

BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

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

Relevant Portfolio Holder	Councillor Geoff Denaro
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 2015/16 and report the residual 2014/15 work.

2. RECOMMENDATIONS

2.1 **The Committee 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 the Accounts and Audit Regulations 2015 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 1st April 2015 to 31st July 2015 against the performance indicators agreed for the service.

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

**AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS
REPORT (19th March 2015):**

2014/15 AUDITS COMPLETED

Risk Management

- 3.4 The audit was a critical review of the risk management process. The Bromsgrove District Council Risk Management process has been clearly set out and there is a good recording system in place using 4Risk. However, the vision of actively using Risk Management to help manage the strategic and operational risks requires more embedding.
- 3.5 Although management have a clear understanding of the Risk Management process, the process has not been fully embraced, and in its current form is just a recording mechanism for some risks to the organisation.
- 3.6 Current position: Final Report issued 30th June 2015
Assurance: N/A critical review

Budget Setting

- 3.7 This audit was a review of the process in regard to the Bromsgrove District Council budget setting process. It considered whether it had been clearly set out in the form of a timetable and outlined the roles and responsibilities of individual officers. During discussions between audit and the budget holders it was apparent that they were aware of the issues facing the authority corporately and that efforts are made to improve working practices through transformation so that services operate with greater efficiency.
- 3.8 Although this review did not highlight any material weakness that would affect the achievement of the key objective of setting the budget, the review identified areas that would improve the overall performance of the system including reconsideration of the timetable, a training plan, understanding stakeholder requirements in regard to the presentation of the budget report, and, management look to link finances with the strategic purposes of Bromsgrove District Council.
- 3.9 Current position: Final Report issued 30th June 2015
Assurance level: N/A critical review

Corporate Governance – Appointments to Outside Bodies 2014/15

- 3.10 The audit was a risk based limited scope audit of Member appointments to outside bodies as operated by Bromsgrove District Council.

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

3.11 Internal Audit confirmed that a review of outside bodies is underway and this will confirm that member appointments are still appropriate. There is a formal appointment process in place and guidance is provided to members via 'The Protocol for Appointment to Outside Bodies'. The audit found, however, there is no requirement for Members to formally report on their appointments which does not provide the opportunity for information to be cascaded to other Members which is particularly important regarding Local Enterprise Partnerships (LEP's) and the potential future development in this area.

3.12 Current position: Final Report issued 16th July 2015
Assurance level: Significant

Main Ledger

3.13 The audit was a risk based systems audit of the Main Ledger system as operated by Bromsgrove District Council.

3.14 The audit found weaknesses which could effect the control environment which included the updating of financial regulations, staff changes, suspense accounts and non-completed reconciliations. However, the Council is aware of these points and no additional recommendations in relation to these areas were made. It should be noted that these areas, to varying degrees, pose a risk to the Council and have been taken into account in the overall assurance level given.

3.15 Current position: Final Report issued 1st July 2015
Assurance level: Moderate

Main ledger (Transfer of System)

3.16 The audit was a critical review and the work was in relation to the transfer of the main ledger from the Agresso system to the Cedar system.

3.17 Overall there were lessons learnt from the exercise and there is still a risk of loss/extraction of historical data that needs to be risk assessed but within the testing undertaken no material errors were identified that had not already been identified by the Accountancy Section themselves.

3.18 Current position: Final Report issued 1st July 2015
Assurance level: N/A critical review

ICT Change Control

3.19 This was a critical review audit. The aim of this audit was to assess and challenge the Council's system of internal control over ICT change management.

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

3.20 The review found ICT change control is a reactive process and although risks are assessed they are not recorded as part of proposed changes that have been undertaken. There is no requirement for a back-out plan to account for system change failure, or any indication if the system change was successful in achieving a required goal. This has resulted in the authority recording all changes so a trail exists of what has happened and when each task was completed. This approach has resulted in a lack of a formal process to manage change control leading to management challenge in the areas of policy and procedure and, current system requirements.

3.21 Current position: Final Report 16th July 2015
Assurance level: N/A critical review

Creditors

3.22 The review was a full system audit that concentrated on the Creditors' system from the point where the order was raised to final payment.

