

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

THE INTERNAL AUDIT PROGRESS REPORT OF THE HEAD OF THE INTERNAL AUDIT SHARED SERVICE ~ WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor Brian Cooper
Portfolio Holder Consulted	Yes
Relevant Head of Service	Chris Forrester, 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 2018/19 to the 31st December 2018.

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 2018 to 31st December 2018 against the performance indicators agreed for the service.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST PROGRESS REPORT (11th October 2018):

3.5 2018/19 AUDIT SUMMARY UPDATES AS AT 31st DECEMBER 2018:

Welfare Support

The Welfare Support audit was a combination of three separate reviews identified in the audit plan:

- Essential Living Fund
- Discretionary Housing Payments
- Council Tax Hardship Fund

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

- The support provided by the Financial Independence Team to the customer which provides a seamless journey for the customer.
- The award is decided based on the customer's needs.

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

- Transparency of the Welfare Budgets
- Accuracy of recorded expenditure and reporting
- Current Expenditure of the Welfare Benefits
- Record Keeping

There were 4 'medium' and 2 'low' priority recommendations reported.

Type of Audit: Full System

Assurance: Moderate

Final Report Issued: 23rd November 2018

Summary of Assurance Levels:

<u>Audit</u>	<u>Assurance Level</u>
<u>2018/19</u>	
Welfare Support (incorporating Essential Living Fund, Discretionary Housing Payments and Council Tax Hardship Fund reviews)	Moderate

3.6 2018/19 AUDITS ONGOING AS AT 31st DECEMBER 2018

The following audits were at draft report awaiting management clearance stage:

- Health and Safety
- General Data Processing Regulations
- Universal Credit
- Treasury Management

Audits progressing through fieldwork stages included:

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

- Car Parking
- Council Tax
- National Non Domestic Rates
- Housing Benefits
- Creditors
- Debtors

Audits progressing through planning stage included:

- Procurement
- Risk Management

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.

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 31st December 2018 a total of 135 days had been delivered against a target of 230 days for 2018/19.

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 15th March 2018 for 2018/19.

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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative overview.
- Investigations

3.9 National Fraud Initiative

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. Worcestershire Internal Audit Shared Service (WIASS) has a coordinating role in regard to this investigative exercise in Bromsgrove District Council. The data requirements were uploaded during October and December with any queries dealt with accordingly.

3.10 Monitoring

To ensure the delivery of the 2018/19 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. Due to changing circumstances and after consultation a small variation in the plan has been agreed on a risk priority basis with the s151 Officer e.g. shared services which was joint with Redditch Borough Council. Additional days have been used in a couple of review areas to ensure a comprehensive review was completed.

3.11 Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

3.12 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.

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

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.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

5. APPENDICES

Appendix	1 ~ Internal Audit Plan delivery 2018/19
Appendix	2 ~ Key performance indicators 2018/19
Appendix	3 ~ 'High' and 'Medium' priority recommendations summary for finalised reports
Appendix	4 ~ Follow up summary

6. BACKGROUND PAPERS

Individual internal audit reports are held by Internal Audit.

7. KEY

N/a

AUTHOR OF REPORT

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

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

APPENDIX 1

Delivery against Internal Audit Plan for 2018/19 1st April 2018 to 31st December 2018

Audit Area	2018/19 Total Planned Days	Forecasted days to the 31 st March 2019	Actual Days Used to the 31 st December 2018
Core Financial Systems (see note 1)	71	71	26
Corporate Audits (see note 4)	5	5	25
Other Systems Audits (see note 2)	118	118	62
SUB TOTAL	194	194	113
Audit Management Meetings	15	15	11
Corporate Meetings / Reading	5	5	5
Annual Plans, Reports and Committee Support	8	8	6
Other chargeable (see note 3)	0	0	0
SUB TOTAL	36	36	22
TOTAL	230	230	135

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, however, a rolling programme has also been trialled this financial year.

