

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 15th SEPTEMBER 2016

THE INTERNAL AUDIT MONITORING REPORT OF THE HEAD OF THE INTERNAL AUDIT SHARED SERVICE ~ 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 2016/17 and residual 2015/16 summary reviews.

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 Regulation 5 of 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.

3.4 This section of the report provides commentary on Internal Audit’s performance for the period 01st April 2016 to 31st July 2016 against the performance indicators agreed for the service.

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AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT
(24th March 2016):

2016/17 AUDITS ONGOING AS AT 31st JULY 2016

Audits completed to draft report stage included:

- Housing - Statutory Duties
- Human Resources Training & Development

Audits that were continuing as at the 31st July 2016 included:

- Risk Management
- Bereavement Services
- Debtors
- Treasury Management
- Customer Services
- Insurance
- Freedom of Information requests

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

2015/16 AUDITS SUMMARY UPDATES AS AT 31st JULY 2016

s106's

The 'critical review' identified a number of challenges for improving the system for agreeing and managing the financial contributions from planning obligations, with the aim of making the process more efficient and robust. These challenges have been discussed with responsible officers, and action plans are required from management to address the risks including committee reporting, policy and procedure, waste services contribution, project contribution areas, financial spreadsheets, income management, and land charges records.

Some actions have already been taken to address the effectiveness of the process, including an initial review between planning system records on the Uniform system, financial information held on the S.106 reserve on the General Ledger and information held by the Finance team on their spreadsheet. There is some disparity between the manner that records are held and maintained and an observed need to normalise processes to ensure effective support of community projects will develop as a result of this process.

Type of audit: Critical Review

Assurance: N/a

Report issued: 8th April 2016

Community Services; CCTV

The 'critical review' found there was a well established CCTV function for Bromsgrove District Council as provided by Redditch Borough Council. The CCTV service is working

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towards achieving compliance with BS 7958:2015 Closed Circuit Television (CCTV) – Management and operation, and has undertaken an assessment to determine the authority's current level of compliance. Although controls over data retention and usage are strong, some challenges were made concerning the controls around the extraction of data files from the CCTV system, and these have been discussed with management to determine a suitable solution.

The equipment for the CCTV network is maintained by a third party that is obliged to ensure the timely correction of defects to ensure on going functionality of the system. Defects are regularly monitored and a full record of issues is recorded on the main system.

The use of grant funding within the Community Safety team is monitored in conjunction with the North Worcestershire Community Safety Partnership and the Police & Crime Commissioner where appropriate, providing regular updates on actions taken. No issues have been found concerning the use of grant funding within this area, and the action plan for on going work in this area is regularly monitored. The implementation of Anti-Social Behaviour legislation within Bromsgrove District Council is managed by the Community Safety Team, who are intending to promote the legislative requirements within the authority so that staff fully understand their role within this legislation.

Type of audit: Critical Review

Assurance: N/a

Report issued: 31st March 2016

Mapping of Interfaces to the Ledger

The 'critical review' identified the following areas where controls could be strengthened:

- There were no procedural notes in place for the reconciliations being undertaken across the authority, which could enable another officer to undertake the role in the event of absence of key staff.
- There were no system flow-charts available to identify how processes work, and how systems interact.
- The majority of reconciliations were not being monitored by a second officer to ensure these are completed fully and accurately, and in a timely periodic manner.
- There is no centralised process for monitoring the system reconciliations. It is understood that actions have been taken by the Finance team to address the monitoring arrangements, including the project assignment of an officer to identify a process going forwards for monitoring the current situation, and determine issues that would impact on the final accounts process.
- There are on-going issues concerning the monitoring and reconciliation of income relating to Worcestershire Regulatory Service activities, whereby there is no centralised control to ensure the financial information held by the shared service accurately represents the actual transactions taking place within each partner authority. This was being picked up as part of the Regulatory Services audit work, and addressed by the partner authorities concerned.

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- Backing documentation to evidence reconciliation work needs to be stored in a more suitable format for all reconciliations, to enable remote monitoring of the completed work thus helping to ensure the integrity of the feeder system information in instances where the process is manually controlled or subject to potential unauthorised access and amendment.

