

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 30<sup>th</sup> MARCH 2017

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**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

**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 01<sup>st</sup> April 2016 to 28<sup>th</sup> February 2017 against the performance indicators agreed for the service.

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AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (8<sup>th</sup> December 2016):

#### **3.5 2016/17 AUDIT SUMMARY UPDATES AS AT 28<sup>th</sup> FEBRUARY 2017:**

##### **Human Resources Training & Development**

The review found the following areas of the system were working well:

- Some services are in the process of piloting a skills matrix approach and have produced skills and knowledge profiles for posts within their area. However, there is currently no corporate level skills matrix.
- The Organisational Development Manager's Forum Sub Group is currently considering methods of linkage between skills gap identification processes and the recruitment and selection procedures to facilitate the recruitment of the skills not currently available within the workforce, or the redeployment of existing staff with the required skills if appropriate.
- Processes are in place for the evaluation of the benefits of training through the completion of course evaluation forms.
- Arrangements are in place for the induction of newly elected Members;
- Processes are in place to identify Member training and development needs on an on-going basis.
- A Member Development Plan has been developed and includes areas of training and briefings for Members including any mandatory training requirements.

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

- Learning and Development strategy.
- Corporate induction procedure.
- Identification of training needs and evaluation of performance of employees.
- Corporate training plan for 2016-17.
- Accuracy of training records held at service and corporate level.
- Training records relating to mandatory training.
- Provision of refresher training.

Type of audit: Full System

Assurance: Moderate

Report issued: 30<sup>th</sup> December 2016

##### **Debtors**

The review found the following areas of the system were working well:

- There has been strong movement forward in cleansing from the migration of systems
- Suspense account is being monitored and cleared on a regular basis
- The general provision of invoicing and reclaiming debt is working well.
- Write offs are being raised and authorised appropriately.

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- Stop lists are being regularly monitored and reported back to the appropriate services
- Suppressions are being monitored
- There is regular and timely reporting back to the services.

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

- Ensuring notes are entered on the system to back up and give transactions meaning
- More descriptive recording of monitoring information

Type of audit: Full System

Assurance: Significant

Report issued: 13<sup>th</sup> December 2016

**Treasury Management**

The review found the following areas of the system were working well:

- Treasury Management is undertaken in line with Statutory and internal procedures;
- All monies not immediately required by the Council are invested prudently.
- Interest is being received on a timely basis.

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

- The audit trail for all transactions is not always complete in regards to internal transactions.
- Transactions are not always recorded on the General Ledger on a timely basis.
- Formalising the quarterly reconciliation.
- Use of transaction document, specifically the confirmation box and if the document is still fit for purpose.

There were no 'high' or 'medium' priority recommendations.

Type of audit: Full System

Assurance: Significant

Report issued: 13<sup>th</sup> December 2016

**Cash Receipting/Collection**

The review found the following areas of the system were working well:

- Customers were receiving an efficient transaction and a receipt at the end of their transaction.
- Procedures and practises are generally followed with regard to the safety and security of cash

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- Cash and cheques being credited timely to the bank
- The cash receipting suspense account is being reviewed regularly and cleared where possible.
- Procedural controls were followed with regards to collection of cash by G4S
- Systems access reflect the position and requirements of the cashier for service delivery
- Monitoring was being carried out by the Team Leader.

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

- Ensuring cash bags are sealed for every till and the end of every day
- Complete cash up is done at the end of the days takings

Type of audit: Full System

Assurance: Significant

Report issued: 3<sup>rd</sup> January 2017

#### Insurance

A comparative review was completed to provide Management with an insight of insurance procedures among partner Councils, therefore no audit opinion has been provided. Benchmarking of insurance procedures was completed using statements to outline the process of insurance claim management.

Audit testing showed that Insurance claim procedures in the main were similar across the Council's with differences occurring due to the nature and number of claims each Council manage. One significant difference between Council's was found in Redditch Borough Council where an annual Admin and Claim Handling Fee is currently paid. Investigation identified that the Admin and Claim Handling Fee is included within the premium where the excess is £10,000 or below whereas anything above £10,000 would incur an Admin and Claim Handling Fee. In addition, due to the excess being above £10,000, Redditch Borough Council pay claims directly to the claimant unlike the others who are invoiced by Zurich Municipal whom pay the claims on the Councils' behalf.

