

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 20<sup>th</sup> MARCH 2014

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

Relevant Portfolio Holder	Councillor M. J. A. Webb
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 28<sup>th</sup> February 2014;

**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 28<sup>th</sup> February 2014 against the performance indicators agreed for the service. Also included is the reporting of 2012-2013 audits for information.

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

**2013/14 AUDITS COMPLETED AS AT 28<sup>th</sup> February 2014**

**Main Ledger**

The review was a full system audit concentrating on the Main Ledger system. The review considered whether controls were in place to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, (for example from the feeder systems, procurement cards and direct debits), the timely locating/correcting of errors and omissions within the system, sufficient, relevant, reliable information is available to budget holders, budget holders were managing, monitoring and controlling their budgets effectively in accordance with approved procedures, all budget journals and virements are controlled effectively in accordance with agreed procedures and the Council's Financial Regulations, bank reconciliations are undertaken on a regular basis and any balancing items investigated and dealt with promptly, input and output tax is controlled effectively, and, VAT returns have been submitted in accordance with HMRC requirements in a timely manner. The review found a sound system of internal control in place but our testing has identified an isolated weakness in the budget monitoring reports. Monthly budget reports are seen to be effective, reliable and relevant to the monitoring process but need streamlining and simplifying. It has been identified that these reports need to be revised although they are deemed to be good for purpose. Meetings with accountants are carried out at least monthly or more frequently as required and accountants have a sound working knowledge of the budgets that have been designated to them to look after on behalf of the budget holders. However, there are areas for example, the retention of journals on file, where controls could be strengthened. There were no 'high' or 'medium' priority recommendations reported in this audit.

Assurance: Significant

Final Report issued: 19th February 2014

**Debtors**

The review was 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 did not look at the cash collection procedures as this will be covered in a separate audit. The review found there is generally a sound system of internal control in place

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designed to meet the organisation's objectives. Internal audit testing identified that access rights for the Agresso system are not reviewed on a regular basis to ensure that staff members who use the system have the appropriate access rights. However the debtors' process is running effectively and efficiently in the areas tested from the point where the invoice is raised to entry onto the council's main ledger. Outstanding debts from various departments in the Council are being monitored on a weekly basis by the Debtors team and the position of any outstanding balances is being updated within in the Agresso system. There were no 'high' or 'medium' priority recommendations reported in this audit.

Assurance: Significant  
Final Report issued: 27<sup>th</sup> February 2014

Summary of Assurance Levels:

<b><u>Audit</u></b>	<b><u>Assurance Level</u></b>
<b>2013/2014</b>	
Main Ledger	Significant
Debtors	Significant

**2012/13 AUDITS NEARING COMPLETION 28<sup>th</sup> February 2014**

**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 28<sup>th</sup> February 2014

Creditors (currently at draft report stage awaiting management response)

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.

Housing and Council Tax Benefits (currently at draft report stage awaiting management response)

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 at draft report stage awaiting management response)

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 at draft report stage awaiting management response)

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.

Shared Service(Client)(currently at draft report Stage awaiting management response)

The review is a full system audit concentrating on the Shared Services – Worcestershire Regulatory Services Management process from the host authority's perspective. The audit did not cover the individual services undertaken for and on behalf of other clients of Worcestershire Regulatory Services. The review assessed whether control objectives of the Shared Services – Worcestershire Regulatory Services Management process are being achieved including whether budget holder responsibilities have been defined for each budget area, budget monitoring practices occur in a regular and timely manner, financial performance targets have been defined in the service business case, (including, the identification and monitoring of efficiency savings, cost reductions and income generation), financial savings identified by partner Councils are assessed for their impact on service delivery, non-financial performance targets have been formally defined and built into the service business case to critically evaluate service delivery, and, financial reporting practices have been fully defined and notified to all necessary personnel, including the reporting of service recharges and efficiency savings to be achieved. The review also confirmed whether there are appropriate procedures in place to ensure reporting of financial information to the Worcestershire Shared Services Joint Committee and the Worcestershire Regulatory Services Management Board is correct, and represents a fair view of the current financial position of the 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.

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 service for Redditch Borough Council and Bromsgrove District Council. Also included is 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.