Type of audit: Critical Review
Assurance: N/a
Report issued: 31st March 2016

Environmental ~ Income Streams

The 'critical review' focused on income streams generated through activities with external providers (third parties). An effective income stream process is essential in identifying, charging and monitoring external revenue as a result of the services provided by the Authority. In an ever changing budget landscape the Authority must maximise its operations where possible to ensure that work carried out is providing value for money and services are economical, efficient and effective. It is imperative that where money is due to the Service it is being invoiced appropriately and any lack of payment is followed up through the debt chasing process.

The review was conducted as a critical review to support Environmental Services and provide an overview of the current process. The review gathered evidence during discussions held with key Officers within Environmental Services who have responsibility for specific activities that generate income streams. These discussions outlined the existing arrangements and the information was analysed to support and challenge the income streams process and where appropriate proposed changes to the current process. Challenges raised covered areas included coding, budgeting, documented procedures, quoting arrangements, business support and the potential to increase revenue.

Type of audit: Critical Review
Assurance: N/a
Report issued: 28th July 2016

Worcestershire Regulatory Services

The 'Critical Review' concentrated on the implementation of a time recording system within Worcestershire Regulatory Services as a basis for the charging of fees for its Services. The review appraised, gathered evidence, and analysed data to support and challenge the Time Recording system. This included the review of the existing arrangements and proposed enhancements in areas including system specification, policies, coding structures, fee earnings, performance measurement, data base accuracy and dog patrol.

Type of audit: Critical Review
Assurance: N/a
Report issued: 6th June 2016

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Council Tax

The review found generally a sound system of internal control in place with the following areas of the system working well:

- The process for timely billing and reconciling properties on an annual basis;
- Processes for monitoring service performance
- The process for applying discounts and exemptions on accounts
- The process for managing credit balances

The review found the following areas of the system where controls could be strengthened:

- Ensuring that suitable recovery action has taken place for accounts in arrears;
- Ensuring that there are periodic reviews of discounts/ exemptions, and documenting actions taken
- Ensuring that the process for recording and monitoring new builds is fully documented, and, covers the process of obtaining information from third parties.

Type of audit: Full System

Assurance: Significant

Report issued: 13th June 2016

NNDR

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Timely annual billing of properties in the district
- The correct application of reliefs and exemptions
- Controls over outstanding credit balances
- The monitoring of service performance

The review found the following areas of the system where controls could be strengthened:

- Ensuring that there is sufficient evidence to support actions taken in regards to the application of reliefs and refunds
- The processes in place for ensuring consistent and timely recovery of outstanding charges.

Type of audit: Full System

Assurance: Significant

Report issued: 13th June 2016

Benefits

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Processing and monitoring of all new benefit claims and event changes
- Classification and recovery of overpayments
- Processing of discretionary housing payments

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- Subsidy monitoring

The review found the following areas of the system where controls could be strengthened:

- Staff training is required to ensure that 'Academy' system features are used correctly and claim processing times are not inadvertently inflated
- Consistent completion of backdated award schedules to confirm that good cause was demonstrated
- Retention of all write off records in Information@Work.

Type of audit: Full System

Assurance: Significant

Report issued: 21st March 2016

Creditors

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Access to the system is restricted and users are only able to view elements within the system related to their role and responsibilities
- The system workflow for procuring goods and services has been set up in such a manner that ensures separation of duties
- The system has the capability to record a full audit trail to easily identify the transactional timeframe during the ordering process
- The auto matching facility works efficiently providing the details of the order and invoice match (price and quantity)

The review found the following areas of the system where controls could be strengthened:

- Orders are not always raised prior to the receipt of invoices
- Receipting of goods received is not always timely.

Type of audit: Full System

Assurance: Significant

Report issued: 8th June 2016

Debtors

The review found generally a sound system of internal control in place and the following areas of the system working well:

- The raising of invoices is controlled and access only available to designated employees
- Accounts are cleared in a timely manner and suspense items are reviewed on a daily basis
- All previous and current balances were brought forward accurately

The review found the following areas of the system where controls could be strengthened:

- A review of fees and charges identified slight discrepancies as part of the sample tested.

