

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date: 19th June 2014

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 for 2013/14

2. RECOMMENDATIONS

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

3. KEY ISSUES

Financial Implications

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

Legal Implications

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

Service / Operational Implications

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

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2013 to 31st May 2014 against the performance indicators agreed for the service. Also included, is the 2012-2013 audit where further work was requested and has been undertaken throughout the 2013/14 audit year.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:

2013/14 AUDITS COMPLETED

Creditors

The review was 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 did not cover the procurement process. The review found there was generally a good system of internal control in place but some of the expected controls are not in place and are not operating effectively within the Creditors' system. Internal Audit testing identified that payments are made when purchase orders have been raised and the receipt of goods/services unless specifically excluded and are appropriately authorised. Regular reconciliations are undertaken between the Creditors' system and the main ledger. There is no requirement for the Creditors' team to report on the HMRC's Real Time Information as they do not make any payments to subcontractors unless they have a Self-Employed Tax Reference. All other payments to sub-contractors are sent back to the relevant department and/or forwarded to the Human Resources team to process through payroll. However, areas of control weakness identified in the audit included the monitoring of late payments and the regular reviews of the creditors' system access rights.

Final Report Issued: 1st April 2014
Assurance level: Moderate

Housing and Council Tax Benefits

The review was 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. The review found there is a generally sound system of control in place, but audit testing has determined isolated weaknesses in a few control areas. Controls in place for dealing with incidences of benefit overpayment and fraud are considered to be satisfactory. However, recommendations have been provided in respect of improving controls over reconciling benefit payments with records on other key Council systems. In April 2013 Bromsgrove District Council took on responsibility for the

management of a new discretionary Emergency Living Fund scheme, which has replaced the Crisis Loan and Community Care Grant schemes as per changes in the Welfare Reform Act 2012, to be managed by the Benefits Service. Several recommendations have been reported during the audit work with regards to improving the management controls over the scheme. There were no high priority recommendations reported.

Final Report Issued: 7th March 2014
Assurance level: Significant

NNDR

The review was 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. The review identified weaknesses in the design and inconsistent application of controls in many of the areas reviewed therefore assurance is limited to the few areas of the system where controls are in place and are operating effectively. The recovery process is working effectively and system access is controlled and regularly reviewed. Weaknesses have been identified in several areas such as review of empty properties, referral of new build to the valuation office and lack of reconciliation of the NNDR system to the financial ledger in the 13/14 financial period. There were no high priority recommendations reported.

Final Report Issued: 25th March 2014
Assurance level: Limited

Council Tax

The review was 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. The review found although some areas are working effectively there are some expected controls not in

place so therefore assurance can only be given over some areas of the system. There are effective recovery procedures in place and the opening debit is reconciled at the beginning of each financial year. Although there are no outside inspectors in post the Council has made good use of external providers in carrying out a review of empty properties. Control weaknesses were identified in areas including financial reconciliation, unbanded properties and credit balances.

Final Report Issued: 24th March 2014
Assurance level: Moderate

Shared Services (Client) ~ Regulatory Services

The review was 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. The review found there is a generally sound system of financial control in place, albeit recent events concerning the need to make high value savings within the service have been problematic including a delayed agreement of the Service budget, which had a knock-on affect on the ability to achieve the desired savings in the necessary timeframe. Several areas of system weakness have been identified with regards to the performance monitoring process, (following the recent implementation of the new Uniform system developed from the merger of multiple different systems previously managed by the different partner organisations), which monitors work activity undertaken by the shared service. The information on this new system is currently subject to extensive data cleansing, although management practices have been recently introduced to identify and rectify these issues. A full reconciliation between license records held by Worcestershire Regulatory Services and the payments received by District Councils is not being completed.

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The issue is currently being addressed, however, this had an impact on the overall audit assurance level for this work.