3.23 The audit identified some weaknesses in the monitoring of late payments. Testing identified that controls were in place to ensure VAT was accounted for and only authorised invoices were paid and payments were correctly reflected in the financial ledger. Current procedures have been in place for a considerable period of time and were implemented on the basis of "business need"; however, some purchase orders were not always raised in a timely manner.

3.24 Current position: Final Report 15th May 2015
Assurance level: Significant

Regulatory Services

3.25 The review was a full system audit concentrating on the controls in place for licensing. The review did not cover any other service delivered by Worcestershire Regulatory Services other than licensing. Hackney Carriage and Taxi licensing were excluded from the 2014/15 testing other than the follow up of the recommendations made in the 2013/14 audit report.

3.26 The audit identified weaknesses in the design and / or 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. A considerable amount of data cleansing has taken place following the migration of all licencing data across to the new system and work is still on going to reconcile licences issued against income received by each district. Following further testing in the 2014/15 audit it was found that there are still a number of issues to be resolved before this can be successful and full assurance can be given that all income due has been processed correctly.

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

- 3.27 Under the Shared Service Legal agreement and the Statement of Partner Requirements it was agreed that Worcestershire Regulatory Services are not responsible for handling income. However under current day to day working practices a pragmatic approach has been adopted as some customers continue to send payment direct to Worcestershire Regulatory Services. In order to meet customer needs and statutory licensing timescales these payments are accepted and forwarded to the districts in order to be receipted and banked. Payments are also received direct via districts or by licensing officers whilst undertaking licencing duties and/holding licensing surgeries in partner offices.
- 3.28 Audit testing identified instances where it was difficult to identify payments within financial ledgers in some districts due to insufficient referencing and in a small number of cases incorrect coding. Licences examined were found to be granted in line with legislation and with local policies where relevant, for all types tested. All those reviewed had been renewed when due, however, some were found where a sundry debtor account could not be traced potentially resulting in loss of income. Following the relocation move to Kidderminster Worcestershire Regulatory Services will continue to monitor closely licensing processing times to ensure statutory deadlines continue to be met.
- 3.29 Due to the inconsistencies and weaknesses identified in the receipting of income Worcestershire Regulatory Services management board agreed that partner Section 151 officers would explore options in relation to Worcestershire Regulatory Services receipting / keeping income. A meeting took place on the 17th July 2015 to discuss the options in order to decide the best way forward so that control issues and weaknesses are resolved. This is in progress and being explored further.
- 3.30 For Worcestershire Regulatory Services enforcement action is undertaken on an intelligence led basis as far as allowed by legislation.
- 3.31 Current position: Final report 24th August 2015
Assurance level: Limited

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

Summary of Assurance Levels:

Audit	Assurance Level
2014/2015	
Risk Management	N/A critical review
Budget Setting	N/A critical review
Corporate Governance – Appointments to Outside Bodies 2014/15	Significant
Main ledger	Moderate
Main ledger (Transfer of System)	N/A critical review
ICT Change Control	N/A critical review
Creditors	Significant
Regulatory Service	Limited

2015/16 AUDITS ONGOING AS AT 31st July 2015.

- 3.32 Private Sector Housing; Step up Private Tenancy Scheme and Members Allowances are both at draft report stage and will be reported in summary format.
- 3.33 Other audits that were continuing as at the 31st July 2015 include Community Services, Treasury Management, Leisure Services and S106's.
- 3.34 The outcome of the above audits will be reported to the Committee in due course when the audits have been completed and management have confirmed an action plan.

AUDIT DAYS

- 3.35 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 July 2015 a total of 59 days had been delivered against a target of 250 days for 2015/16.
- 3.36 Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit Board on the 19th March 2015 for 2015/16 and include two additional indicators.
- 3.37 Appendix 3 shows a summary of the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.
- 3.38 Appendix 4 provides the Committee with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

OTHER KEY AUDIT WORK

3.39 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

3.40 There has been on going work undertaken in regard to the National Fraud Initiative. This year is the 2 yearly cycle of data extract and uploading to the Audit Commission to enable matches to be reported. The 2014/15 data extract has been completed and uploaded the results of which have been received and are now being investigated. Worcestershire Internal Audit Shared Service (WIASS) have a coordinating role in regard to the investigative exercise. The single person discount and electoral registration upload are required beginning of October 2015.