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- Credit note request forms are not always retained by the Debtors Team.
- Review of the access rights

In addition there are some areas which management are aware of and are in the process of taking steps to finalise including:

- Formalising the processes and procedures that will be operated in the future; this project has commenced and remains in progress.
- Staff Changes; the team has undergone some staff changes and a restructure will be carried out during 2016/17.
- There are some historic balances remaining on the suspense accounts. The balances remaining are not material due to work that has been undertaken to clear these accounts.
- Debt collection procedures have not yet been fully implemented.

Type of audit: Full System

Assurance: Moderate

Report issued: 29th April 2016

Cash, Ledger and Bank Reconciliation

The review found generally a sound system of internal control in place with the following areas of the system working well:

- Access to the system is restricted and users are only able to view elements within the system that are job related
- The system workflow for processing journals has been set up in such a manner to ensure a separation of duties is in existence and access is only available to members of the Finance Service
- The system has the capability to record a full audit trail to easily identify the reasoning for all journal transactions
- The VAT returns are submitted accurately and in a timely manner
- The Finance Service has provided officers with training and details are available to all staff on the intranet regarding the correct codes to use to prevent the likelihood of miscoding occurring
- The system is regularly and securely backed up

The review found the following areas of the system where controls could be strengthened:

- Updating of financial regulations
- Reconciliation processes need to be controlled centrally to ensure timely completion
- Post review of actions taken to gauge their success

Further work is being undertaken by management in the following areas:

- The updating of the Financial Regulations; this project has commenced but remains in progress.
- An internal audit critical review on the reconciliation processes. As at 10th February 2016 following the completed reconciliation processes review it was agreed that the frequency and completeness of reconciliations will require centralised monitoring to ensure these are kept to a satisfactory standard, and to take timely action on any issues identified.

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Type of audit: Full System
Assurance: Significant
Report issued: 8th June 2016

Consultancy and Agency

The review found inconsistent application of controls in some of the areas reviewed, however, the following areas of the system were working well:

- The Matrix contact when used is protecting the Council from contractual risk
- Consultancy appointments that are procured using the councils procurement procedures are transparent

The review found the following areas of the system where controls could be strengthened:

- Procurement of Agency staff outside of the matrix contact is not monitored adequately or in a structured format
- Procurement rules are not always followed when securing external support
- There are not always clear justification as to the use of agency staff
- Non Matrix agency staff do not have uniform contracts that protect the interests of the Council

Type of audit: Full System
Assurance: Limited
Report issued: 13th June 2016

Audit understands that a number of actions are being implemented following recommendations from this Committee in relation to external consultancy and officers are working with managers to improve procurement awareness to ensure that the Internal Audit recommendations are implemented.

Three audits are progressing through the final clearance stages include System Administration, Website Security and Payroll and will be reported in summary form when finalised.

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
2015/2016	
Council Tax	Significant
NNDR	Significant
Housing Benefits and Council Tax Support	Significant
Creditors	Significant
Debtors	Significant
Cash, Ledger and Bank Reconciliation	Significant

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Consultancy and Agency	Limited
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Worcestershire Regulatory Services, s106's, Community Services CCTV, Mapping Interfaces to the Ledger and Environmental Services Income Streams were completed as 'critical review' audits and Performance Management Framework was deferred due to changing environment in regard to the dash board and overall performance monitoring.

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 July 2016 a total of 61 days had been delivered against a target of 230 days for 2016/17.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 24th March 2016 for 2016/17.

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 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
- 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 extraction and uploading to enable matches to be

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reported. The initiative is over seen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to the investigative exercise in Bromsgrove District Council.