Final Report Issued: 30th May 2014
Assurance level: Moderate

Risk Management

The review was 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 did not cover the scoring of individual risk register entries. The review considered 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 were whether regular reviews take place 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. The review found some of the expected controls for this process are not in place or operating effectively. The Council has operated the 4Risk system for the past year, which records all risk register entries and assigns these risks to specific Risk Owners. Audit testing identified that this process has not been embedded fully, with further training required for some members of staff to promote the process. Several risk registers have not been reviewed in a regular and timely manner, and in some cases these entries have not been fully completed for use. The process has been more effectively embedded with senior management, with a process requiring officers to make presentations of key service risks to Members, and with improved engagement and accountability following the recent re-introduction of the Risk Monitoring Group. Additional work on embedding of the risk management process would be required to ensure consistency across all business aspects of the organisation.

Final Report Issued: 30th April 2014
Assurance level: Limited

Summary of Assurance Levels:

| <u>Audit</u> | <u>Assurance Level</u> |
|---|-------------------------------|
| 2013/2014 | |
| Creditors | Moderate |
| Benefits | Significant |
| NNDR | Limited |
| Council Tax | Moderate |
| Shared Services (Client)~ Regulatory Services | Moderate |
| Risk Management | Limited |

2012/13 AUDIT

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

The critical review 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 reached draft report stage but, in discussion, the s151 Officer requested further work to be undertaken in this area. The audit, therefore, continued during 2013/14 and has now been finalised. The outcome of the review was although management have a clear understanding of Transformation of services there is room for improvements to be made in the way that this is captured and reported to Members. To address this discussions have taken place with the Executive Director ~ Finance and Corporate Resources on areas for consideration.

2013/14 AUDITS (in the process of being finalised)

ICT (Draft Report 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 (Draft Report 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.

Regulatory Services ~ Hackney Carriage and Private Hire(Draft Report 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.

Depot and Stores(Draft Report 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.

Corporate Governance (Protecting the Public Purse) (Draft Report 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(Draft Report 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.

S106's(Clearance 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.

3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 31st March 2014 a total of 285 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 with active recruitment taking place to replace a permanent member of staff who left recently. Close monitoring of resource is continual using the current management information to assist the delivery of the Partner's plans throughout the year. WIASS is committed to delivering all audits as indicated in the 2013/14 plan for Bromsgrove District Council and ensure that those currently requiring finalisation will take place as soon as practically possible. For the year ended 31st March 2014 there was a small reduction in contribution for Bromsgrove District Council due to overall savings achieved in the Shared Service throughout the year.

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 held by Internal Audit.

7. KEY

N/a

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APPENDIX 1

Delivery against Internal Audit Plan for 2013/14
1st April 2013 to 31st March 2014

| Audit Area | DAYS USED TO 31/03/14 | 2013/14 PLANNED DAYS |
|------------------------------|--------------------------------------|-------------------------------------|
| Core Financial Systems | 88 | 87 |
| Corporate Audits | 66 | 68 |
| Other Systems Audits | *92 | 109 |
| TOTAL | 246 | 264 |
| | | |
| Audit Management Meetings | 15 | 15 |
| Corporate Meetings / Reading | 5 | 5 |
| Annual Plans and Reports | 8 | 8 |
| Audit Committee support | 8 | 8 |
| ther chargeable | **3 | 0 |
| TOTAL | 39 | 36 |
| TOTAL | 285 | 300 |

Note:

*Full number of budgeted days not used due to some a small 'call off' budgets, e.g. consultancy, investigations, not being fully utilised.

** 'Other chargeable' days equate to times where there has been significant disruption to the ICT provision resulting in lost productivity.

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KEY PERFORMANCE INDICATORS 2013/14

APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2013 to 31st March 2014.

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2013/14 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

| | KPI | Trend requirement | 2012/13 Year End Position | 2013/14 Position (as at March 2014) | Frequency of Reporting |
|---|--|--------------------------|----------------------------------|---|-------------------------------|
| 1 | No. of 'high' priority recommendations | Downward | 8 | *8 | Quarterly |
| 2 | No. of moderate or below assurances | Downward | 3 | 8 | Quarterly |
| 3 | No. of customers who assess the service as 'excellent' | Upward | 2 | 4 (5 issued: 4x Excellent & 1x Good) | Quarterly |
| 4 | No. of audits achieved during the year | Per target | Target = 21 Delivered = 21 | Target = 15 (minimum) Delivered = 14 (with a further 7 in draft) | Quarterly |

*This figure only includes finalised audit report recommendations therefore is subject to change (i.e. increase) depending on the draft report outcomes.

