AUDIT, STANDARDS AND GOVERNANCE COMMITTEE
Date: 10th December 2015

THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDITSHARED 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.

2. RECOMMENDATIONS

2.1 **The Committeeis 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.

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This section of the report provides commentary on Internal Audit's performance for the period 01st April 2015 to 31stOctober 2015 against the performance indicators agreed for the service.

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (17th September 2015):

2015/16 AUDITS COMPLETED AS AT 31st OCTOBER 2015

Private Sector Housing; Step up Private Tenancy Scheme
The audit found there is generally a sound system of internal control in place but Internal Audit testing has identified isolated weaknesses in the design of controls and / or inconsistent application of controls in a small number of areas.
The review found the following areas of the system were working well:

•   Changes arising from the transformation review has resulted in less complicated financial assessments being completed in house as opposed to the local Citizens Advice Bureau and this has helped to improve/speed up the process for the applicant.
•   Advances made for rent are promptly recorded on the debtors system.

However, the following areas of the system where controls could be strengthened included:

•   The retaining of evidence (e.g. photographic) in relation to rent guarantee bond any property damage claims
•   Debt recovery arrangements

Audit Type: Full System Audit
Final Report Issued: 15th September 2015
Assurance: Moderate

Members Allowances
The audit found generally there is a sound system of control in place over the annual review and approval of the Members Scheme operating in Bromsgrove and also the subsequent implementation of Members Allowances. Members Allowances were found to be compliant with the Scheme and Members are remunerated at the appropriate rate and in respect of eligible duties only.

The review found the following areas of the system were working well:
•   Planning and execution of the annual review cycle
•   Communication and guidance to Members on their Allowances Scheme, as part of a programme of Members induction.

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•   Compliance with the Members Allowances Scheme and its eligibility rules
•   Payment of Members Allowances Basic and Special Responsibility Allowances in accordance with the Members Scheme.
•   Processing of Travel Allowances, with modest expenditure evidenced and checks consistently applied.

However, the following areas of the system where controls could be strengthened included:

•   Inclusion of Broadband Allowances within the scope of the main Scheme of Allowances to provide greater transparency.
•   Greater transparency over payments for data and mobile phone charges associated with Members use of iPads and Blackberry mobile phones.
•   Improved control of changes in allowances data as a basis for Payroll input

Audit Type: Full System Audit
Final Report Issued: 2nd October 2015
Assurance: Significant

Summary of Assurance Levels:

Audit	Assurance Level
2015/2016	
Private Sector Housing ~ Step Up Private Tenancy Scheme	Moderate
Members Allowances	Significant

2015/16 AUDITS ONGOING AS AT 31stOctober 2015.

Audits that were continuing as at the 31stOctober 2015 but at draft report stage included:
- Community Services; Safeguarding
- Treasury Management,
- Allotments
- s106's
- Leisure Consumables, Equipment and Goods for Resale

Other audits that were on going as at the 31st October 2015 included:
- Community Services; CCTV
- Mapping of Interfaces to the Ledger

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- Council Tax
- NNDR
- Benefits
- Website Security
- System Administration
- Performance management Framework
- Corporate Governance – Annual Governance Statement

The outcome of the above audits will be reported to Committee in due course when the audits have been completed and management have confirmed an action plan.

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 31stOctober 2015a total of 130 dayshad been delivered against a target of 250 days for 2015/16.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit Board (now the Audit, Standards and Governance Committee) on the 19th March 2015 for 2015/16 and include two additional indicators.

Appendix3 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 Committee 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

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- 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

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) has a coordinating role in regard to the investigative exercise. The single person discount and electoral registration upload is currently being coordinated and the upload is to be completed in December 2015.

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

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.

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

Monitoring

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

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

6.   BACKGROUND PAPERS

Individual internal audit reports held by Internal Audit.