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 2016/17 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 Head of Internal Audit Shared Service 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

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| Appendix | 1 ~ Internal Audit Plan delivery 2016/17 |
| Appendix | 2 ~ Key performance indicators 2016/17 |
| Appendix | 3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports |
| Appendix | 4 ~ Follow up summary |

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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 2016/17
1st April 2016 to 31st July 2016

Audit Area	2016/17 Total Planned Days	Forecasted days to the 30th September 2016	Days Used to the 31st July 2016
Core Financial Systems (see note 1)	71	10	2
Corporate Audits	5	5	3
Other Systems Audits (see note 2)	118	82	43
TOTAL	194	97	48
Audit Management Meetings	15	8	7
Corporate Meetings / Reading	5	3	3
Annual Plans and Reports	8	4	2
Audit Committee support	8	4	1
Other chargeable (see note 3)	0	0	0
TOTAL	36	19	13
TOTAL	230	126	61

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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APPENDIX 2

KEY PERFORMANCE INDICATORS 2016/17

Key Performance Indicators (KPIs) for 01st April 2016 to 31st July 2016.

The success or otherwise of the Internal Audit Shared Service will be measured against the following key performance indicators for 2016/17.

	PI	Trend requirement	2015/16 Year End position	2016/17 (to 31st July 2016)	Frequency of Reporting
1	No. of customers who assess the service as 'excellent'	Upward	2 (2x 'good')	No returns to date	Quarterly
2	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered = 21	Target = 14 (minimum) Delivered = 2 Draft reports	Quarterly
3	Percentage of plan delivered	100% of the agreed annual plan	98%	26%	Quarterly
4	Service Productivity	Positive direction year on year (Annual target 74%)	81%	*56%	Quarterly

*Service productivity is down due to the arrival of three new auditors in the first quarter. This will increase as the year progresses and they settle in.

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

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APPENDIX 3

Definition of Audit Opinion Levels of Assurance

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
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>