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

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Definition of Audit Opinion Levels of Assurance

| Opinion | Definition |
|------------------------------|---|
| Full Assurance | <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> |
| Significant Assurance | <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> |
| Moderate Assurance | <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> |
| Limited Assurance | <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> |
| No Assurance | <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

| Priority | Definition |
|----------|--|
| H | <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> |
| M | <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> |
| L | <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 for finalised audits.

| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|---|----------|--|---|--|---|
| Audit: Creditors 2013/14 | | | | | |
| Summary: The review was 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 did not cover the procurement process. | | | | | |
| Assurance: Moderate | | | | | |
| 1 | High | <p><u>Outstanding payments</u></p> <p>There is currently no review or evidence of monitoring RBC and BDC outstanding payments over 30 days, including invoices that have been coded ‘in dispute’, for the financial year beginning 1st of April 2013.</p> <p>Creditors are paid within 30 days from the date of receipt of the invoice. This is within the Councils payment terms. However legislation requires the payments to be made within 30 days of the tax date.</p> <p>2 out of a sample of 25 invoices tested were paid within the Councils payment terms but could have been classed as late payments under the Late</p> | <p>Reputation damage, financial loss through late payment charges.</p> <p>Possible loss of prompt payment discounts and impaired relations with suppliers.</p> <p>There is also a risk of non compliance with the Late Payments Regulations Act 2013.</p> | <p>Monitoring of payments over 30 days from the tax point and invoices placed ‘in dispute’ must be completed on a regular basis by the Payments team and the reasons notated on the creditors system.</p> <p>Officers must ensure that where there is a query on an invoice and it is likely to cause a delay in payment, the invoice must be placed in dispute. The reasons for the dispute and any work undertaken to resolve the dispute must be placed on the system in case the Council’s are challenged at a later date.</p> | <p>Financial Services Manager will put out communication to all staff via the Council Intranet page about the Late Payments Regulations Act 2013.</p> <p>A reminder will also be sent to Senior Management to ensure all efforts are made for payments to be made in accordance with the supplier’s terms.</p> <p>The payments team will ensure that Creditor’s files are updated to reflect any queries or disputes on an invoice that may cause delay in payment as soon as possible with regular reviews of these accounts taking place.</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|--|----------|--|---|---|--|
| | | <p>Payments Regulations Act 2013.</p> <p>It was also noted that the system is not being fully utilised by the payments team as the late payments did not have any notes on file detailing reasons of delay.</p> <p>The audit did not highlight any areas where late payment interest had been claimed.</p> | | <p>Senior Managements need to ensure that the Payments team is fully aware of and operates in compliance with the Late Payments Regulations Act 2013.</p> | <p>Responsible Manager: Financial Services Manager</p> <p>Implementation date: 01/05/2014</p> |
| Audit: Benefits 2013/14 | | | | | |
| Summary: The review was 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. | | | | | |
| Assurance: Significant | | | | | |
| 1 | Medium | <p><u>Reconciliations – Council Tax</u></p> <p>Reconciliations between Council Tax and Benefits records are done on a weekly basis.</p> <p>As at November 2013, there were 16 individual discrepancies with a net value of £1,308.24 dating back to April 2013.</p> <p>The reconciliation process is not currently subject to review by an independent officer, to ensure timely and accurate completion of the work.</p> | <p>Discrepancies are not being corrected in a timely manner, resulting in poor management information, and potential financial loss to the authority.</p> | <p>Timescales for investigating and resolving discrepancies to be formally defined and monitored, to ensure the integrity of financial information held on key systems.</p> <p>Reconciliations to be reviewed/ monitored by senior staff to ensure timely completion.</p> | <p>Management Response: Process will be put in place before end of financial year and then maintained going forward</p> <p>Responsible Manager: Benefits Service Manager</p> <p>Implementation date: March 2014</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|--|---|--|--|