Type of audit: Comparative Full System Audit

Assurance: N/A

Report issued: 17<sup>th</sup> February 2017

#### General Ledger, Budget Control & Bank Reconciliations

The review found the following areas of the system were working well:

- Reconciliations generally are being carried out in a timely manner and any issues are being investigated and rectified;
- Bank reconciliation administration is printed and authorised on a monthly basis;
- VAT returns are accurately being carried out and done monthly as required;

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- Third party payments are inline with statutory requirements and balance with the ledger;
- There is a clear process of journals through the system which gives an audit trail and there is separation of responsibility;
- There is cultural view within the team to move forward and improve how things are done;
- Budgets are being monitored by the accountants and investigated where there are issues;
- Reports and information is being sent out and provided for the services and individual managers;
- Suspense account is monitored and clear.

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

- The virement process needs to be formalised.
- Ownership of Budgets by Managers

Type of audit: Full System  
Assurance: Significant  
Report issued: 6<sup>th</sup> March 2017

2015/16

Payroll

The review found the following areas of the system were working well:

- Records and documents are protected against loss or unauthorised access.
- Reconciliations

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

- Assessment of risks

There is a sound system of control in place but at the time of the audit and during the audit there was system upgrade issues and turnover of staff in relation to the Payroll Managers Post therefore a 'moderate' assurance was applied overall.

Type of audit: Full System  
Assurance: Moderate  
Report issued: 30<sup>th</sup> January 2017

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Summary of Assurance Levels:

<b><u>Audit</u></b>	<b><u>Assurance Level</u></b>
<b><u>2016/17</u></b>	
Human Resources Training and Development	Moderate
Debtors	Significant
Treasury Management	Significant
Cash Receipting/Collection	Significant
Insurance	Critical review
General Ledger, Budget Control & Bank Reconciliations	Significant
<b><u>2015/16</u></b>	
Payroll	Moderate

3.6 **2016/17 AUDITS ONGOING AS AT 28<sup>th</sup> FEBRUARY 2017**

Audits completed to draft report stage included:

- Bereavement Services
- Creditors

Audits continuing through fieldwork and clearance included:

- Procurement & Post Contract Appraisals
- Worcestershire Regulatory Services (based around flow of cheques and on payments)
- Dash Board and Performance Indicators
- Benefits
- NDR
- Council Tax
- Risk Management

The above reviews relating to Revenues and Benefits have included testing in regard to the new revenues and benefits system.

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.

Two audits from 2015/16 are progressing through the final management clearance stages include System Administration and Website Security and will be reported in summary form when finalised.

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### **3.7 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 28<sup>th</sup> February 2017 a total of 218 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 24<sup>th</sup> 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.

### **3.8 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 over view.
- 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 reported. The initiative is overseen by the Cabinet Office. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this 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.

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

### **3.9 Monitoring**

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.

### **3.10 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 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 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

## **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 1<sup>st</sup> April 2016 to 28<sup>th</sup> February 2017

Audit Area	2016/17 Total Planned Days	Forecasted days to the 31 <sup>st</sup> March 2017	Actual Days Used to the 28 <sup>th</sup> February 2017
Core Financial Systems (see note 1 & 4)	71	85	82
Corporate Audits	5	5	5
Other Systems Audits (see note 2 & 4)	118	124	103
<b>TOTAL</b>	<b>194</b>	<b>214</b>	<b>190</b>
Audit Management Meetings	15	15	15
Corporate Meetings / Reading	5	5	4
Annual Plans and Reports	8	8	5
Audit Committee support	8	8	4
Other chargeable (see note 3)	0	0	0
<b>TOTAL</b>	<b>36</b>	<b>36</b>	<b>28</b>
<b>TOTAL</b> (see note 4)	<b>230</b>	<b>250</b>	<b>218</b>

#### Notes:

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year end.

Note 2: A number of the budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters.