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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: Council Tax					
Assurance: Significant					
1	Medium	<p><u>New Properties</u></p> <p>The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for Council Tax is not documented.</p> <p>There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.</p>	<p>Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to reputation damage.</p>	<p>The procedure for updating and reviewing new housing developments to be documented by the Revenues Team to ensure consistent management of the process.</p> <p>To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.</p>	<p>Management Response: Agreed. To review in line with the implementation of a new joint Revenues system.</p> <p>Agreed. To review in line with the implementation of a new joint Revenues system.</p> <p>New properties will be created as skeleton properties within the Civica system and monitored on rolling review.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: December 2016</p>
2	Medium	<p><u>Discount/ Exemption Reviews</u></p> <p>From a random sample of 30 discounts/ exemptions reviewed during the audit, 2 had not been subject to recent and timely review.</p> <p>There is no formal review program for routinely assessing entitlement to reliefs and exemptions although this is currently being developed, likely implementation during 2016/17.</p>	<p>Failure to charge properties the correct rate, resulting in cash flow implications or reputational damage</p>	<p>To implement a program of review, to ensure all types of discount/ exemption are periodically checked to confirm entitlement.</p>	<p>Management Response: Timetable for reviews of discounts and exemptions to be set in place ensuring all discounts, exemptions are taken through review over recommended periods.</p> <p>Reviews will consist of postal, e-reviews, desktop verification of entitlement and visit to property as appropriate.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date:</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
3	Medium	<p><u>Recovery of Arrears</u></p> <p>Further action has not been taken in a timely manner on 8 of a 30 case sample of arrears, either by means of additional recovery actions or to be considered for write-off. For example 4 cases were returned from the bailiffs in 2013, and 1 other case was returned to the authority in 2004 due to an inability to reclaim the monies, but there is no information present that identifies further action has been taken.</p>	<p>Failure to recover monies due in a timely manner, potentially resulting in financial loss, incorrect financial statements and reputational damage.</p>	<p>To review all outstanding cases, and to decide appropriate actions based on the information evidence held, e.g. additional recovery action or consideration for formal write-off if the monies cannot be reasonably recovered and all avenues of enquiry have been tried. Justification of action taken to be clearly recorded against the account.</p>	<p>June 2016</p> <p>Management Response: Agreed. Staff to be reminded to record all actions taken.</p> <p>Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: June 2016</p>
Audit: NNDR					
Assurance: Significant					
1	Medium	<p><u>Reliefs/ Refunds – Evidence Documentation</u></p> <p>From a sample of 15 reliefs and exemptions, 2 did not have sufficient documentation to either evidence application for the reduction, or show evidence of a recent review to re-confirm the eligibility of these reductions which have been auto-renewed in subsequent years.</p> <p>Of a sample of 24 randomly selected refunds, evidence for 2 was not on file to identify why the refunds had been given, or that they had been requested by the customer.</p>	<p>Failure to effectively evidence reductions to rate bills or refunded payments, resulting in reputational damage should they be challenged, or financial loss if incorrectly assigned.</p>	<p>Staff to be reminded to include documented evidence of all decision making processes in regard to reliefs and refunds.</p> <p>Reviews of reliefs/ exemptions should be undertaken periodically to ensure eligibility and timely intervention should there no longer be eligibility.</p>	<p>Management Response: Agreed. Staff to be reminded to record all actions taken.</p> <p>Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p> <p>Responsible Manager: Revenues Service Manager</p> <p>Implementation date: June 2016</p>
2	Medium	<p><u>Recovery</u></p> <p>Of a sample of 20 randomly selected accounts in arrears, there are issues regarding 5 of these, including lack of sufficient evidence on file to identify sufficient recovery action is taking</p>	<p>Failure to effectively recover monies owed to the authority, resulting in financial loss and reputational damage to</p>	<p>Long-term debts to be reviewed to ensure appropriate recovery action has been undertaken. Consideration to be given for writing off long-term outstanding debts with clear justification notes attached to the account to show all avenues have</p>	<p>Management Response: Implementation of quality check module for revenues allows targeted review of actions taken and errors or absence of sufficient information is referred back to team for correction.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		place. In addition, there is currently no formal performance review of actions taken by the bailiff company responsible for collecting the authority's debts, to ensure actions have been taken in accordance with the contract, and whether the Council has since obtained any further information that would assist a continued review by the bailiff.	the authority.	been tried. Accounts returned from bailiffs to be formally reviewed to determine if bailiff performance has been in line with contract requirements, and whether any further action can be taken.	Responsible Manager: Revenues Service Manager Implementation date: December 2016
3	Medium	<u>New Properties</u> The process for ensuring all new developments are notified to the Valuation Office in a timely manner and updated on the Revenues system for NNDR is not documented. There is also no formal process in place for requesting information from private firms responsible for monitoring new developments, to confirm completion of new properties and to ensure these newly completed properties have been recognised on the Revenues systems for timely and accurate charging. At present, periodic confirmation is only received by the North Worcestershire Building Control team.	Delayed information exchange resulting in cash flow delays brought about by untimely billing and back billing potentially leading to reputation damage.	The procedure for updating and reviewing new housing developments to be documented by the Revenues Team to ensure consistent management of the process. To consider implementing a process whereby information is regularly requested from third parties regarding new property developments which are not controlled by the North Worcestershire Building Control Team.	Management Response: Agreed. To review in line with the implementation of a new joint Revenues system. New properties will be created as skeleton properties within the Civica system and monitored on rolling review. Responsible Manager: Revenues Service Manager Implementation date: December 2016
Audit: Housing Benefit and Council Tax Support					
Assurance: Significant					
1	Medium	<u>Processing Times</u> Sample testing on 'change of events' identified claims that were displaying exceptionally long processing times e.g. 226 days. Further examination confirmed that this claim together with a further 6 cases in the sample of 30 was a result	Incorrect processing times being reported leading to potential reputational damage and the potential to make management decisions on flawed	Staff need to be correctly advised/trained to ensure that system features are correctly used and processing times are reliable for performance measurement. Small sample testing to be considered to ensure that any corrective action becomes embedded and statistics can be relied on.	Management Response: Officers were not indicating on the system that the action was a reconsideration, therefore increasing the end to end times. Communication has been sent to all officers along with the guidance and will be discussed at the next team meeting. Responsible Manager:

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		of staff incorrectly using ACADEMY features, consequently, processing times were being inflated.	data.		Assistant Financial & Support Services Manager Implementation date: Completed
2	Medium	<u>Overpayment Write Offs</u> Overpayment write offs did not contain sufficient retained supporting information in Information@Work (i.e. write off request schedules) to confirm the request and the authorisation. Whilst supporting records are located in other.	Unauthorised write offs may take place leading to financial loss/loss of management trail	Full supporting evidence must be retained on Information@Work to confirm the write off requests and to maintain an effective management trail to provide justification of action if/when challenged and to show a consistent approach is followed	Management Response: Instructions and guidance issued, new procedure in place. Responsible Manager: Assistant Financial & Support Services Manager Implementation date: 31 st March 2016
3	Medium	<u>Back Dated Decisions</u> Back dated Award decision schedules were not completed in two cases which represented 20% of the sample.	Management trail not maintained leading to inconsistent approach in making awards which could lead to challenge and reputational damage.	The Back dated Award decision schedule must be completed to confirm 'good cause' is demonstrated and a consistent approach is applied.	Management Response: Instructions and guidance issued, new procedure in place Responsible Manager: Assistant Financial & Support Services Manager Implementation date: 31 st March 2016
Audit: Creditors					
Assurance: Significant					
1	Medium	<u>Budgetary control</u> A sample of 30 paid invoices were selected and vouched to purchase orders. Testing identified that in 6 cases out of the 30 (20%) the orders has been raised after the invoice had been received.	Financial loss as there is the potential for budgets to be overspent if goods ordered have not been committed on the finance system against the appropriate budget.	The Creditors Payments Team to continue to return invoices to suppliers that do not state a purchase order number on them. If there are allowable exceptions to the rules these need to be formally agreed and placed on the Orb. Services to be reminded of the importance of raising orders prior to the ordering of goods/services and the Creditors Payments Team to work with those services that continue to not conform on a one to one basis. This will mitigate the risk of any likelihood of budgets being exceeded.	Responsible Manager: Financial Services Manager The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may result in changes to the recommendations which will be discussed with internal audit. Implementation date: July 2016