3.41 WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards.

3.42 WIASS recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council’s operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

3.43 WIASS confirms it acts independently in its role and provision of internal audit.

Monitoring

3.44 To ensure the delivery of the 2015/16 plan there is close and continual monitoring of the plan delivery, forecasted requirements of resource – v – actual delivery, and where necessary, additional resource will be secured to assist with the overall Service demands. The Service Manager remains confident his team will be able to provide the required coverage for the year over the authority’s core

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

financial systems, as well as over other systems which have been deemed to be 'high' and 'medium' risk.

Customer / Equalities and Diversity Implications

3.45 There are no implications arising out of this report.

4. RISK MANAGEMENT

4.1 The main risks associated with the details included in this report are:

- failure to complete the planned programme of audit work for the financial year; and,
- the continuous provision of an internal audit service is not maintained.

4.2 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 2015/16
Appendix 2 ~ Key performance indicators 2015/16
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix 4 ~ Follow up summary

6. BACKGROUND PAPERS

Individual internal audit reports held by Internal Audit.

AUTHOR OF REPORT

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

BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

APPENDIX 1

Delivery against Internal Audit Plan for 2015/16
1st April 2015 to 31st July 2015

Audit Area	DAYS USED TO 31/07/2015	FORECASTED DAYS TO END OF Q2 ~30th September 2015	2015/16 PLANNED DAYS
Core Financial Systems (see note 1)	0	7	71
Corporate Audits	0	0	5
Other Systems Audits(see note 2)	46	79	138
TOTAL	46	86	214
Audit Management Meetings	8	7	15
Corporate Meetings / Reading	2	3	5
Annual Plans and Reports	1	4	8
Audit Committee support	2	4	8
Other chargeable(see note 3)	0	0	0
TOTAL	13	18	36
TOTAL	59	104	250

Notes:

Note 1: Core Financial Systems are audited predominantly in quarter 3 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts.

Note 2: Full number of budgeted days may not be used due to small 'call off' budgets, e.g. consultancy, investigations, not being fully utilised due to fluctuation in demand.

Note 3: 'Other chargeable' days equate to times where there has been significant disruption to the ICT provision resulting in lost productivity.

BROMSGROVE DISTRICT COUNCIL

**AUDIT, STANDARDS &
GOVERNANCE COMMITTEE**

Date: 17th September 2015

KEY PERFORMANCE INDICATORS 2015/16

APPENDIX 2

Key Performance Indicators (KPIs) for 01st April 2015 to 31st July 2015.

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2014/15 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 Year End Position	2014/15 Year End position	2015/16 position as at 31st July 2015	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward	8	12	7	None to report for 14/15	Quarterly
2	No. of moderate or below assurances	Downward	3	8	7	None to report	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	2	4 (5 issued: 4x Excellent & 1x Good)	4 (12 issued: 5 returns 4x excellent, 1x good)	None to report	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 21	Target = 15 (minimum) Delivered = 19	Target = 17 (minimum) Delivered = 20	Target = 15 (minimum) Delivered = 2 draft reports	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	23.7%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	79%	Quarterly

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

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

APPENDIX 3

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>

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Definition of Priority of Recommendations

Priority	Definition
High	<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>
Medium	<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>
Low	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

APPENDIX 3

‘High’ & ‘Medium’ Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Corporate Governance – Appointments to outside bodies 2014/15					
Assurance: Significant					
1	Medium	<p><u>Annual reports</u></p> <p>There are no formal reporting requirements (e.g. annual report) for members to report their service on Outside Bodies.</p>	Members not sufficiently informed and this may lead to poor decision making	It would be good practice for members to report back (e.g. via the members newsletter) in relation to their service on outside bodies. In addition to providing updates to other members, a report/briefing report could also be used as part of the assessment by the Council when it considers the merits of continuing to make appointments to Outside Bodies	<p>Agreed – we will implement a process for enabling reports back to be made.</p> <p>Responsible Manager: Democratic Services Manager</p> <p>Implementation date: 30th November 2015</p>
Audit: Main Ledger					
Assurance: Moderate					
1	Medium	<p><u>Reconciliations</u></p> <p>At the 31st March 2015 some reconciliations were not up to date. This was due to systems issue rather than an issue with the reconciliation team</p>	Inefficient use of resources causing work loads to become unmanageable placing undue stress on	Once the year end has been completed all financial reconciliations carried out to be reviewed and an	Reconciliations for year end 2014/15 are now up to date. A plan to be prepared to enable staff to complete reconciliations