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

Note 4: As previously reported as part of the performance indicators Service productivity has been down due to several factors for the financial year to date. It is starting to show signs of recovery after the arrival of three new auditors in the first quarter along with a further auditor towards the end of quarter 2. Expectation is that productivity will continue to increase as they become more familiar with Partner and Service requirements but the result of the reduced productivity is that audits have taken longer to deliver resulting in an increase in the required days, as indicated above, to deliver the plan.

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**APPENDIX 2**

**KEY PERFORMANCE INDICATORS 2016/17**

**Key Performance Indicators (KPIs) for 01<sup>st</sup> April 2016 to 28<sup>th</sup> February 2017.**

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

	<b>PI</b>	<b>Trend requirement</b>	<b>2015/16 Year End position</b>	<b>2016/17 (to 28<sup>th</sup> February 2017)</b>	<b>Frequency of Reporting</b>
1	No. of customers who assess the service as 'excellent'	Upward	2 (2x 'good')	4 excellent  (8 issued with 4 returned)	Quarterly
2	No. of audits achieved during the year	Per target	Target = 15 (minimum)  Delivered = 21	Target = 14 (minimum)  Reports Delivered = 9x Finals 2x Draft	Quarterly
3	Percentage of plan delivered	100% of the agreed annual plan	98%	95%	Quarterly
4	Service Productivity	Positive direction year on year (Annual target 74%)	81%	*59%  (*as at 31 <sup>st</sup> December 2016)	Quarterly

\*Service productivity is starting to show signs of recovery after the arrival of three new auditors in the first quarter along with a further auditor towards the end of Q2. Expectation is that productivity will continue to increase as they become more familiar with Partner and Service requirements.

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**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<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>
<b>Significant Assurance</b>	<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>
<b>Moderate Assurance</b>	<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>
<b>Limited Assurance</b>	<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>
<b>No Assurance</b>	<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