Strategic Housing(currently progressing through fieldwork stage)

The review is a critical appraisal concentrating on the Choice Based Letting process as it is provided, in partnership, by Bromsgrove District Council. The appraisal includes consideration of the plans to develop housing allocation processes to ensure value for money and financial efficiencies to best meet the needs of local residents. This review will not give an assurance opinion over the control environment due to its nature as a critical appraisal. The review is also critically reviewing control objectives including Choice Based Lettings, administered through the Home Choice Plus Partnership to ensure that are fully meeting the needs of Bromsgrove District Council's local community and is providing value for money. Also, it is assessing whether there are fit for purpose alternative processes for addressing the housing allocation needs of local residents being fully developed, including consideration of good practice, any alternate processes developed are fully considered in order to determine if Choice Based Letting and the Partnership model is the most appropriate, cost effective and efficient method for allocating housing provision, and, the outcome of any scrutiny of local social housing providers undertaken by the Homes and Communities Agency (HCA) is utilised by the council to ensure the quality of provision in the council's area.

Risk Management(currently progressing through fieldwork stage)

The review is a full system audit concentrating on areas including the 4Risk Management System, Corporate and Service Risk Registers, and, the minutes for Risk Management meetings. The audit work will not cover the scoring of individual risk register entries. The review is considering control objectives to ensure there is an appropriate Risk Management framework in place, including all necessary policies and procedures and an appropriate system for managing the process. Also included is whether there are regular reviews to identify new risks and to assess the changing risk environment for those already defined, whether mitigation activities have been determined and successfully implemented where appropriate, the minimisation of impact and likelihood of risk occurrence, and, managing and assessing of risks is embedded throughout all Services with the risk management process used as a tool for informed decision making.

Depot and Stores (currently progressing through fieldwork stage)

The review is a full system audit concentrating on the Small Tools and Plant system. It is reviewing control objectives of the Small Tools and Plant systems to ensure that Inventories are maintained for all small tools and plant, all small tools and plant is purchased and disposed of in accordance with the Council's policies and financial regulations, servicing and maintenance records are kept for all small tools and plant where appropriate, stock including fuel is secure,

controlled and can be accounted for, and, adequate insurance coverage is maintained for all plant and machinery.

Regulatory Services(currently progressing through fieldwork stage)

The review is a full system audit concentrating on Hackney Carriage / Private Hire Taxi Licencing processes and enforcement activity of Worcestershire Regulatory Services Shared Service. The audit did not cover any other types of licensing carried out by Worcestershire Regulatory Services as a shared service, for example Alcohol Licences etc. The review considered whether control objectives of Regulatory Services (Hackney Carriage//Private Hire Taxi Licencing) were being achieved including areas such as Hackney Carriage and Private Hire Taxi new application licences are only being granted with the appropriate supporting evidence and payment as well as being in line with legislation and each council's agreed Policy. Also, renewal application licences are only being granted with the appropriate supporting evidence and payment and are in line with legislation and each council's agreed Policy, a process is in place to ensure licences are renewed at the appropriate time, and, monitoring and enforcement arrangements are in place to ensure the public is protected.

Corporate Governance (Protecting the Public Purse) (currently progressing through fieldwork stage stage)

The review is a full review concentrating on the policies and procedures in place. The review will not give an assurance level or provide recommendations but will provide evidence of how the Council is or is not conforming to Protecting the Public Purse 2013 as well as assessing policies and procedures in relation to the Audit Commissions Protecting the Public Purse 2014.

Transformation ~Corporate Fraud(currently progressing through fieldwork stage)

The review is a full system audit concentrating on areas for Corporate Fraud including policies and the strategic overview to reduce opportunity for fraud and corruption, promote awareness of potential fraud to all staff members, how the organisation manages it's policies to include new legislation, and, declaration registers are in place and monitored.

**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 28<sup>th</sup> February 2014 a total of 222days 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 one establishment post vacant; a reduction from the two previously reported. 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

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**APPENDIX 1**

**Delivery against Internal Audit Plan for 2013/14**  
**1<sup>st</sup> April 2013 to 28<sup>th</sup> February 2014**

Audit Area	2013/14 PLANNED DAYS	DAYS PLANNED TO THE END OF QUARTER 3(31 <sup>st</sup> March 2014)	DAYS USED TO 28/02/14
Core Financial Systems (*Note 1)	87	87	84
Corporate Audits	68	68	29
Other Systems Audits (*Note 2)	109	109	75
<b>TOTAL</b>	<b>264</b>	<b>264</b>	<b>188</b>
Audit Management Meetings	15	15	14
Corporate Meetings / Reading	5	5	4
Annual Plans and Reports	8	8	7
Audit Board Support	8	8	6
Other chargeable	0	0	3
<b>TOTAL</b>	<b>36</b>	<b>36</b>	<b>34</b>
<b>TOTAL</b>	<b>300</b>	<b>300</b>	<b>222</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 planned 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 depending on demand.