| 2 | Medium | <p><u>Reconciliations – General Ledger</u></p> <p>At the time of the audit fieldwork in November 2013, the reconciliations between the Benefits records and the General Ledger had not been completed since August 2013.</p> <p>The reconciliation process is not currently subject to review by an independent officer, to ensure timely and accurate completion of the work.</p> | <p>Discrepancies are not being corrected in a timely manner, resulting in poor management information, and potential financial loss to the authority.</p> | <p>Reconciliations between all systems to be completed monthly.</p> | <p>Management Response: Agreed</p> <p>Responsible Manager: Benefits Service Manager</p> <p>Implementation date: March 2014</p> |
| 3 | Medium | <p><u>Essential Living Fund Management</u></p> <p>A spreadsheet record for monitoring expenditure is maintained by the Senior Benefits Officer. This monitoring is not a mandatory reconciliation exercise, but is primarily used as a means of reference.</p> <p>There is no control to ensure that all applications are passed to the Senior Benefits Officer for entry onto the spreadsheet.</p> | <p>Inaccurate management information for performance reporting, resulting in reputational damage to the Service.</p> | <p>The planned computerised system for managing Essential Living Fund claims to be implemented in accordance with timescales to be defined by management, in order to facilitate an improved process for controlling and monitoring applications and scheme expenditure.</p> <p>Management should consider the use of controlled stationary if the</p> | <p>Management Response: Database now installed and staff training imminent with a view to being live by April 1st.</p> <p>Responsible Manager: Benefits Service Manager</p> <p>Implementation date: End March 2014</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|---|------|---|-------------------------------------|
| | | <p>The applications are filed by applicant name and date applied. There are no unique identifiers on each application, i.e. controlled stationary is not used for this process.</p> <p>Of a random sample of 30 applications during the 2013 period to date, 4 had not been signed by the assessing officer to ensure a full audit trail of the approval process. The process has since been improved to require this information as standard.</p> <p>There are plans for maintaining Essential Living Fund claim records using a computerised system, which would automatically assign a unique identifier to each application, record the name of the assessing officer, and provide a more effective monitoring tool. Timescales for this implementation have not yet been formally defined.</p> | | <p>planned electronic system is not implemented. Staff should be reminded to fully complete all necessary form fields during the application process.</p> | |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|--|----------|---|---|---|--|
| 4 | Medium | <p><u>Cash Voucher Reconciliation – Essential Living Fund</u></p> <p>The distribution of vouchers is monitored on a manual paper list. Each voucher is numbered by the Senior Benefits Officer, with these numbers then written down onto this paper document.</p> <p>When distributed, the Benefits Assessors write the name of the applicant next to the number on the list. It is evident that this list is not checked by a senior officer to monitor the distribution of these monetary items, to ensure all have been utilised in accordance with the scheme policy.</p> | Lost or stolen vouchers may not be identified in a timely manner, resulting in a financial loss to the authority. | Voucher distribution lists to be reconciled by a Senior Benefits Officer on a monthly basis, comparing voucher records with customer receipt documents. | <p>Management Response: Stock balancing procedures to be put in place.</p> <p>Responsible Manager: Benefits Service Manager</p> <p>Implementation date: February 2014</p> |
| Audit: NNDR 2013/14 | | | | | |
| Summary: The review was 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. | | | | | |
| Assurance: Limited | | | | | |
| Issues brought forward from previous audit | | | | | |
| 1 | Medium | <p>Property reconciliation</p> <p>Although system Rateable Value totals agree to Valuation Office reports, there has been a difference between property totals</p> | Inconsistencies could lead to incorrect billing. | An explanation should be sought for the differences in the property totals in the VO reports and Academy system. | <p>Management Response</p> <p>This will be combined with guidance to be provided to staff re empty properties& proposed changes to the way in the</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|--|---|--|--|
| | | <p>since 20/06/2012.</p> <p>During testing carried out to review the debit raise process for 2013/14; a variance of four properties was identified between the Valuation Office records and the system totals.</p> | | | <p>treatment of annexes</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation date:</p> <p>31st March 2014</p> |