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>resources.</p> <p>However no recent assessment has been undertaken of how often reconciliations need to be undertaken.</p>	<p>officers resulting in long term absences leading to financial loss.</p>	<p>assessment undertaken of how often they need to be completed.</p> <p>For example Integrated system reconciliations may only be required once a year for final accounts. Interfaced reconciliations could be quarterly or half yearly depending on the risk/materiality of the system.</p> <p>Where differences are found then the frequency of reconciliation needs to be increased until the reasons for the differences have been investigated and where required changes to procedures made.</p> <p>This will help to allocate the reconciliation teams resources to those areas that pose the greatest risk to the Council.</p>	<p>on time and when due.</p> <p>Responsible Manager Financial Services Manager</p> <p>Implementation date: End of August 2015</p>
2	Medium	<p><u>Feeder systems</u></p> <p>Although the accountancy section is aware of all the feeder</p>	<p>Lack of resilience/inefficient working which could lead to</p>	<p>To help provide resilience in times of long term absences</p>	<p>Processes and procedures to be mapped on reconciliations</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		systems the council has this is not documented anywhere.	financial loss and reputation damage.	and to provide a basis for the highlighting of potential system efficiency savings when resources allow all feeder systems into the main financial system to be mapped and documented. This will also provide a basis for future system change projects.	from feeder systems to ensure the accounts reflect a true and accurate position. Responsible Manager: Financial Services Manager Implementation date: November 2015
Audit: Creditors					
Assurance: Significant					
1	Medium	<p><u>System notes for late payments</u> A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Bromsgrove District Council orders from the reports from Cedar and Agresso systems respectively.</p> <p>Testing identified that 1 out of the 15 invoices had not been paid within 30 days of the invoice being received within the creditor office. No reasoning on the system existed to explain the delay.</p>	<p>Potential reputation damage, financial loss through late payment charges.</p> <p>Possible loss of prompt payment discounts and impaired relations with suppliers.</p>	<p>Bromsgrove District Council to ensure Creditors are paid within 30 days from the date of receipt of the invoice in line with its agreed payment terms.</p> <p>Any known reasons for the delay must be recorded on the system to fully document the reasons for the late payment and to evidence the actions the Council has taken to resolve any disputed invoices.</p> <p>The Finance Section to monitor late payment reports on a quarterly basis and to report any consistent</p>	<p>Responsible Manager: Financial Services Manager</p> <p>Agreed. Where possible this is already done. Reminder to be issued to the Payment's Team to ensure if a known reason for a late payment an explanation is entered on account.</p> <p>Implementation date: Immediate for notes on account. October 2015 for quarterly monitoring</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
				late payment issues with appropriate senior personnel.	
2	Medium	<p><u>Budgetary control</u> A sample of 30 paid invoices were selected and matched to purchase orders. Internal Audit selected a sample of 15 Bromsgrove District Council orders from the reports from the Cedar and Agresso respectively.</p> <p>Testing identified the following exceptions;</p> <p>5 out of the 15 cases the invoice date was prior to the date the order was placed on the system. Therefore the budget could have been overspent and result in a deficit.</p>	The council pays for unapproved and unauthorised orders leading to the possibility of fraud / financial loss.	Where possible fully completed and authorised purchase orders are to be raised in advance of a commitment to purchase being made in all cases.	<p>Responsible Manager: Financial Services Manager A further reminder to be issued to all service areas; the council is also in the process of writing to all suppliers stating invoices will not be accepted without a valid order.</p> <p>In addition the council are part way through introducing “auto-matching” on invoices so therefore this will encourage service areas to ensure valid orders are raised in advance. This exercise will be concluded over the next 3 months.</p> <p>Implementation date:</p> <p>Reminder to be issued immediately re the need to raise an order in advance</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Regulatory Services					
Assurance: Limited					
1	High	<p><u>Reconciliation of Licenses granted to income received under the Licencing Act 2003</u></p> <p>During previous audits of Licensing it was reported that there was no full and successful reconciliation of payments received by districts to Licenses granted. At the time, there were significant issues experienced with the integrity of the data held on the new system (Uniform) following data migration from all former licensing systems.</p> <p>A major data cleansing exercise has since taken place and reports produced and forwarded to districts for the reconciliation to be undertaken. Following a review during the 2014/15 audit it was ascertained that this is not yet complete and there are still issues to be resolved for example income records not agreeing to licensing records.</p>	<p>Failure in systems potentially leading to financial loss to partners and illegal licence operations across the districts.</p>	<p>To be read in conjunction with point 4 below.</p> <p>The process used to be reviewed and a clear agreement sought on expectations of Districts in relation to receipting of all licensing income. An effective reconciliation to be undertaken so that Premises Licence income received under the Licencing Act 2003 can be effectively reconciled.</p>	<p>Responsible Manager:</p> <p>District Finance Officers and WRS Licensing and Support Services Manager.</p> <p>Implementation date:</p> <p>September 2014 onwards. WRS have produced a yearly register of all premises licenses district by district held within their database (September/October 14) and shared each with the relevant district.</p> <p>New sundry debtor template has been added to licensing database to ensure districts are informed of new premises to be invoiced and/or any changes/transfers as necessary.</p> <p>Outstanding queries relating to data not matching are being worked through on a case by</p>