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
2	Medium	<p><u>Goods receipting</u></p> <p>The Efin system does not allow the invoice to be paid unless it has been matched to the order and the goods have been receipted.</p> <p>A sample of 30 paid invoices found that in 11 transactions the Goods Received Note was dated later than the invoice date. In 5 of these transactions the result was late payment of the invoice.</p>	Loss of efficiency savings if resources are being used in one area that could be adding value in another.	To investigate the parameters of the system to see if non -receipting of goods via the Goods Received Note workflow emails could be escalated to another officer if no action is taken within a set timeframe.	<p>Responsible Manager:</p> <p>Payments Officer / Financial Services Manager</p> <p>The team are currently undergoing a complete review of the system to include an assessment of the functionality of the system. This may result in changes to the recommendations which will be discussed with internal audit.</p> <p>Implementation date:</p> <p>July 2016</p>
Audit: Debtors					
Assurance: Significant					
1	Medium	<p><u>Credit Notes</u></p> <p>Testing of 10 credit notes found that 9 of the credit notes reviewed did not have an accompanying credit note request form or email to support and justify why a credit note was requested.</p>	Potential financial loss if credit notes are raised to write off a valid debt, and, the potential to understate the true debt figure.	<p>If possible within the system parameters the Credit Note request to be attached to the relevant Debtors file on the system.</p> <p>As a minimum the request to be retained in a manual or electronic file to ensure that a full audit trail is maintained.</p> <p>Access rights in relation to the raising of credit notes to be reviewed to ensure that they are appropriate.</p> <p>Consistent procedures to be applied by all those with access to raise credit notes.</p>	<p>Responsible Manager:</p> <p>Income Team Leader</p> <p>Implementation date:</p> <p>Procedure to be agreed and relevant staff training on process by 31.7.16</p>
Audit: Cash, Ledger and Bank Reconciliation					
Assurance:					
1	Medium	<p><u>Corrections of Miscodings</u></p> <p>Although the finance team has provided information to managers to reduce the number of coding errors there is currently no monitoring to see if this has added value and that the</p>	Financial costs and lack of efficiencies if the resource invested has not resulted in a reduction of coding	Benchmarking of coding errors pre and post the initiatives undertaken by the Finance Section to be used to evaluate if the invested resource time has resulted in future savings and has added value.	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>An ideal time to compare the number of</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		number of errors has reduced.	errors.		journals processed would be August – October after final accounts). A calculation of the number of journals in this period in 2015 will be compared with the same period in 2016 to identify any reductions in numbers of journals. December 2016
Audit: Consultancy and Agency					
Assurance: Limited					
1	High	<u>MATRIX</u> The Council has a framework agreement with 'MATRIX' an organisation that is used for the provision of agency staff. With recruitment of agency staff also taking place outside of the "neutral vendor" arrangement with MATRIX there is no one system that currently captures all Council commitments on Agency staff.	Failure to realise the overall scale of the expenditure across the Council , the extent of the Council's dependency on Agency staff and the value for money of staffing services via temporary contracts, particularly in relation to Council financial constraints.	To review the current contract with 'Matrix' to ensure that the Council is receiving the service in line with the original agreement. That any use of agency staff outside of the 'matrix' contract is fully justified prior to the appointment taking place.	Responsible Manager: Human Resources and Development Manager Contract with Matrix is up for renewal in December 2016 Implementation date: October 2016
2	High	<u>Procurement Procedures</u> The Council's Contract Procedure Rules do not make it clear that they apply to the recruitment of temporary staff (Agency and Consultancy) therefore some recruitment has been outside of these rules. For those Agency staff hired outside of the Matrix framework agreement no formal contracts have been entered into.	Failure to procure competitively or secure appropriate terms of business resulting in financial loss to the Council Also, the potential of litigation in regard to breaching EU thresholds resulting in financial penalty and reputation damage.	Procurement procedures to be updated to specifically include the recruitment of Agency and Consultancy staff. All Officers to be made aware of the necessity to comply with the procedures and the potential implications if they do not	Work has already begun in relation to the procurement of a particular type of consultant support. A framework contract is currently being put together for specialist areas of work that consultants have been used for. Training with the procurement manager continues and the procurement rules are currently being updated. Responsible Manager: Financial Services Manager Implementation date: July 2016
3	Medium	<u>Post transformation review of</u>			One of the services areas that has undergone

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p><u>Agency/consultancy reliance</u></p> <p>There has been significant staff and establishment planning at Service level to define new structures and staffing complements and to build staffing resilience.</p> <p>These Plans provide a current baseline and justification for the staff required to run each service going forward.</p> <p>Outcomes/deliverables have not been set to monitor the required reduction in agency staff/contractors post implementation.</p>	<p>Loss of service with inability to meet client demands. Poor value for money in having to continue to employ Agency staff.</p>	<p>Outcomes/deliverables to be set for the reduction in the use of Agency staff/Contractors. These outcomes to be monitored to ensure that once the new structure has been implemented there is a reduction in the reliance on/ costs of agency staff to ensure that the Council is realising its savings.</p> <p>Going forward there needs to be clear justification for any prolonged use of Agency staff/contractors.</p>	<p>transformation has ended all long term Agency contracts and is now working with Agencies to hire the right quality of staff or is recruiting on short term contracts.</p> <p>Use of consultants will be reported to management team on a quarterly basis.</p> <p>Responsible Manager:</p> <p>Executive Director – Finance and Resources</p> <p>Implementation date:</p> <p>July 2016</p>
4	Medium	<p><u>Obtaining evidence of professional indemnity insurance</u></p> <p>For those agency staff that are employed outside of the Matrix framework agreement there is no standard form of contract to ensure that the Council is indemnified against loss.</p>	<p>The Council would be financially liable if a claim was made.</p>	<p>For those instances where agreement has been obtained not to use 'Matrix' for the provision of agency staff then a standard contract is to be used to ensure the Council is fully covered against claims and loss resulting from the work of the contractor.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager (via Procurement)</p> <p>Implementation date:</p> <p>June 2016</p>
5	Medium	<p><u>Processing of invoices</u></p> <p>The processing of invoices for Agency Staff payments outside of the MATRIX agreements relies on submission of individual timesheets and in some cases mileage logs to the Council for certification that these reflect hours actually worked. Testing highlighted a small number of minor problems with this process with errors in some timesheets that had been approved, missing timesheets, illegible signatures from certifying officers and failure to provide a breakdown or log</p>	<p>Risk of erroneous or fraudulent claims being processed without detection, resulting in financial loss to the Council.</p>	<p>Update the guidance on the supporting information required from recruitment agencies submitting invoices for payment.</p> <p>Management spot checks to be carried out on a small sample of claims for compliance against this.</p>	<p>Responsible Manager:</p> <p>Financial Services Manager</p> <p>Implementation date:</p> <p>July 2016</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		of actual hours worked or journeys undertaken by the Agency worker.			
end					