7.   KEY

N/a

AUTHOR OF REPORT

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

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APPENDIX 1

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

Audit Area	DAYS USED TO 31/10/2015	FORECASTED DAYS TO END OF Q3 ~31st December 2015	2015/16 PLANNED DAYS
Core Financial Systems (see note 1)	20	46	71
Corporate Audits	0	0	5
Other Systems Audits(see note 2)	90	104	138
TOTAL	**110**	**150**	**214**
Audit Management Meetings	12	12	15
Corporate Meetings / Reading	3	3	5
Annual Plans and Reports	2	6	8
Audit Committee support	3	6	8
Other chargeable(see note 3)	0	0	0
TOTAL	**20**	**27**	**36**
TOTAL	**130**	**177**	**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,for example, significant disruption to the ICT provision resulting in lost productivity.

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KEY PERFORMANCE INDICATORS 2015/16   **APPENDIX 2**

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

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2015/16 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 31stOctober 2015	Frequency of Reporting
1	No. of 'high'priority recommendations	Downward	8	12	7	0	Quarterly
2	No. of moderate or below assurances	Downward	3	8	7	1	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)	0 (2 Issued: 2 returns 2x'good')	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 (with 3x draft reports)	Quarterly
5	Percentage of plan delivered	100% of the agreed annual plan	N/A	N/A	N/A	52%	Quarterly
6	Service Productivity	Positive direction year on year (Annual target 74%)	N/A	N/A	N/A	75%	Quarterly

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	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
Significant Assurance	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. 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.
Moderate Assurance	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. 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.
Limited Assurance	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. 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.
No Assurance	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. 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.

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Definition of Priority of Recommendations

Priority	Definition
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
Medium	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
Low	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

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'High' & 'Medium' Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Private Sector Housing – Step Up Private Tenancy Scheme 2015/16					
Assurance: Moderate					
1	Medium	**Rent Guarantee Bond** Payments made under the Bond scheme are not adequately supported and evidenced.	Reimbursements for damage may be inappropriately made/lack of adequate management trail. Financial loss for payment against potentially false claims.	Inspections carried out to support claims for payments made under the bond guarantee scheme must be recorded and evidence (e.g. photographic) retained to support a claim for property damage.	**Responsible Manager:** Housing Strategy & Enabling Team Leader **Implementation date:** Immediately
2	Medium	**Debt Recovery** There has been a delay in the recovery of debts due to system issues experienced with cash receipting and the interface with the Councils Financial system. Internal Audit acknowledges that the risk to the Council reputationally and financially by chasing debts on inaccurate information is greater than waiting for accurate and up to date debt reports.	Potential loss of income / Reputational damage.	Debt recovery to become a priority once the issues with the Council's Financial system have been resolved. Update : recovery is now underway following remainders being sent to customers in November	**Responsible Manager:** Revenue Services Manager Issues regarding suspense transactions are to be resolved and recovery action to recommence. **Implementation date:** 31 October 2015

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Members' Allowances 2015/16					
Assurance: Significant					
1	Medium	**Broadband/ Data Allowances** Expenditure on Broadband Allowances, Data Allowances and Mobile Phone Allowances and the allocation of phones and iPads for members all sit outside of the Scheme of Members Allowances and are therefore less transparent than Allowances paid through the main Scheme.	Potential for weak financial control of this area of Members' activity leading to reputational damage in the event of excessive expenditure.	To include Broadband Allowances within the scope of the Members' Schemes and publish information on payments for data and mobile phone charges associated with Members use of iPads and Blackberry phones.	Agree that bringing broadband payments into the scheme from the IT provision policy will increase their transparency. Council reviews the allowances scheme each year and proposals to include this will be made at the same time as Council considers the IRP report with recommendations for next year's scheme (2016-17 with effect from 1st April) If it is proposed to merge the broadband allowance with the basic allowance to simplify payment this will need to be considered by the IRP and their recommendations, if any, taken into account. Information on payments made each financial year is already published, and includes data above that required by law to be published. This information will be extended to include the details about iPads and telephones etc. as recommended. **Responsible Manager:** Sheena Jones, Democratic Services Manager