<b>Priority</b>	<b>Definition</b>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<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
<b>Audit: Human Resources Training &amp; Development</b>					
<b>Assurance: Moderate</b>					
1	High	<p><b>Employee Mandatory Training</b></p> <p>Mandatory training courses have been identified but testing of training records relating to two such courses, safeguarding and data protection found that for a sample of 25 current employees only 28% (7) were recorded as having completed safeguarding awareness training in the last three years; and 60% (15) were recorded as having undertaken data protection mandatory training in the same period.</p> <p><b>Refresher Training –</b></p> <p>There are no formal procedures in place to regularly identify those employees who require refresher training for mandatory courses such as health &amp; safety, safeguarding and data protection.</p>	<p>There is the potential that staff are unaware of their role in meeting statutory duties and therefore an increased risk that these duties are not met.</p> <p>Non compliance with health and safety, data protection, safeguarding and other key policies could have significant implications for staff and / or the public and lead to reputational damage and potentially financial penalties being imposed on the Council.</p>	<p>To revisit the electronic training and policy acceptance software to deliver and record the acceptance of policies and the undertaking of required training. A system of policy awareness and training sessions to be delivered to non office based employees in support of the e-learning system.</p> <p>A monitoring process to be initiated to report on take up levels of e-courses and other sessions and refresher training to be provided on a regular basis.</p>	<p>The implementation of Chris 21 / HR21 as a Management / Recording system for training will provide accurate data on mandatory courses that have been undertaken.</p> <p><b>Responsible Manager:</b> Human Resources &amp; Development Manager</p> <p><b>Key Officer:</b> Training &amp; Development Adviser and Human Resources &amp; Development Officer</p> <p><b>Implementation date:</b> 31<sup>st</sup> March 2017</p>
2	Medium	<p><b>Purpose</b></p> <p>There are no current formal documented objectives for learning and development providing clear direction on the aims and procedures for training and development across services.</p> <p><b>Determination of approach</b></p>	<p>There is no clear direction and joined up approach to training and development across the council leading to an increased risk of gaps, duplication/waste and inconsistency in the delivery of development</p>	<p>Determination of the elements that are required to meet the training and development needs of services to be undertaken. Such elements to include skills gap analysis, training plans, Performance Development Reviews, skills matrices etc.</p> <p>The best framework for ensuring that these elements are joined up in terms of delivery,</p>	<p>A skills matrix and Systems Performance Framework have been agreed and are being rolled out over the forthcoming months. In addition an Appraisal will be introduced. Training and Development Plans will be submitted before the new financial year to enable a corporate training plan to be established.</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>There have been a number of organisational changes within the Council and Human Resources are reviewing training and development in light of the changes made.</p> <p>The Organisational Development Manager's Forum Sub Group is considering how the skills matrix approach can be developed to feed into corporate skills gap analysis, training needs analysis, service and corporate training plans, current one to one status meetings, recruitment and selection procedures and to a revised Performance Development Review system.</p>	<p>programmes potentially leading to an increased risk that employees do not have the required skills to deliver the strategic purposes of the authorities.</p>	<p>recording and analysis, whether this is via centralised or devolved framework, to then be determined.</p> <p>Clear responsibility and accountability for each element of the process to be assigned.</p> <p>The most appropriate forum to make such determination having regard to membership, mandate, timescales, reporting and recording of meetings and tracking of required actions to be agreed upon.</p>	<p>A formal Action Plan has been developed and agreed.</p> <p><b>Responsible Manager:</b> Human Resources &amp; Development Manager</p> <p><b>Key Officer:</b> Training &amp; Development Adviser and Human Resources &amp; Development Officer</p> <p><b>Implementation date:</b> 31<sup>st</sup> December 2016</p>
3	Medium	<p><b>Employee Induction</b></p> <p>Induction procedures are not formally documented.</p> <p>Tested found that there was a record of signed attendance sheets for health &amp; safety induction training for 3/10 Bromsgrove District Council in our sample of new starters selected by Internal Audit. There was record of only 3/10 Bromsgrove District Council induction checklists having been completed and four of these (two from each authority) were not fully completed in terms of being signed and dated by both the employees and the training officer.</p> <p>7/10 Bromsgrove District Council new starters in the sample were not included on the delegates listing for Health &amp; Safety induction which is the main record of Health &amp; Safety induction training.</p>	<p>Employees are not aware of key council policies including those relating to health and safety. This increases the potential risk of non compliance with these policies and could lead to breaches of statutory duty and / or to injury to council staff.</p> <p>The above increasing the risk of injury and possible death of employees and / or members of the public and associated reputational damage and possible litigation costs to the Councils.</p>	<p>A consistent programme for the induction of new employees including required mandatory training to be established.</p> <p>New employees' progress in the induction process to be monitored and any exceptions reported to the appropriate line manager. Monitoring to be undertaken to ensure that staff have completed their induction programme including the undertaking of any relevant mandatory training.</p>	<p>Work has been undertaken to develop Corporate &amp; Local Inductions, consisting of a combination of on-line and face to face approach.</p> <p>Induction to be included in development Chris 21 / HR21 / Netconsent projects.</p> <p><b>Responsible Manager:</b> Human Resources &amp; Development Manager</p> <p><b>Key Officer:</b> Training &amp; Development Adviser and Human Resources &amp; Development Officer</p> <p><b>Implementation date:</b> 31<sup>st</sup> March 2017</p>

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<b>Ref.</b>	<b>Priority</b>	<b>Finding</b>	<b>Risk</b>	<b>Recommendation</b>	<b>Management Response and Action Plan</b>
4	Medium	<p><b>Identifying Training Needs</b></p> <p>There is currently no formal consistent corporate Performance Development Review process operated by the Shared Service. Training needs analyses from those Performance Development Reviews that are undertaken are not currently being notified to Human Resources to feed into the Corporate Training Programme. A Performance Framework was in the process of being developed and trailed within services at the time of the review.</p> <p>Services develop their own service level training plans but these are not consistently forwarded to Human Resources</p> <p>Organisational Development currently meets with Heads of Service to identify any corporate training needs. However, due to a lack of response to this approach Human Resources has set up a Training Needs Survey page on the ORB for services to access and complete with training requirements.</p>	<p>Without a formal process for the monitoring of performance and the identification of training needs there is the potential for increased risk that individual performance, training and support issues are not addressed and that service training requirements are not appropriately identified and assessed.</p> <p>The above leading to an increased risk that employees do not have the required skills to meet the strategic purposes of the authorities.</p>	<p>The determination of the elements that are required to meet training and development needs to have regard to the identification of corporate training needs and how these can best be met. (please see recommendation at 1 above)</p>	<p>The Skills Matrix will enable each employee to be assessed against the skills required for their role and identify any training needs that may be required.</p> <p>Chris 21 / HR21 as a Management / Recording system will be used to record training required and undertaken.</p> <p><b>Responsible Manager:</b> Human Resources &amp; Development Manager</p> <p><b>Key Officer:</b> Training &amp; Development Adviser and Human Resources &amp; Development Officer</p> <p><b>Implementation date:</b> 31st March 2017</p>
<b>Audit: Debtors</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b>System Notes</b></p> <p>Testing has found that notes are not always being applied where there should be reasoning given to the transaction</p> <p>2 out of 10 testing on Refunds for Bromsgrove had no notes on the</p>	<p>There is potential for the misuse of the system thus compromising the data integrity, and credible audit trail as to why a refund or credit has been carried out</p>	<p>Re-emphasise that notes are applied in all circumstances to all processes of refunds and credits to provide clarity and transparency.</p>	<p><b>Responsible Manager:</b> Income Team Leader</p> <p><b>Implementation date:</b> December 2016</p> <p>This has already been reiterated to staff and this will be followed up through Team Meetings.</p>