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					case basis.
2	High	<p><u>Payment for Licences granted</u></p> <p>Testing was carried out on the following licences:</p> <ul style="list-style-type: none"> • Alcohol licences (Premise and Personal) • Animal establishments (Pet shop and Boarding) • Temporary events notice. <p>Payments could not be traced for all licences examined due to a number of reasons:</p> <ul style="list-style-type: none"> • Insufficient referencing in financial ledgers to identify individual payments to applications. • Lack of proof of payment for cheques received directly by Regulatory Services (a consistent approach not applied and not all districts forward receipts). • Out of a sample of ten Licencing Act 2003 Premises licences sundry debtor accounts could not be found for 	<p>Failure in systems potentially leading to financial loss to partners and illegal licence operations across the districts.</p>	<p>To be read in conjunction with point number 1 above.</p> <p>Districts in conjunction with Worcestershire Regulatory Services to review and consider systems in place to ensure effective control of all income so that all payments can be traced in the financial ledgers. Testing has identified that the current working arrangements are clearly not working. This should include consideration to:</p> <ul style="list-style-type: none"> • Reviewing who should be responsible for the handling and receipt of payments so that there is a clear and consistent approach. This may mean revisiting the Shared Service legal agreement and Statement of Partner 	<p>Responsible Manager:</p> <p>District Finance Officers in consultation with WRS Licensing and Support Services Manager.</p> <p>Implementation date:</p> <p>To be determined by District Finance Teams and Section 151 Officers in conjunction with Worcestershire Regulatory Services.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>two of them. Sundry Debtor accounts have since been raised for the two licences identified.</p> <ul style="list-style-type: none"> • Varying standards of payment notification to Regulatory for those payments received direct by districts. • Some incorrect coding of income found. <p>In most cases there was a note on the licencing file to say payment had been received however due to the lack of audit trail and insufficient referencing in the financial ledgers payments could not be systematically and directly traced for several cases.</p>		<p>Requirements.</p> <ul style="list-style-type: none"> • There is sufficient information provided on receipt of payment and this is input to ensure all payments can easily be identified to applications in the financial ledgers. • Where a request is sent by Regulatory Services to a district to raise a Sundry Debtor account whether it is necessary to introduce a process where confirmation of action is provided. <p>This will aid in the process of reconciling income received to the service/licence provided for each authority.</p>	
3	Medium	<p><u>Performance monitoring</u></p> <p>Performance reports were not available from former licensing systems to ensure all licenses</p>	Failure to ensure licences are awarded in accordance with statutory laid down	Performance Monitoring to be tabled at the Worcestershire Shared	<p>Responsible Manager:</p> <p>WRS Licensing and Supports Services Manager.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>are being processed within agreed/statutory deadlines.</p> <p>It was planned once Uniform was up and running performance monitoring reports would be generated to ensure license delivery times are satisfactory and within agreed/statutory deadlines. Following further discussions as part of the 2014/15 it was found that this is currently possible.</p> <p>Target dates for all licences for which statutory timescales apply are noted on files/Uniform and it is the responsibility of individual Licensing Officers to ensure these are met.</p> <p>Audit testing for 2014/15 showed that all licences examined had been awarded within statutory timescales.</p>	timescales.	Service Joint Management Board to discuss and decide on Partner requirements and how this will be satisfied/reported upon.	<p>Implementation date</p> <p>Quarterly reports will be designed and introduced by October 2015.</p>
end					

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

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 July 2015. 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 so to minimise resource impact on the service area.