| 2 | Medium | <p>Valuation Officer referrals</p> <p>Requests sent to the Valuation Office for property additions, deletions and amendments are not being monitored to ensure they are being actioned timely.</p> <p>Audit testing indicated that Revenues Officers were not 'closing' cases actioned correctly as an Academy system listing shows that there are 453 outstanding.</p> | <p>Failure to timely pursue arrears leading to increase in arrears/ worsening collection rates.</p> | <p>System of monitoring/ re referring cases reported to the Valuation Office to be introduced.</p> | <p>Management Response</p> <p>This implementation of this recommendation was delayed pending discussions with ACADEMY. Some work has been completed to remove CR10 (property improvement) referrals.</p> <p>It is likely that incorrect use of the system may have also been a contributory factor and will also need to be addressed</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation date</p> <p>31st March 2014</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|----------------------------|----------|--|---|--|---|
| New Matters Arising | | | | | |
| 3 | High | <p>Financial reconciliations</p> <p>No reconciliations between the general ledger and the Academy system have taken place this financial year</p> | <p>Errors will not be promptly identified and resolved leading to incorrect accounting entries and reputational damage.</p> | <p>Academy and general Ledger reconciliations to be brought up to date as soon as possible.</p> | <p>Management Response</p> <p>The delay is due to reduced resources due to maternity leave.</p> <p>Responsible Manager</p> <p>Financial Services Manager</p> <p>Implementation date</p> <p>30th April 2014</p> |
| 4 | Medium | <p>Empty property inspection</p> <p>Following the loss of the outside inspector, there are no regular scheduled reviews of empty properties.</p> | <p>Potential for loss of income/revenue.</p> | <p>Consideration should be given to introducing a desk based review of empty properties as carried out at Redditch BC.</p> | <p>Management Response</p> <p>Bulk review was completed in September 2013 – procedures for monthly rolling review to be implemented in new charge year.</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation date</p> <p>30th June 2014</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|---|---|---|--|
| 5 | Medium | <p>New properties</p> <p>There is no proactive approach to recording new properties and for referral to the Valuation Officer.</p> | Potential for loss of income/revenue. | Procedures should be introduced for referring new build to the Valuation Officer. | <p>Management Response</p> <p>In future 'skeleton' properties will be created on the system once we are notified of commencement.</p> <p>Thereafter quarterly reviews will be carried out with the developers/builders to ascertain progress</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation date</p> <p>30th June 2014</p> |
| 6 | Medium | <p>Credit balances</p> <p>Credit balances on accounts are not reviewed regularly. Credit balances last reviewed in July 2013.</p> | Potential for inappropriate recovery action to be taken leading to reputational damage. | Review process needs to be established. | <p>Management Response:</p> <p>Process for review of credit balances to be implemented</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation date</p> <p>31st May 2014</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|---|----------|---|--|---|--|
| Audit: Council Tax 2013/14 | | | | | |
| Summary: The review was 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. | | | | | |
| Assurance: Moderate | | | | | |
| Issues brought forward from previous audit | | | | | |
| 1 | Medium | <p>Discounts & exemptions</p> <p>Audit testing identified that officers undertaking reviews of discounts and exemptions on occasions are accepting a low level of evidence to support the continued application of a reduction; for example repeatedly accepting the word of neighbours.</p> | Inappropriate discounts and exemptions applied to accounts resulting in unnecessary financial loss. | <p>Officers need to seek and record an appropriate level of evidence prior to applying account discounts and exemptions.</p> <p>The level of acceptable evidence to be defined.</p> | <p>Management Response:</p> <p>This will be combined with guidance to be provided to staff re empty properties& proposed changes to the way in the treatment of annexes</p> <p>Responsible Manager</p> <p>Revenue Services Manager</p> <p>Implementation Date</p> <p>31st March 2014</p> |
| 2 | Medium | <p>Valuation Officer referrals</p> <p>Requests sent to the Valuation Office for property additions, deletions and amendments were not being monitored to ensure they were being actioned timely.</p> | Potential for incorrect/untimely billing resulting in higher arrears o/s balances leading to over-stated position and reputation damage. | A system of monitoring and referring cases reported to the Valuation Office needs to be introduced. | <p>Management Response</p> <p>This implementation of this recommendation was delayed pending discussions with ACADEMY. Some work has been completed to remove CR10 (property improvement) referrals.</p> <p>It is likely that incorrect use of</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|----------------------------|----------|---|---|---|--|
