating on specific areas of the Community Transport system including effective reporting, overall management arrangements are satisfactory, key systems are backed up and staff are appropriately trained. The review found there is a good working relationship and generally sound system of internal control in place. The contract is managed effectively but it was noted that there could be some improvement with regard to the Client's responsibilities and the Service Level Agreement which will result in enhanced performance monitoring of this contract.

Assurance Level: Significant  
Final Report issued: 10<sup>th</sup> October 2013

**Development and Building Control**

The review was 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. The audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service. The review found generally there is a sound system of control in place and there were no significant delays in the processing of building control applications and all income was traced to the relevant financial ledgers. In addition there is regular monitoring of performance including the number of applications processed and level of work load per Building Control officer. The one high priority recommendation reported relates to the lack of a financial charging statement in accordance with the Building (Local Authority Charges) Regulations 2010. It should be noted however that although this is a requirement under the regulations it no longer forms part of the final account process as with previous years.

Assurance Level: Significant  
Final Report issued: 29<sup>th</sup> October 2013

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Summary of Assurance Levels:

| <b><u>Audit</u></b>   | <b><u>Assurance Level</u></b> |
|---|-------------------------------|
| <b>2013/2014</b>  |                               |
| BURT ~ Bromsgrove Urban Transport Travel<br>Community Transport | Significant                   |
| Building Control  | Significant                   |

**2012/13 AUDITS NEARING COMPLETION 31<sup>st</sup> OCTOBER 2013**

**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 IN PROGRESS AS AT 31<sup>st</sup> OCTOBER 2013**

**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.

**Housing and Council Tax Benefits (currently progressing through fieldwork stage)**

The review is a full system audit concentrating on areas including overpayments occurring as a result of Local Authority error, emergency loan payments, fraud identification, assessment and recovery, and, reconciliations of Benefits including Council Tax and general ledger entries.

NNDR(currently progressing through clearance stage)

The review is a full system audit concentrating on areas including empty property monitoring and billing, reconciliations from the NNDR system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and appropriate action taken, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, system access is appropriate.

Council Tax(currently progressing through clearance stage)

The review is a full system audit concentrating on areas including regular reconciliations from Council Tax system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), empty properties are monitored and billed promptly, accounts with credit balances are regularly reviewed and appropriate action taken, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, systems access is appropriate.

Debtors(currently progressing through fieldwork stage)

The review is a full system audit concentrating on the debtors system from the point where the invoice is raised to entry into the main ledger. The audit will not look at the cash collection procedures as this will be covered in a separate audit.

Creditors(currently progressing through fieldwork stage)

The review is a full system audit concentrating on the Creditor System including areas of segregation, supplier details, reconciliations, system access and requirements of the HMRC's Real Time information reporting are met in relation to any payments made to sub-contractors. The audit will not cover the procurement process.

ICT(currently progressing through fieldwork stage)

The review is a full systems audit concentrating on the controls in operation by IT Services to provide measures of success including ICT helpdesk functionality since the merging of the Redditch Borough Council and Bromsgrove District Council, the control around the starters and leavers from the point where network access is requested, and, whether there is effective and efficient control around the disposal of IT equipment. The audit will not cover the starters and leavers procedures followed by Human Resources, or, the controls around the acquisition of IT equipment as this is covered under Procurement.

**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> October 2013 a total of 107 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**

- 3.6 Due to natural turnover WIASS currently has two establishment posts vacant; a reduction from the three previously reported and it is hoped that this will further be reduced to one by the middle of December. 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 using agency staff where required. The current projection is that of no extra cost to Bromsgrove District Council.

**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 finalised reports  
Appendix 4 ~ Follow up summary

**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> October 2013**

| Audit Area                       | 2013/14<br>PLANNED<br>DAYS | DAYS<br>PLANNED<br>TO THE<br>END OF<br>QUARTER<br>3(31 <sup>st</sup><br>December<br>2013) | DAYS<br>USED TO<br>31/10/13 |
|----------------------------------|----------------------------|---|-----------------------------|
| Core Financial Systems (*Note 1) | 87                         | 87  | 21                          |
| Corporate Audits                 | 68                         | 24  | 9                           |
| Other Systems Audits (*Note 2)   | 109                        | 67  | 57                          |
| <b>TOTAL</b>                     | <b>264</b>                 | <b>178</b>  | <b>87</b>                   |
| <br>                             |                            |   |                             |
| Audit Management Meetings        | 15                         | 12  | 11                          |
| Corporate Meetings / Reading     | 5                          | 4   | 3                           |
| Annual Plans and Reports         | 8                          | 6   | 0                           |
| Audit Board Support              | 8                          | 6   | 5                           |
| Other chargeable                 | 0                          | 0   | 1                           |
| <b>TOTAL</b>                     | <b>36</b>                  | <b>28</b>   | <b>20</b>                   |
| <b>TOTAL</b>                     | <b>300</b>                 | <b>206</b>  | <b>107</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. We are planning to undertake this work in Q3 this year.