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<b>Ref.</b>	<b>Priority</b>	<b>Finding</b>	<b>Risk</b>	<b>Recommendation</b>	<b>Management Response and Action Plan</b>
		<p>system to explain the reason for the refund.</p> <p>2 out of 10 on credit notes/reversals for Bromsgrove had no notes to explain.</p>	<p>leading to potential challenge and a lack of confidence and transparency in the system.</p>		
<b>Audit: Cash Receipting &amp; Collection</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b><u>Bagging up of Cash and Cheques</u></b> At Parkside Cash Office security bags are not sealed on a daily basis and remain unsealed until the day of collection. The same bags are therefore used for multiple days' collection of cash and cheques and remain unsealed in the safe overnight.</p> <p><b><u>Cash Limits</u></b> During Audit testing it was observed that 3 days takings were included within a single security bag for collection by the cash collection contractor. This could lead to amounts being collected over the £20,000 limit set by the contractor.</p> <p><b><u>Parkside Cashing Up</u></b> The till is being reopened after cashing up before 5pm, so further transactions are being taken that day. This leads to the day's transaction record on the CIVICA financials not to correspond to the actual days takings. Any money taken after cashing up is kept separately overnight.</p>	<p>Inadequate audit trail for daily cash and cheques collected leading to a lack of accountability and heightened suspicion in terms of any monies mislaid or lost between collections.</p> <p>Risk of breaching the insurance base the cash collection contractor can carry between the location and collection van leading to possible uninsured financial loss to the Council and breach of contract.</p> <p>Compromised balancing of financial systems to the actual amounts banked on days when cash is taken post cashing up potentially leading to an increased risk of irregularity in amounts collected and banked not being identified and investigated.</p>	<p>Each till and each day to have its own individual security bag sealed at the end of cashing up for that day.</p> <p>The cashing up process is not to be fully committed until the till is closed for the day.</p>	<p><b>Responsible Manager:</b> Customer Support Manager</p> <p><b>Implementation date:</b> 15<sup>th</sup> January 2017</p> <p>Procedure for change to cash bags to be adopted as in Redditch.</p> <p>All staff to be advised of change – Senior Customer Support Officer</p> <p>Management regular check's to be in put in place – Senior Customer Support Officer</p> <p>New procedure to be put in place – Senior Customer Support Officer. By January 15<sup>th</sup></p> <p>All staff to be advised of the change and manager checks to be carried out weekly - Senior Customer Support Officer. By 15<sup>th</sup> January 2017</p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
			Further potential risk of uncashed up money being left in the till overnight not within a sealed bag in the safe potentially leading to increased risk of financial loss.		
<b>Audit: General Ledger, Budget Control &amp; Bank Reconciliations</b>					
<b>Assurance: Significant</b>					
1	Medium	<p><b><u>Virements</u></b></p> <p>The administration and posting of virements is inconsistent and unsupported by reasoning in a majority of cases e.g. no descriptive narrative, or no supporting documentation. There is also very little trace of who has authorised the virement.</p>	<p>Inconsistent process across the department, potential risk to virements being carried out without clear authorisation and reasoning leading to potential complication and misuse of budgets and potentially reputational damage</p>	<p>To undertake a review of the whole process of virements and issue guidance that is clear for all relevant officers to follow.</p>	<p><b>Responsible Manager:</b> Financial Services Manager</p> <p><b>Implementation date:</b> 31.8.17</p> <p>There is a new set of Financial Regulations due to be presented to Members during early 2017/18. Full training on these will be given to Finance staff and Budgets Managers to ensure the process is clear.</p> <p>The General Ledger will be used for final authorisation with Business Support Accountants ensuring the appropriate paperwork has been completed in advance.</p>
2	Medium	<p><b><u>Budget Monitoring</u></b></p> <p>Budget holders are still heavily reliant on the finance officer to update figures with manual changes during quarterly review meetings. This is a very time consuming process for the</p>	<p>Time taken up by finance team when they could be doing other finance tasks. Risk of not enough</p>	<p>The implementation of the collaborative planning system for budget monitoring to be used as a platform to clearly outline the expectations and roles and responsibilities of Accountancy and the budget holders in relation to budget monitoring.</p>	<p><b>Responsible Manager:</b> Financial Services Manager</p> <p><b>Implementation date:</b></p>