| | | | | | <p>the system may have also been a contributory factor and will also need to be addressed</p> <p>Responsible Manager Revenue Services Manager</p> <p>Implementation date 30th June 2014</p> |
| New matters arising | | | | | |
| 3 | High | <p>Financial reconciliations</p> <p>Whilst reviewing Council Tax to the general ledger reconciliations it was noted that they were not up to date and only one month had been undertaken in this financial year.</p> | <p>Errors will not be promptly identified and resolved leading to incorrect accounting entries and reputational damage.</p> | <p>Council Tax to general ledger reconciliations to be brought up to date as soon as possible.</p> | <p>Management Response</p> <p>The delay is due to reduced resources due to maternity leave.</p> <p>Responsible Manager Financial Services Manager</p> <p>Implementation Date 30th April 2014</p> |
| 4 | Medium | <p>Unbanded properties</p> <p>There are currently 1540 unbanded properties listed of</p> | <p>Potential for live properties to remain unbanded and not billed leading to loss of revenue to the Council.</p> | <p>The unbanded list should be reviewed to ensure that current properties are effectively managed and any</p> | <p>Management Response</p> <p>Consultancy days now agreed with software suppliers to</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|---|---|---|--|
| | | which there remains a number of properties that are no longer in the district following a boundary change review. | | revenue due collected without delay. | <p>remove unnecessary properties form the list</p> <p>Responsible Manager Revenue Services Manager</p> <p>Implementation Date 30th June 2014</p> |
| 5 | Medium | <p>New properties</p> <p>There is no formal proactive system in place to record and refer new properties to the Valuation Officer.</p> | Properties remain unbanded and unbilled resulting in loss of revenue. | Formal procedure to be introduced. | <p>Management Response</p> <p>In future 'skeleton' properties will be created on the system once we are notified of commencement.</p> <p>Thereafter quarterly reviews will be carried out with the developers/builders to ascertain progress</p> <p>Responsible Manager Revenue Services Manager</p> <p>Implementation Date 30th June 2014</p> |
| 6 | Medium | Credit balances | Potential for inappropriate recovery action to be taken | Review process needs to be established to review credit | Management Response Process for Review of Credit |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|---|----------|--|--|---|---|
| | | Credit balances on account are not reviewed on a regular basis. Credit balances were last reviewed in July 2013. | leading to reputational damage. | balances on an ongoing basis. | <p>Balances will be agreed.</p> <p>Responsible Manager Revenue Services Manager</p> <p>Implementation Date 31st March 2014</p> |
| Audit: Shared Services(Client)~ Regulatory Services 2013/14 | | | | | |
| Summary: The review was 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 | | | | | |
| Assurance: Moderate | | | | | |
| 1 | High | <p><u>Performance Monitoring Data</u></p> <p>There have been a number of issues with the implementation of the new Idox Uniform system during the 2013/14 financial period.</p> <p>Difficulties have been experienced with historic data from previous systems being merged together into the single system. A number of duplicated records have been found, as well as incomplete information. Temporary staff</p> | Inaccurate or incomplete data used for performance monitoring, leading to reputational damage. | Additional development is required on the recently implemented Idox Uniform system to normalise the quality of entered information, to enable a more time effective and reliable performance reporting process, and to provide a consistent approach to data management and reporting within the Service across all | <p>Responsible Manager: Licensing and Support Services Team Manager</p> <p>Implementation date: On-going data cleansing of all permanent licensing records i.e. Premises Licenses to be cleaned and finalised by September 2014.</p> <p>Annual licenses should be cleansed and finalised at the end of the implementation year December 2014.</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|---|--|---|---|
| | | <p>members have been hired to rectify many of the records.</p> <p>The individual teams are managing information in an inconsistent manner, requiring different key fields to be completed. Mandatory field entries are not required on this system.</p> <p>These errors and inconsistencies with information management have resulted in the need to perform extensive cleansing and manipulate extracted information to ensure integrity and suitability of the data provided for performance monitoring purposes.</p> | | partner organisations. | <p>On-going training in the use of the software system will be provided to support consistency of data inputting.</p> <p>Training on software changes/updates will be given as and when necessary.</p> |