**\*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 October 2013)</b> | <b>Frequency of Reporting</b> |
|---|--|--------------------------|---|--|-------------------------------|
| 1 | No. of 'high' priority recommendations                 | Downward                 | 8   | 1  | Quarterly                     |
| 2 | No. of moderate or below assurances                    | Downward                 | 3   | 0  | Quarterly                     |
| 3 | No. of customers who assess the service as 'excellent' | Upward                   | 2   | 3  | Quarterly                     |
| 4 | No. of audits achieved during the year                 | Per target               | Target = 21<br>Delivered = 20<br>(1x ongoing) | Target = 15(minimum)<br>Delivered =4         | Quarterly                     |

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.



**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 its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p> |
| <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>BURT ~ Bromsgrove Urban Rural Transport (BURT) 2013</b>  |          |   |   |   |   |
| <b>Assurance: Significant</b>   |          |   |   |   |   |
| <b>Summary:</b> The review was a health check audit concentrating on specific areas of the Community Transport system including effective reporting, overall management arrangements are satisfactory, key systems are backed up and staff are appropriately trained. |          |   |   |   |   |
| 1   | M        | <p><b><u>Service Level Agreement</u></b></p> <p>Internal Audit identified that the following areas of the Service Level Agreement are not fully complied with:</p> <ul style="list-style-type: none"> <li>Review meetings with the Service Provider are only carried out half yearly however the Service Level Agreement states they should take place quarterly.</li> <li>In accordance with the Service Level Agreement the Service Provider should provide annual audited income and expenditure accounts to the Council but this is not happening.</li> </ul> | <p>Risk of poor performance leading to financial loss and reputational damage to the Council.</p> | <p>Review meetings to take place quarterly as per the Service Level agreement to ensure any performance issues are identified sooner rather than later.</p> <p>The Service Provider to forward every financial year an audited copy of their income and expenditure account to the Council so that their true financial position can be assessed.</p> | <p>Regular communication is held with the service provider via telephone and email contacts, this is in addition to the half yearly review meetings. In future quarterly meetings are to be held.</p> <p>Whilst finances are discussed annually with the service provider, in error the audit accounts were not requested in 2012/13. This request has now been made to the service provider.</p> <p><b>Responsible Manager:</b><br/>Acting Head of Community Services</p> <p><b>Implementation date:</b><br/>November 2013</p> |

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|   |   |   |  |  |   |
|---|---|---|--|--|---|
| 2   | M | <p><b><u>Quarterly review minutes</u></b></p> <p>As the review meetings with the Service Provider are not minuted there is lack of evidence to support the decisions made and any issues discussed.</p> | <p>Risk of challenge leading to possible financial loss and reputational damage.</p>                                       | <p>To ensure that quarterly meetings with the Service Provider are formally minuted including evidence of issues discussed, funding position and any other related action taken.</p>   | <p>Follow up actions arising from review meetings have been via email correspondence. In the future minutes of these meetings, with actions, will be produced and distributed to the service provider.</p> <p><b>Responsible Manager:</b><br/>Acting Head of Community Services</p> <p><b>Implementation date:</b><br/>October 2013</p> |
| <p><b>Building Control 2013</b></p> <p><b>Assurance: Significant</b></p> <p><b>Summary:</b> The review was 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. The audit did not cover the Service Level Agreement for the North Worcestershire Building Control Service.</p> |   |   |  |  |   |
| 1   | H | <p>There is no clear demonstration that Bromsgrove Council are breaking even on fee charging income for Building Control Services.</p>  | <p>Risk of non compliance with the Building (Local Authority Charges) Regulations 2010 leading to reputational damage.</p> | <p>Bromsgrove Council to satisfy themselves that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of each Council.</p> | <p><b>Responsible Manager:</b><br/>Financial Services Manager/Building Control Manager</p> <p><b>Implementation date:</b><br/>To be addressed at Final Account closedown for 13/14.</p> <p>Agreed.</p>  |