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

Follow Up Assurance:

In summary:

- the majority of 2013/14 audit recommendations have been implemented; monitoring of the outstanding ones is continuing;
- 2014/15 recommendations are being monitored and reported for information;
- There are no 2015/16 audit recommendations to follow up at the time of the reporting.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

<u>Audit</u>	<u>Date Final Audit Report Issued</u>	<u>Service Area</u>	<u>Assurance</u>	<u>Number of High, Medium and Low priority Recommendations</u>	<u>Date to be 1st Followed up or outcome</u>	<u>2nd</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
2013-14 Audits						
Risk Management	30th April 2014	Executive Director (Finance and Resources)	Limited	6 'medium' priority recommendations in relation to Risk management strategy and training, risk register reviews and entries, Consistency of Risk Management approach and 4Risk systems administration.	Follow up undertaken and awaiting final sign off as at 24.2.15	
Depots and Stores	8 th August 2014	Head of Environmental Services and Environmental Services Manager	Significant	1 'medium' priority recommendation in relation to inventory control.	Followed up February 2015, An interim measure has been implemented until business transformation is complete in June 2015 when the recommendation will be fully addressed as part of the transformation.	June 2015 Follow up being done with the stores transformation audit 2015.
ICT	2 nd September 2014	Head of Business Transformation and Organisational Development and ICT Transformation	Limited	1 'high' and 5 'medium' priority recommendations to follow-up in regard to starters, leavers and user accounts, procedures, inventory management, contracts and disposals.	Followed up in March 2015. 3 recommendations have been implemented (authorisation of new users, clearing of inactive accounts, disposal of equipment), 1 recommendation has been superseded by changes to processes (disposal	Jul-15 In the process of reallocation due to change of auditor.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

		Manager			contracts). 2 medium recommendations are part implemented/ on-going (procedure documents, inventory reviews).	
2014-15 Audits						
Equality and Diversity	28 th August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15 - Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	Jul-15 In the process of reallocation due to change of auditor.
Data, Security and Publication	9th September 2014	Head of Transformation and Organisation Development/Executive Director (Finance and Resources)	Moderate	1 "medium" priority recommendation re local government transparency code	Mar-15 In the process of reallocation due to change of auditor.	
DFGs and HIAs	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	May-15 In the process of reallocation due to change of auditor.	
Asset Management	20th November 2014	Head of Customer Access and Financial support	Significant	1 "medium" priority re terms of reference for Joint Asset Management Group	May-15 In the process of reallocation due to change of auditor.	
Waste Management	9th January 2015	Head of Environmental Services	Moderate	1 "high" priority recommendations to ensure effective stock control of wheelie bins.	Jul-15 In the process of reallocation due to change of auditor.	

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS & GOVERNANCE COMMITTEE

Cash Recepting	29th January 2015	Head of Customer Access and Financial support	Moderate	1 "high" priority recommendation to ensure the council obtains a PCIDSS certificate.	To be picked up in the Main Ledger audit during 2015/16
Risk Management	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Oct-15
Budget Setting	30th June 2015	Executive Director (Finance and Resources)	Critical Review	Action Plans were agreed and a progress feedback will be sought in line with agreed implementation dates.	Dec-15
Main Ledger (transfer of Data)	1st July 2015	Financial Services Manager	Critical review	No recommendations to follow up	N/A
ICT	16th July 2015	Head of Transformation and Organisational Development , ICT Transformation Manager, ICT Operations Manager	Critical Review	Action Plans were agreed and progress feedback will be sought in line with agreed implementation dates.	Dec-15
Worcester Regulatory Services	24 th August 2015	WRS Management	Limited	Two high and one medium priority recommendations; reconciliation, payments and performance. Action plan agreed.	Feb-16

end