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Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		accountants to get the figures right for the quarterly budget monitoring process.	responsibility being taken by the Managers to ensure strict monitoring leading to possible wastage of budget expenditure and miscoding of items causing more work for the finance team and possible inaccuracies for end of year.		30/9/2017 (quarter 2 monitoring)  As part of Collaborative Planning all budget holders are receiving full training on using the system and budget monitoring.
<b>Audit: 2015/16 Payroll</b>					
<b>Assurance: Moderate</b>					
1	Medium	<p><b>Assessing of Risks</b></p> <p>The Payroll section has experienced a high turnover of Managers over the last 12 months along with issues regarding the upgrade of the system.</p> <p>However there is a risk relating to this recorded on the 4risk system but only as a low risk.</p>	Potential for reputation damage and financial loss if an accurate payroll run cannot be undertaken to meet payroll deadlines.	<p>The risks associated with the payroll section staff turnover and the reliability of the payroll system be reassessed and updated on the 4risk system along with any associated mitigation and action plans.</p> <p>The risk assessment to consider the robustness of any business continuity plans.</p>	<p><b>Responsible Manager:</b></p> <p>Financial Services Manager</p> <p><b>Implementation date:</b></p> <p>30<sup>th</sup> April 2017</p>
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. 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 recommendations have been implemented with the one remaining monitored and current progress reported for information;
- 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;
- the 2016/17 recommendations have scheduled follow up in 2017.

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>2<sup>nd</sup> Follow Up</u>	<u>3<sup>rd</sup> 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	
<b>2013-14 Audits</b>							
Corporate Fraud	10th December 2014	Executive Director (Finance and Resources) and Head of Legal, Equalities and Democratic Services	Moderate	2 'medium' priority recommendations in relation to Corporate Anti Fraud Awareness, Corporate Fraud Strategy Policy and Protocol	The follow up in March 2016 found that the 2 'medium' priority recommendations were in progress awaiting approval of draft policies.	A follow up was undertaken in Dec 2016 finding the 2 medium priority recommendations remained in progress. The Anti fraud and corruption policy was due approval by committee after this follow up had occurred. The final recommendation can be implemented after approval as it refers to "reviewing the policy in a timely manner". A follow up will take place in three months time.	Further follow up March 2017
<b>2014-15 Audits</b>							
Equality and Diversity	28 <sup>th</sup> August 2014	Corporate Senior Management Team	Moderate	1 'high' and 2 'medium' priority recommendations made in relation to training, policy and terms of reference.	Followed up March 15- Policy Manager have confirmed that all recommendations are currently outstanding and not fully implemented but are in progress.	Follow up in November 2015 found that 1 'medium' priority recommendation in relation to policy has been implemented and	A follow up in September found there was one recommendation outstanding relating to the Equality and