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|     |   |  |  |  |  |
|-----|---|--|--|--|--|
| 2   | M | Whilst reviewing payments receipted by the Cashiers it was noted that they do not always record the applicants name/address. | Unable to identify/prove payment in the event of challenge leading to possible financial loss. | The Cashiers to be reminded that full payment details for example name and address of property should be entered when receipting payments. | <b>Responsible Manager:</b><br>Head of Customer Access and Financial Support<br><br><b>Implementation date:</b><br>21 <sup>st</sup> October 2013<br><br>All staff advised that name and address details must be entered for all payments not linked to an account.<br><br>Extra training provided where necessary.<br><br>Monitoring to take place and individual issues to be discussed with staff ongoing. |
| end |   |  |  |  |  |

Full Finalised Reports Issued

## Worcestershire Internal Audit Shared Service



### Final Internal Audit Report

## Bromsgrove Urban and Rural Transport (BURT) 2013/14

10<sup>th</sup> October 2013

**Distribution:**

- Kevin Dicks : Chief Executive Officer
- Sue Hanley : Deputy Chief Executive Officer & Executive Director (Leisure, Environment and Community Services)
- Jayne Pickering : Executive Director (Finance and Resources)
- Judith Willis : Acting Head of Community Services

**Introduction**



## **BROMSGROVE DISTRICT COUNCIL**

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- 1.1 The audit of the Bromsgrove Urban and Rural Transport (BURT) community transport service was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14<sup>th</sup> March 2013. The audit was a risk based systems audit of BURT funded by Bromsgrove District Council.
- 1.2 The Community Transport Service for Bromsgrove District Council is provided by Royal Voluntary Services (previously known as Women's Royal Voluntary Services (WRVS) and funded by Bromsgrove District Council.
- 1.3 The Community Transport Service assists residents of Bromsgrove District who are unable to make essential journeys by conventional transport, both because of personal mobility/disability difficulties and because of the non availability of a suitable service. The bus is adapted for wheelchair users.
- 1.4 The amount of Funding awarded to Royal Voluntary Services (RVS) by Bromsgrove District Council is £15,444 per annum. This is given out in two payments during the year. The payment dates are 1<sup>st</sup> April and 1<sup>st</sup> of September.
- 1.5 A Service Level Agreement is in place which sets out the responsibilities of the Client (Bromsgrove District Council) and the Service Provider (Royal Voluntary Services).
- 1.6 This audit was a risk based review undertaken by Fiona Ziro in July and August 2013.

#### **1. Audit Scope and Objectives**

- The review assessed whether the following control objectives of BURT were being achieved:
  - There is an effective reporting system in place with timescales and responsibilities outlined to ensure that Bromsgrove District Council is working to the agreed Service Level Agreement.
  - The overall management arrangements are satisfactory.
  - Key systems are backed up, staff have been suitably trained and access rights for staff are appropriate.

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- The review was a health check audit and concentrated on BURT as funded by Bromsgrove District Council at the time of the audit, covering the period from the 1<sup>st</sup> of April 2013 to 31<sup>st</sup> July 2013.
- The audit did not cover the service provider's (RVS) responsibility.

#### **2. 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 generally sound system of internal control in place and the contract is managed effectively. However following an internal audit walkthrough of the Service Level Agreement in relation to the Client's responsibilities (Bromsgrove District Council) it was noted that there are some areas where improvement could be made. Recommendations have been made below to help enhance the performance monitoring of this contract. Following discussions with both the Client (Bromsgrove District Council) and the Service Provider (RVS) it is evident that there is a good working relationship between the two.

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.

| Priority | Number of Recommendations |
|----------|---------------------------|
| High     | 0                         |
| Medium   | 2                         |
| Low      | 0                         |



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**3. 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>    |          |   |   |   |   |
| No issues were brought forward from previous audits. |          |   |   |   |   |
| <b>New matters arising</b>                           |          |   |   |   |   |
| 1  | M        | <p><b><u>Service Level Agreement</u></b></p> <p>Internal Audit identified that the following areas of the Service Level Agreement are not fully complied with:</p> <ul style="list-style-type: none"> <li>Review meetings with the Service Provider are only carried out half yearly however the Service Level Agreement states they should take place quarterly.</li> <li>In accordance with the Service Level Agreement the Service Provider should provide annual audited income and expenditure accounts to the Council but this is not happening.</li> </ul> | <p>Risk of poor performance leading to financial loss and reputational damage to the Council.</p> | <p>Review meetings to take place quarterly as per the Service Level agreement to ensure any performance issues are identified sooner rather than later.</p> <p>The Service Provider to forward every financial year an audited copy of their income and expenditure account to the Council so that their true financial position can be assessed.</p> | <p>Regular communication is held with the service provider via telephone and email contacts, this is in addition to the half yearly review meetings. In future quarterly meetings are to be held.</p> <p>Whilst finances are discussed annually with the service provider, in error the audit accounts were not requested in 2012/13. This request has now been made to the service provider.</p> <p><b>Responsible Manager:</b><br/>Acting Head of Community</p> |

