

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

THE 2017/18 PROVISIONAL INTERNAL AUDIT PLAN REPORT OF THE HEAD OF 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 Bromsgrove District Council Internal Audit Provisional Operational Plan for 2017/18
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2017/18

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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

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”.

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 2017/18, 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 and the results of an

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

independent risk assessment by Internal Audit using an internal audit universe. Discussions with the s151 Officer and Corporate Management Team(CMT) will be taking place to further refine the plan prior to its approval in March 2017 to ensure the key risks are adequately covered.

By bringing a provisional plan of work before the Audit, Standards and Governance Committee in December 2016 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 2017/18 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 prior to approval, and, 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 2017/18 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 Head of 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 remains the same number of days as being delivered during 2016/17.

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 the reviews will continue to 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 2017/18 is set out at Appendix 1.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2017/18 will be closely monitored by the Head of 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 ~ Provisional Internal Audit Plan 2017/18
Appendix 2 ~ Key performance indicators 2017/18

6. BACKGROUND PAPERS

None

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

7. KEY

N/a

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BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

APPENDIX 1

PROVISIONAL INTERNAL AUDIT PLAN FOR BROMSGROVE DISTRICT COUNCIL
2017/18

Audit Area	Actual Days 2016/17	Planned Days 2017/18	Difference = + or -	Proposed 1/4 for delivery
Core Financial Systems				
Benefits	15	15	0	Q3
NDR	12	12	0	Q3
Council Tax	12	12	0	Q3
Cash, General Ledger, Budget Control & Bank Reconciliations	10	10	0	Q3
Treasury Management	7	7	0	Q3
Creditors	8	8	0	Q3
Debtors	7	7	0	Q3
Asset Management	0	0	0	
Sub Total	71	71	0	
			0	
Corporate			0	
Risk Management	5	5	0	Q4
Sub Total	5	5	0	
			0	
Other Systems Audits			0	
Human resources	10	0	-10	
Parkside	9	0	-9	
Customer Services	9	0	-9	
Bereavement Services	8	0	-8	
Insurance	5	0	-5	
			0	
Worcestershire Regulatory Services	14	14	0	Q4

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

Audit Area	Actual Days 2016/17	Planned Days 2017/18	Difference = + or -	Proposed 1/4 for delivery
Planning & Regeneration		9	9	Q1
Housing	10	11	1	Q1
Community Services		9	9	Q2
Environmental		12	12	Q1
Leisure & Culture		0	0	
Legal Equalities and Democratic		9	9	Q2
ICT	8	8	0	Q4
<i>Examples of potential areas for inclusion:</i>				
<i>Land Charges</i>				
<i>Disabled Facility Grants (DFG's)</i>				
<i>Waste Management</i>				
<i>Elections</i>				
<i>Statutory Compliance (Hsg)</i>				
Sub Total	73	72	-1	
Completion of Prior Year's work	8	8	0	
Statement of Internal Control	3	3	0	
Follow Up on recommendations	10	10	0	
Fraud and Special Investigations	12	12	0	
Advisory / Consultancy / Contingency	12	13	1	
Sub Total	45	46	1	
	194	194	0	
Audit Management Meetings	15	15		
Corporate Meetings / Reading	5	5		
Annual Plans and Reports	8	8		
Audit Committee support	8	8		
	36	36	0	
Overall Total	230	230	0	

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

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.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 8th DECEMBER 2016

APPENDIX 2

Performance against Key Performance Indicators 2017-2018

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2017/18. Other key performance indicators link to overall governance requirements of Bromsgrove District Council e.g. KPI 4. The position will be reported on a cumulative basis throughout the year.

	KPI	Trend/Target requirement	2017/18 Position (as at XXXXXXX)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13 Delivered = XX	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	XX	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	XX	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	XX	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	XX	When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	XX	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	XX	When Audit Committee convene

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