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					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.	Diversity training. All the others have been satisfied. A further follow up will take place in 3 months time.  Follow Up 14 February 2017: Discussion with E&D Manager - induction progress is still in progress. Quotes from contractors for in house training are currently being received. Follow up to take place in June when more progress made.
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 February 2017 and is awaiting management response.	
<b>2015-16 Audits</b>							
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	A follow up was undertaken in June 2016 and found that one recommendation was implemented and one was outstanding relating to member allowances. This will be followed up in 6 months time.	A follow up was undertaken in February 2017, it found the one outstanding recommendation relating to broadband allowances has been implemented. There will be no further follow ups.	
Corporate Governance – AGS	22th February 2016	Financial Services Manager	Moderate	1 'high' priority and 3 'medium' priority recommendations; No action plan, compilation of	A follow up took in September 2016 and found 3 recommendations were in progress these related to the	Follow up undertaken February 2017. Due to change of Financial Service Manager, the	1st June 2017

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				AGS, review of terminology and circulation of document	circulation of the AGS, action plan and the responsibility for compilation of the AGS. 1 recommendation was still to be actioned relating to a review of the AGS. A follow up will take place in four months time.	interim manager will pick up AGS as part of job. Further follow up June 2017.	
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 Contribution areas, Central Finance Spreadsheet, Withdrawn Planning Applications, Online Publication and Retention and Income Management	The follow up in September 2016 found that the service is progressing with the challenges. The follow up confirmed out of the nine challenges made Management have actioned five of them and have/are giving due consideration to the remaining ones relating to the contributions formula being updated, process to monitor amount of developers per project and uploading of S106 agreements. Further follow up planned in 6 months time.	Further follow up March 2017	
CCTV	31th March 2016	Head of Community Services	Critical review	Challenge points and good practice in relation to Training and the CCTV system.	Follow up in September 2016 found two of the challenges have been actioned but there is more progress to be made relating to access rights to CCTV and a new anti-social behaviour policy. A further follow up will take place in April 2017	Further follow up Apr 2017	
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	A follow up undertaken in October 2016 found that the service have a clear direction of travel in relation to the challenges made however one challenge relating to	A follow up undertaken in January 2017 found that the service have a clear direction of travel in relation to the challenges made	1st April 2017

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					reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.	however one challenge relating to reconciliation procedure notes still needs to be actioned therefore there will be a further follow up in 3 months time.	
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.	A follow up took place in December 2016 which found that 4 recommendations are still in progress relating to the use of Matrix, the procurement procedures, outcomes set for the use of agency staff and processing invoices. One recommendation is still to be actioned reliant on the outcome of a recommendation. A further follow up will take place in 6 months time.	Further follow up June 2017	
Regulatory Services	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.	A follow up took place in December, it found that 2 challenges had been actioned, 4 considered and 1 considered however still awaiting further action. Audit is happy with the direction of travel the service is making, a further follow up will take place in 6 months time.	Further follow up June 2017	
<b>2016-17 Audits</b>							
Housing - Statutory Duties	09/11/16	Community Services	Moderate	4 medium priority recommendations were made relating to contractual arrangements with the housing trust, license conditions,	May-17		



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				inspection visits and File accessibility.			
Customer Services	28th September 2016	Customer Services	Significant	2 medium priority recommendations were made in relation to training records and health and safety training and the formally documenting the minutes of meetings	Apr-17		
Freedom of Information	24th October 2016	Business Transformation	Significant	One medium and one low priority recommendation was made. The medium recommendation related to training on data protection. A follow up will take place in 6 months time.	Apr-17		
Human Resources Training and Development	30th December 2016	Human Resources Manager	Moderate	Business Transformation This audit report made 1 high priority recommendation relating to employee mandatory and refresher training, and 3 medium priority recommendations relating to purpose of training, employee induction and identifying training needs. A follow up will take place in 4 months time.	Apr-17		
Cash Collection	3rd January 2017	Executive Director (Finance and Resources)	Significant	The report found 1 medium priority issue relating to the bagging up of cash and cheques, cash limits and Parkside Cashing up. A follow up will take place within 6 months time.	Jul-17		

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Insurance	13th January 2017	Corporate	Critical Friend	This audit gave 3 recommendations to all 5 authorities, these related to, documentation of claims, insurance risk on risk register and admin and claim handling fee. This will be follow up in 6 months time.	Aug 17		
end							