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| Ref. | Priority | Finding  | Risk  | Recommendation  | Management Response and Action Plan  |
|------|----------|--|---|---|--|
|      |          |  |   |   | Services<br><b>Implementation date:</b><br>November 2013   |
| 2    | M        | <b><u>Quarterly review minutes</u></b><br><br>As the review meetings with the Service Provider are not minuted there is lack of evidence to support the decisions made and any issues discussed. | Risk of challenge leading to possible financial loss and reputational damage. | To ensure that quarterly meetings with the Service Provider are formally minuted including evidence of issues discussed, funding position and any other related action taken. | Follow up actions arising from review meetings have been via email correspondence. In the future minutes of these meetings, with actions, will be produced and distributed to the service provider.<br><br><b>Responsible Manager:</b><br>Acting Head of Community Services<br><b>Implementation date:</b><br>October 2013 |

# APPENDIX A

## Definition of Audit Opinion Levels of Assurance

| Opinion                      | Definition  |
|------------------------------|---|
| <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 its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p> |
| <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>   |

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 12<sup>th</sup> December 2013

**APPENDIX B**

**Definition of Priority of Recommendations**

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

## **Worcestershire Internal Audit Shared Service**



### **Final Internal Audit Report**

### **Building Control 2013/14**

**29th October 2013**

**Distribution:**

Ruth Bamford – Head of Planning and Regeneration

Adrian Wyre – Building Control Manager

Sam Morgan – Financial Services Manager

Amanda De Warr – Head of Customer Access and Financial Support



## **BROMSGROVE DISTRICT COUNCIL**

### **AUDIT BOARD**

**Date: 12<sup>th</sup> December 2013**

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#### **1. Introduction**

- 1.1 The audit of the Building Control system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14<sup>th</sup> March 2013. The audit was a risk based systems audit of the Building Control system operated by Bromsgrove District Council.
- 1.2 North Worcestershire Building Control Shared Service is responsible for the provision of the Council's building control service and is hosted by Bromsgrove District Council. Other participating partners are Redditch Borough Council and Wyre Forest District Council.
- 1.3 All income is receipted and retained by the relevant participating partner other than partnership income; this is retained by the business in accordance with the collaborative legal agreement.
- 1.4 This audit was carried out by Mandy Crowther during the months of July and August 2013.

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

- 2.1 The review assessed whether the following control objectives of the Building Control system were being achieved:
  - There is a formal process in place for the setting of Building Control fees for all partners; fees and charges are approved by the relevant Council and published on the Councils' websites;
  - Fees and charges are reviewed on an on going basis to ensure they remain competitive and cover the actual cost of processing applications including inspections etc;
  - Applications are not processed unless the correct fee is received. All income is controlled and banked promptly;
  - Adequate records are maintained for each application, including details of inspections carried out;
  - A consistent approach is applied to "site specific" quotations and a clear audit trail maintained;
  - There are sufficient management processes in place to ensure performance is regularly monitored and appropriate action taken where needed.
- 2.2 The review was a full systems audit that concentrated on the above areas of the Building Control system for the period 1<sup>st</sup> April 2013 to the end of June 2013.
- 2.3 The audit did not cover a review of the Service Level agreement in place for this service.

## BROMSGROVE DISTRICT COUNCIL

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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** as generally there is a sound system of control in place. Audit testing highlighted no significant delays in the processing of building control applications and all income was traced to the relevant financial ledgers. In addition there is regular monitoring of performance including the number of applications processed and level of work load per Building Control officer. However one high priority recommendation has been made regarding the lack of a financial charging statement in accordance with the Building (Local Authority Charges) Regulations 2010. It should be noted however that although this is a requirement under the regulations it no longer forms part of the final account process as with previous years.