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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 February 2014)</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 Delivered = 20 (1x ongoing)	Target = 15(minimum) Delivered =6 (with a further 5 in draft)	Quarterly

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

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#### APPENDIX 3

#### 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**

There were no 'high' or 'medium' priority recommendations to report on this occasion to the Audit Board for finalised audits. The finalised reports issued are included below for information.

## Worcestershire Internal Audit Shared Service



### Final Internal Audit Report

### Debtor 2013/14

27<sup>th</sup> February 2014

**Distribution:**

Kevin Dicks : Chief Executive Officer  
Jayne Pickering : Executive Director (Finance and Resources)  
Amanda De Warr : Head of Customer Access and Financial Support  
David Riley : Revenue Services Manager  
Sam Morgan : Financial Services Manager  
Jean Howard : Income and Recovery Team Leader

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#### **1 Introduction**

- The audit of the Debtors 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 14th March 2013. The audit was a risk based systems audit of the Debtors system as operated by Bromsgrove District Council.
- Bromsgrove District Council Debtors team are currently operating as a Shared Service with Redditch Borough Council, reporting to the Revenues Service manager. Although the Councils are working in partnership, the systems used to process their relevant income are different. Bromsgrove District Council currently uses the Agresso system.
- This review was undertaken by Fiona Ziro in October and November 2013.

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

- The review assessed whether the following control objectives of the Debtors system are being achieved:
  - Audit findings from 2012/13 are followed up
  - The system is operated in accordance with the Council's Financial Regulations and agreed procedures.
  - Debtors invoice requests are raised onto the Agresso system correctly and in a timely manner.
  - All accounts raised and payments made to the Council are in a timely manner
  - Cancellation and Write off of debts are controlled independently and carried out in accordance with the Council's Financial Regulations and justifiable reasons provided.
  - There is an effective debt recovery system in operation.
  - Inhibits/ recovery suppressions are controlled and monitored independently.
  - All accounts and payment details are recorded correctly and accurately in the main ledger and regular reconciliations are undertaken
  - Basic IT Controls are in place.



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- The review was a full systems audit that concentrated on the debtors system as operated by Bromsgrove District Council at the time of the audit, from the point where the invoice was raised to entry onto the main ledger. The audit covered the period from the 1st of April 2013 to 30<sup>th</sup> of October 2013.
- The audit did not look at the Cash collection procedures.

### 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 generally there is a sound system of internal control in place designed to meet the organisation’s objectives. Internal audit testing identified that access rights for the Agresso system are not reviewed on a regular basis to ensure that staff members who use the system have the appropriate access rights. However the debtors’ process is running effectively and efficiently in the areas tested from the point where the invoice is raised to entry onto the council’s main ledger. Outstanding debts from various departments in the Council are being monitored on a weekly basis by the Debtors team and the position of any outstanding balances is being update within in the Agresso system.

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.

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<b>Priority</b>	<b>Number of Recommendations</b>
<b>High</b>	<b>0</b>
<b>Medium</b>	<b>0</b>
<b>Low</b>	<b>1</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>					
No issues have been brought forward from the previous audits.					
<b>New matters arising</b>					
1	Low	<p><b><u>System Access Review</u></b></p> <p>A system access review has recently been undertaken for the Agresso system although there wasn't sufficient evidence to support this.</p>	<p>Risk of unauthorised access to the Council's Debtors' financial systems leading to potential fraudulent activities, data corruption and non-compliance to the Data Protection Act.</p>	<p>Senior Management need to ensure that regular reviews of access rights for the Debtors' Financial system are performed half yearly as a minimum, to confirm they are still appropriate and with sufficient evidence to support this.</p>	<p>Agreed.</p> <p><b>Responsible Manager:</b> Financial Services Manager.</p> <p><b>Implementation date:</b> 1<sup>st</sup> July 2014.</p>