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
					Implementation date: April 2016
2	Medium	**Change control process for Members Data** In 100% of cases sampled, Members received allowances appropriate to their office, at the correct rate. The process for tracking changes to member appointments and notifying Payroll of the Allowances due to members is ad hoc and not always authorised.	Start and end dates of Members appointments are overlooked with Members remaining on the Payroll and in receipt of allowances they are no longer eligible/due. This would lead to financial loss.	To implement a more formal change request process for starters/movers/leavers. This would ensure change is captured accurately and on a timely basis and authorised in Legal and Democratic Services for Payroll input This could form part of a flow management process incorporating other Human Resources and IT Procurement activity linked to new or departing members.	Legal and Democratic Services will explore, with the Managers identified below, the potential to notify payroll of changes to allowances whilst ensuring efficient inputting of data (i.e. no duplication or requirements to complete multiple forms) **Responsible Manager:** Democratic Services Manager, Financial Services Manager and IT Services Manager, ICT Transformation Manager **Implementation date:** By April 2016
		end			

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APPENDIX 4

Follow Up

Planned Follow Ups:

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged The table provides an indication of the action taken against those audits and whether further follow up is planned.   Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of October 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;
- 2015/16 recommendations will be followed up commencing March 2016.

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Audit	Date Final Audit Report Issued	Service Area	Assurance	Number of High, Medium and Low priority Recommendations	Date to be 1st Followed up or outcome	2nd
					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 of 2013/14 and 2014/15 audit being undertaken fourth quarter 2015/16	
Depots and Stores	8th 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 taking place as part of the stores transformation audit 2015.
ICT	2nd September 2014	Head of Business Transformation and Organisational Development and ICT Transformation Manager	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 contracts). 2 medium recommendations are part implemented/ on-going (procedure documents, inventory reviews).	The follow up in October 2015 found that the 2 remaining 'medium' priority recommendations in relation to procedure documents and inventory reviews were in progress. The risk to the Council has been reduced and both recommendations should be implemented by January 2016 therefore a further follow up will take place in February 2016.

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2014-15 Audits						
Equality and Diversity	28th 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 upMarch 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.	November 2015 ~ currently in progress
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	November 2015 ~ currently in progress	
DFGs and HIAs	12th November 2014	Housing Strategy Manager	Significant	1 "medium" priority recommendations re the need to ensure documents are stored correctly	Followed up in September 2015. Implementation of the 1 medium recommendation is still in progress, whereby an electronic HIA filing system has been integrated, and paper files are being transferred to a single location for managing more effectively, completion expected end of October 2015 as part of the move to the new Parkside office. Further follow up required December 2015.	
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	Followed up in October 2015. The 1 'medium' priority recommendation relating to the terms of reference has been implemented. No further follow ups are required.	
Waste Management	9th January 2015	Head of Environmental Services	Moderate	1 "high" priority recommendations to ensure effective stock control of wheelie bins.	Followed up June 2015 and all recommendations have been fully implemented.	
Cash Receipting	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.	Follow-up of 2013/14 and 2014/15 audit being undertaken fourth quarter 2015/16	

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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	
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	24th August 2015	WRS Management	Limited	Two high and one medium priority recommendations; reconciliation, payments and performance. Action plan agreed.	Feb-16	
2015-16 Audits						
Private Sector Housing - Step-up Private Tenancy Scheme	15th September 2015	Head of Community Services, Strategic Housing Manager and Housing Strategy and Enabling Team Leader.	Moderate	2 "medium" priority recommendations were made in relation to Rent Guarantee Bond and Debt Recovery.	Mar-16	
Members Allowances	2nd October 2015	Head of Legal Equalities and Democratic Services and Democratic Services Manager	Significant	2 "medium" priority recommendations were made in relation to Broadband/Data Allowances and Change control process for Members Data	Apr-16	
end						