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.

| Priority | Number of Recommendations |
|----------|---------------------------|
| High     | 1                         |
| Medium   | 1                         |
| Low      | 1                         |

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

Date: 12<sup>th</sup> December 2013

#### 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>                          |          |   |   |   |  |
| There were no issues brought forward in relation to the area under review. |          |   |   |   |  |
| <b>New matters arising</b>   |          |   |   |   |  |
| 1  | H        | There is no clear demonstration that Bromsgrove Council are breaking even on fee charging income for Building Control Services. | Risk of non compliance with the Building (Local Authority Charges) Regulations 2010 leading to reputational damage. | Bromsgrove Council to satisfy themselves that they are acting in accordance with the Building (Local Authority Charges) Regulations 2010 by ensuring that a Fee Charging financial statement is produced at the end of each financial year and is signed off by an appropriate financial officer of each Council. | <p><b>Responsible Manager:</b><br/>Financial Services Manager/Building Control Manager</p> <p><b>Implementation date:</b><br/>To be addressed at Final Account closedown for 13/14.</p> <p>Agreed.</p> |
| 2  | M        | Whilst reviewing payments receipted by the Cashiers it was noted that they do not always record the applicants name/address.    | Unable to identify/prove payment in the event of challenge leading to possible financial loss.                      | The Cashiers to be reminded that full payment details for example name and address of property should be entered when receipting payments.  | <p><b>Responsible Manager:</b><br/>Head of Customer Access and Financial Support</p> <p><b>Implementation date:</b><br/>21<sup>st</sup> October 2013</p>   |



**BROMSGROVE DISTRICT COUNCIL**

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| Ref. | Priority | Finding   | Risk   | Recommendation   | Management Response and Action Plan   |
|------|----------|---|--|--|---|
|      |          |   |  |  | <p>All staff advised that name and address details must be entered for all payments not linked to an account.</p> <p>Extra training provided where necessary.</p> <p>Monitoring to take place and individual issues to be discussed with staff ongoing.</p> |
| 3    | L        | <p>The North Worcestershire Building Control Shared Service Administration team are supplied with a daily cash receipting list of all building control payments receipted in Bromsgrove. This is used to check that all income has been charged to the correct financial code.</p> <p>Wyre Forest District Council carries out internal checks.</p> | <p>Financial miscoding leading to financial loss to the service/partner.</p> | <p>The Cashiers to supply the North Worcestershire Building Control Shared Service Administration team with a daily cash receipting list of all building control payments for reconciliation purposes.</p> | <p><b>Responsible Manager:</b><br/>Head of Customer Access and Financial Support</p> <p><b>Implementation date:</b><br/>21<sup>st</sup> October 2013</p> <p>Daily report to be produced and emailed.</p>  |

# AUDIT BOARD

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## APPENDIX A

### Definition of Audit Opinion Levels of Assurance

| Opinion                      | Definition  |
|------------------------------|---|
| <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 its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p> |
| <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>   |

# AUDIT BOARD

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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>  |

## **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 being performed during quarter 3.

BROMSGROVE DISTRICT COUNCIL

# AUDIT BOARD

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| <u>Audit</u>                 | <u>Date Final Audit Report Issued</u> | <u>Responsible Officer</u> | <u>Date to be 1st Followed up</u>  | <u>2nd</u>  | <u>3rd</u>  |
|------------------------------|---------------------------------------|----------------------------|--|---|---|
|                              |                                       |                            | 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 implementation date has passed | High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed |
| 2012-13 Audits               |                                       |                            |  |   |   |
| Housing Benefits             | 20th June 2013                        | Benefits Manager           | Follow up in 13/14 audit   |   |   |
| 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   |   |   |
| 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   |   |   |

BROMSGROVE DISTRICT COUNCIL

## AUDIT BOARD

|  |                             |  |   |               |  |
|--|-----------------------------|--|---|---------------|--|
| 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          | Executive Director (Finance & Corporate Resources) | Extended scope ~ agreed and being delivered |               |  |
| Governance inc Procurement                             | 20th May 2013               | Financial Services Manager                         |   | <b>Nov-13</b> |  |
| 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> |  |
| Parks & Open Spaces (Sanders Park)                     | 18th March 2013             | Capital Project & Greenspace Manager               |   | <b>Sep-13</b> |  |
| Regulatory Service/Environmental Health                | 2 <sup>nd</sup> August 2013 | Regulatory Services Shared Service Manager         |   | <b>Feb-14</b> |  |
| 2013-14 Audits   |                             |  |   |               |  |
| Building Control                                       | 29th October 2013           | Building Control Manager                           |   | <b>Apr-14</b> |  |

BROMSGROVE DISTRICT COUNCIL

# AUDIT BOARD

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|                                  |                      |                                   |  |               |  |  |
|----------------------------------|----------------------|-----------------------------------|--|---------------|--|--|
| BURT -<br>Community<br>Transport | 10th October<br>2013 | Acting Head of Community Services |  | <b>Apr-14</b> |  |  |
|----------------------------------|----------------------|-----------------------------------|--|---------------|--|--|