

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 10<sup>th</sup> DECEMBER 2015

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**THE 2016/17 INTERNAL AUDIT PLAN 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 Bromsgrove District Council Internal Audit Draft Operational Plan for 2016/17
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2016/17

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to consider the Audit Plan and subject to any comments / proposed changes the Plan be noted**
- 2.2 **The Committee is asked to consider and note the Key Performance Indicators.**

**3. KEY ISSUES**

**Financial Implications**

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

**Legal Implications**

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- 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”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

**Service / Operational Implications**

Internal Audit Aims and Objectives

- 3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:
- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
  - examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
  - examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
  - undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
  - advise upon the control and risk implications of new systems or other organisation changes e.g. transformation.

Formulation of Annual Plan

The Internal Audit Plan for 2016/17, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has considered the corporate strategic purpose, risk priorities per discussions with

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the s151 Officer and Corporate Management Team(CMT), and, the results of an independent risk assessment by Internal Audit using the audit universe.

By bringing a provisional plan of work before the Audit, Standards and Governance Committee in December 2015 which had been formulated with the aim to ensure Bromsgrove District Council meets its strategic purposes it allows Members to have a positive input into the audit work programme for 2016/17 and make suggestions as to where they feel audit resources may be required under direction of the s151 Officer. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer. To give an indication as to when the audit work will take place the quarters have been identified, however, these may be subject to review and change as the year progresses.

**Resource Allocation**

The Internal Audit Plan for 2016/17 has been based upon a resource allocation of 230 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 230 day allocation is based on transactional type system audits and has been reduced from the 250 days delivery during 2015/16; a saving of 20 days.

Due to the changing internal environment, ongoing transformation and more linked up and shared service working between Bromsgrove and Redditch the plan has been organised in a smarter way in order to exploit the efficiencies that this type of working provides. Although the audit areas will have an allocation of audit days after discussion at CMT on the 25<sup>th</sup> November 2015 the audits will be more cross cutting than before and will encompass the different service perspectives that the Services need to deliver (e.g. Customer Services impacts on the majority of service areas so the audit will reflect this). All or part of the budgeted days will be used on a flexible basis depending on the risk exposure the end result being better corporate coverage and ownership of the audit outcomes.

The provisional Internal Audit Plan for 2016/17 is set out at Appendix 1.

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**Monitoring and reporting of performance against the Plan**

Operational progress against the Internal Audit Plan for 2016/17 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit, Standards and Governance Committee on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been developed for the service. These have been agreed with the council's s151 officer and are included at Appendix 2.

**Customer / Equalities and Diversity Implications**

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 ~ Outline Internal Audit Plan 2016/17  
Appendix 2 ~ Key performance indicators 2016/17

**6. BACKGROUND PAPERS**

None

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7. **KEY**

N/a

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**APPENDIX 1**

**DRAFT INTERNAL AUDIT PLAN FOR BROMSGROVE DISTRICT COUNCIL 2016/17**

Audit Area	*Source (max 45)	Planned days 2015/ 16	Planned days 2016/ 17	Difference = + or -	Agreed 1/4 for delivery
<b>A – CHARGEABLE AND PRODUCTIVE</b>					
<b>Core Financial Systems</b>					
Benefits	Risk assessment score 36	15	15	0	Q3
NDR	Risk assessment score 34	12	12	0	Q3
Council Tax	Risk assessment score 33	12	12	0	Q3
Cash, General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 32	10	10	0	Q3
Treasury Management	Risk assessment score 28	7	7	0	Q3
Creditors	Risk assessment score 28	8	8	0	Q3
Debtors	Risk assessment score 28	7	7	0	Q3
Asset Management	Risk assessment score 24	0	0	0	Q3
<b>Sub Total</b>		<b>71</b>	<b>71</b>	<b>0</b>	
<b>#Corporate</b>				0	
Risk Management	Risk assessment score 28	5	5	0	Q1
<b>Sub Total</b>		<b>5</b>	<b>5</b>	<b>0</b>	
<b>Other Systems Audits</b>				0	
Human resources	Risk assessment score 31	0	10	10	Q1
Parkside	Risk assessment score 29	0	9	9	Q2
Customer Services	Risk assessment score 31	0	9	9	Q4

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Bereavement Services	Risk assessment score 28	0	8	8	Q2
Insurance	Risk assessment score 31	0	5	5	Q4
Worcestershire Regulatory Services	Risk assessment score 27	14	14	0	Q4
Planning & Regeneration		10		-10	
Housing	Risk assessment score 26	7	10	3	Q1
Community Services		14		-14	
Environmental		14		-14	
Leisure & Culture		14		-14	
Legal Equalities and Democratic		12			
ICT	Risk assessment score 32	10	8		Q4
<b>Sub Total</b>		<b>95</b>	<b>73</b>	<b>-22</b>	
				0	
Completion of Prior Year's work	N/A	8	8	0	
Statement of Internal Control	N/A	3	3	0	
Follow Up on recommendations	N/A	10	10	0	
Fraud and Special Investigations	N/A	11	12	1	
Advisory / Consultancy / Contingency	N/A	11	12	1	
<b>Sub Total</b>		<b>43</b>	<b>45</b>	<b>2</b>	
<b>TOTAL PRODUCTIVE (A ONLY)</b>		<b>214</b>	<b>194</b>	<b>-20</b>	
<b>B – CHARGEABLE AND NON-PRODUCTIVE</b>					
Audit Management Meetings	N/A	15	15		
Corporate Meetings / Reading	N/A	5	5		
Annual Plans and Reports	N/A	8	8		
Audit Committee support	N/A	8	8		
<b>TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)</b>		<b>36</b>	<b>36</b>	<b>0</b>	
<b>TOTAL CHARGEABLE (A + B)</b>		<b>250</b>	<b>230</b>	<b>-20</b>	

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Explanatory Notes:

\* Risk assessment scores are indicators derived from an internal audit assessment based on local knowledge and risk assessment using various factors including materiality, impact of failure, system risk, resource risk, fraud risk and external risk.

# A number of corporate audit budgets have been reallocated to service areas so that the audit budgets can be used more flexibly and include elements including transformation, health and safety and shared service working.

Customer access and support will be considered overall as part of the service audits.



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**KEY PERFORMANCE INDICATORS 2016/17**

**APPENDIX 2**

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2016/17 i.e. KPI 3 and 4. Other key performance indicators link to overall governance requirements of Bromsgrove District Council.

	<b>KPI</b>	<b>Trend requirement</b>	<b>2015/16 Year End position</b>	<b>2016/17</b>	<b>Frequency of Reporting</b>
1	No. of 'high' priority recommendations	Downward	XX	XX	Quarterly
2	No. of moderate or below assurances	Downward	XX	XX	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	XX	XX	Quarterly
4	No. of audits achieved during the year	Per target	Target = 15 (minimum)  Delivered =	Target = 14 (minimum)  Delivered =	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	XX %	XX %	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	XX %	XX %	Quarterly

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