| 2 | Medium | <p><u>Budget Setting</u></p> <p>The setting of the Worcestershire Regulatory Service budget should be approved by September prior to the financial period in question.</p> <p>The budget for 2014/15 was not approved until 20th February 2014 due to on-going negotiations regarding the individual financial savings required, and the timing of individual partner budget setting practices.</p> | Lack of timely approval, leading to reduced capacity to achieve identified savings reductions in the desired financial period. | <p>The timing of the budget preparation needs to be re-assessed to synchronise with the different budget setting practices at each partner organisation.</p> <p>All reported budget information should be correct at the time of approval by the Worcestershire Shared Service Joint Committee.</p> | <p>Responsible Manager: Head of Worcestershire Regulatory Services</p> <p>Implementation date: There is a process for agreeing the WRS budget clearly laid out in the SLA, however due to some partners having to respond to a changing financial position during this period, final agreement was not reached until after the due date. Plans to better align WRS budget setting</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
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| | | In addition, the final approved budget for Worcestershire Regulatory Services does not correspond with the financial information provided in the Service Plan for 2014/15. | | | with partner budget setting processes are being developed by the WRS Management Board in time for the 2014/15 financial year. |
| 3 | Medium | <p><u>Information for Fee Setting</u></p> <p>Partner Councils are expected to provide information to the Worcestershire Regulatory Services on the income received for each licensing activity, along with their individual costs for supporting the process.</p> <p>The Service is then required to proportion the costs of managing license arrangements. Currently this is being done using the number of applications per district, and does not currently take into account individual time requirements of each type of work. This information is to be recorded during 2014/15, for use in future fee setting activities. Once done, the Service recommends whether each partner Council should change their license fees for the period.</p> | Incorrect charging leading to inappropriate profits or unacceptable losses for this process. | There needs to be a formal process for requesting and receiving financial information from each of the district partners, for the purposes of setting license fees. | <p>Responsible Manager: Head of Worcestershire Regulatory Services</p> <p>Implementation date: There is a formal process currently in place but not written down.</p> <p>A review of the roles and responsibilities and operation of the Management Board is currently being undertaken by the Chairman of MB. Management board representatives will be contacted in future where partners fail to respond to financial information requests in a timely manner.</p> |

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| Ref. | Priority | Finding | Risk | Recommendation | Management Response and Action Plan |
|------|----------|--|------|----------------|-------------------------------------|
| | | <p>There is no formal procedure for receiving financial information from each of the partner councils. At the time of the audit, information had not been received for Malvern Hills District Council or Worcester City Council.</p> <p>Councils are not allowed to make a profit on licensing activities over a 3-yearly rolling period. Each individual council is liable for their own profits and losses incurred.</p> | | | |
| end | | | | | |

AUDIT BOARD

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 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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| Audit | <u>Date Final Audit Report Issued</u> | <u>Responsible Officer</u> | <u>1st Follow 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 | | | | | |
| Shared Services | Draft report stage | Executive Director (Finance & Corporate Resources) | Extended scope agreed and delivered. To be followed up 6 months after final report issued. | | |
| 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 nd 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 | Apr-14 | | |
| BURT - Community Transport | 10th October 2013 | Acting Head of Community Services | Apr-14 | | |
| Core Financial audits | Various dates | To be followed up as part of the 2014/15 | Oct to December- 14 | | |

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| | | core financial audit work. | | | |
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