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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

<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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# Worcestershire Internal Audit Shared Service



## Final Internal Audit Report

### Main Ledger 2013~14

19th February, 2014

#### **Distribution:**

To: Kevin Dicks, Chief Executive  
Jayne Pickering, Director Finance and Resources (S151 Officer)  
Sam Morgan, Financial Services Manager

#### 1. Introduction



## **AUDIT BOARD**

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- 1.1. The audit of the Main Ledger 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 14th March 2013. The audit was a risk based systems audit of the Main Ledger as operated by Bromsgrove District Council.
- 1.2. The amount of gross expenditure for 2012/13 as shown on the audited accounts is £42,691,000 against a gross income of £30,135,000. The main ledger controls all the income and expenditure for the authority and therefore, it is material.
- 1.3. Bromsgrove District Council uses the 'Agresso' financial system to record all transactions that pass through the main ledger.
- 1.4 This audit was undertaken by Julie Lloyd during the months of December and January 2013/14.

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

- 2.1. The review assessed whether the following control objectives of the Main Ledger system were being achieved:
  - Audit findings from 2012/13 were followed up and actions to date documented;
  - Controls were in place to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, for example from the feeder systems, procurement cards and direct debits.
  - Controls were in place to ensure the timely locating/correcting of errors and omissions within the system
  - Sufficient, relevant, reliable information was available to budget holders; budget holders were managing, monitoring and controlling their budgets effectively in accordance with approved procedures.
  - All budget journals and virements were controlled effectively in accordance with agreed procedures and the Council's Financial Regulations.
  - Bank reconciliations were undertaken on a regular basis and any balancing items investigated and dealt with promptly.
  - Input and Output tax was controlled effectively and VAT returns were submitted in accordance with HMRC requirements in a timely manner.

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2.2. The review was a full system audit that concentrated on the Main Ledger system as operated by Bromsgrove District Council at the time of the audit. It covered the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> December 2013.

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

From the audit work carried out we have given an opinion of **significant** 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** in this area because there continues to be a sound system of internal control in place but our testing has identified an isolated weakness.

Monthly budget reports are seen to be effective, reliable and relevant to the monitoring process but need streamlining and simplifying. It has been identified that these reports need to be revised although they are deemed to be good for purpose. Meetings with accountants are carried out at least monthly or more frequently as required and accountants have a sound working knowledge of the budgets that have been designated to them to look after on behalf of the budget holders. However, there are areas for example, the retention of journals on file, where controls could be strengthened.

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.



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Priority	Number of Recommendations
High	0
Medium	0
Low	1

#### 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>					
All issues from previous audits have been addressed					
<b>New matters arising</b>					
1	Low	3 out of 9 (33%) of the journals tested did not have the relevant signed copy of the transaction document on file.	Inefficient working practises.	Journals need to be evidenced by the appropriate paperwork which must be retained in the file at all times.	Agreed  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> 01/03/2014

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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

<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.  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.  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.  Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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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 February 2014. 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 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>1st Follow 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 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					
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	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Markets	21st March 2013	Head of Planning Services	There were 3 high priority recommendations and 3 medium priority recommendations. The 3 high priority recommendations have seen systems implemented to minimise the risk to the Council. There is a plan to review this area in April 2014 to ascertain the continuing progress made with the implementation of all the recommendations.		

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Street Scene inc abandoned vehicles, fly tipping, etc.	7th January 2013	Head of Environmental Services	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Cemeteries	26th April 2013	Head of Environmental Services	1 High Priority recommendation - Followed up February 2014 and has been implemented. Moderate priority recommendations will be followed up in April 2014		
Parks & Open Spaces (Sanders Park)	18th March 2013	Capital Project & Greenspace Manager	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Regulatory Service/Environmental Health	2 <sup>nd</sup> August 2013	Regulatory Services Shared Service Manager	There were 3 high priority recommendations and 1 medium. There is an annual audit due to the risk associated with this area of operation. On going monitoring continues to take place. Of the 3 high priority recommendations 1 has been satisfied and 2 are in progress. Work on the medium priority recommendation is planned for July 2014.		
2013-14 Audits					
Building Control	29th October 2013	Building Control Manager		<b>Apr-14</b>	
BURT - Community Transport	10th October 2013	Acting Head of Community Services		<b>Apr-14</b>	