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. Exceptions will be reported to the Committee where appropriate.

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 quarters 3 and 4.

Follow Up Assurance:

In summary:

- 2013/14 audit recommendations have been implemented with final checks against the one remaining review;
- the majority 2014/15 recommendations have been implemented with those remaining monitored and current progress reported for information;
- some of the 2015/16 recommendations have been implemented with the others either in progress or awaiting follow up.

There are no exceptions to report.

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<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 Follow Up</u>	<u>3rd Follow Up</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							
ICT	2 nd 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/ ongoing (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 as part of the 2015/16 review. Review remains on going.	Feb 2016 - Awaiting confirmation that D.P is happy with report (27/04/16 AR) The follow up in April 2016 found that out of the 2 recommendations; 1 relating to the written procedures of disposals of ICT equipment has been implemented. 1 relating to the implementing of the new asset management module is still in progress. A follow up will take place in Oct 2016.
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	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and	

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					are in progress. Given the impending completion date it would not be appropriate to follow the recommendations up until July 2015.	the 1 'high' priority recommendation and the other 'medium priority recommendation in relation to training and terms of reference are in progress. Workshops are to be introduced first half of 2016.	
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	Followed up November 15 the 1 'medium' priority recommendation has been implemented and no further follow ups are required.		
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 being organised.		
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.	Being picked up as part of the 2015/16 review currently taking place.	Follow up undertaken and is awaiting management response.	

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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.	Follow up in March 16 found that the 2 'medium' priority recommendations had been implemented and no further follow-ups are required.		
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	With management awaiting sign off.		
Safeguarding	4th February 2016	Human Resources Manager	Significant	3 'medium' priority recommendations; training course monitoring, staff vetting and case records.	Aug-16		
Corporate Governance – AGS	22th February 2016	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of AGS, review of terminology and circulation of document	Aug-16		
Allotments	04th February 2016	Head of Leisure and Cultural Services	Significant	1 'medium' priority recommendation in relation to Maintenance of records	1 'medium' priority recommendation in relation to maintenance of records has been implemented. No further follow ups are required.		
S106s Planning obligations	08th February 2016	Head of Planning and Regeneration, Financial Services Manager, Principal Solicitor	Critical review	Challenge points and good practice in relation to Committee Reporting, Policies/Procedures, Waste Services Contributions, Project	Sep-16		

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				Contribution areas, Central Finance Spreadsheet, Withdrawn Planning Applications, Online Publication and Retention and Income Management			
CCTV	31th March 2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Sep-16		
Accounts Reconciliations	31th March 2016	Executive Director - Finance and Resources and Financial Services Manager	Critical Review	Challenge points and good practice in relation to Frequency and Training, Procedure Notes, Responsibilities and the Saffron System	Sep-16		
Consultancy and Agency	13th June 2016	Corporate and Senior Management Team	Limited	2 'high' and 3 'medium' priority recommendations in relation to Matrix, Procurement procedures, Post transformation reviews, professional indemnity Insurance and accuracy of invoices received.	Dec-16		
Regulatory	08th June 2016	Head of Regulatory Services	Critical Review	Time recording challenges in relation to Systems Specification, Policies & Guidance, Coding Structure, Fee Earners, Performance Measurement and Database Accuracy.	Progress meeting planned for Dec16		
end							