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: Extra days have been required in regard to 2 review areas, GDPR and Health and Safety as additional work was required after the review had commenced.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

APPENDIX 2

Performance against Key Performance Indicators 2018-2019

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2018/19. 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	2018/19 Position (as at 31st December 2018)	Frequency of Reporting
Operational				
1	No. of audits achieved during the year	Per target	Target = Minimum 13 Delivered = 1 (covering 3 reviews) 4 @ draft report and 6 in progress	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	58%	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	*68%	When Audit Committee convene
Monitoring & Governance				
4	No. of 'high' priority recommendations	Downward (minimal)	Nil to report	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	1	When Audit Committee convene
6	'Follow Up' results (2017/18 reviews onwards)	Management action plan implementation date exceeded (nil)	1	When Audit Committee convene
Customer Satisfaction				
7	No. of customers who assess the service as 'excellent'	Upward (increasing)	1	When Audit Committee convene

WIASS conforms to the Public Sector Internal Audit Standards 2013.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 24th JANUARY 2019

* Below target figure due to 4 new starters in April 2018 and a period of settling in and training. Training is continuing, however, the overall productivity figure is beginning to increase again; previously reported figure was 58%.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

‘High’ & ‘Medium’ Priority Recommendations Summary for finalised audits.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Audit: Welfare Support					
Assurance: Moderate					
1	Medium	<p>Transparency of the Welfare Budgets</p> <p>The expenditure measure on the Civica system which staff can see to advise them as to how much has been spent against the budget is not working and shows an incorrect Discretionary Housing Payment budget, therefore provides a misleading position.</p> <p>Staff are not aware of the budgets for the various welfare benefits.</p> <p>The budgets are monitored at least monthly by the Assistant Financial Support Services Manager (Welfare). Communication would be sent to staff if there was an issue with the budgets not being spent or a risk of over spending.</p> <p>Budget information needs updating on the system to include Local Authority amount.</p>	<p>A lack of transparency of the budgets could potentially lead to funds running out before the financial year or a surplus of funds. This, in turn, could lead to criticism that the Council is not doing all it can to assist members of the public in need or deliver on its strategic promises.</p>	<p>Review the Civica system to ensure the information reflects the correct figures and current percentage spent.</p> <p>Ensure the Financial Independence Team (FIT) are kept updated on the expenditure against the budgets.</p>	<p>Responsible Manager:</p> <p>Assistant Financial Support Services Manager (Welfare)</p> <p>Actions:</p> <p>Will look into systems to correct figures and report issues were necessary to service provider for fixing.</p> <p>Report regular expenditure to teams short term via meetings</p> <p>Adapt measures to reflect useful data (As part of bigger changes with point 3) this will be looked at by Financial Services Manager</p> <p>Implementation date:</p> <p>31st March 2019</p>
2	Medium	<p>Accuracy of recorded expenditure and reporting</p> <p>The expenditure and number of applications shown on the Civica reports do not match those on the performance measures on the dashboard spreadsheet.</p>	<p>Risk of poor managerial decision making and reputational damage if performance is not transparent and correctly and fully reported.</p>	<p>Establish accurate and reliable reporting on the dashboard.</p> <p>Produce procedures that would provide resilience and allow other staff to produce</p>	<p>Responsible Manager:</p> <p>Assistant Financial Support Services Manager (Welfare)</p> <p>Actions:</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>There are no procedures held within the team to follow when preparing the figures for consistency and to share knowledge in team when the Assistant Financial Support Services Manager (Welfare) is not available.</p> <p>The reports obtained from the Civica system for Discretionary Hardship Payment and Council Tax hardship do not provide clear information for reporting.</p> <p>The process for reporting the data has to be carried out manually and is time consuming.</p> <p>The notes on the performance measures on the Orb have not been updated since December 2017 therefore members and management will not have a full understanding of impact and trends to know if the service is performing satisfactorily.</p>		<p>the performance measures ensuring consistency and accuracy in the information being reported.</p> <p>Review the performance measures and ensure the measures are fit for purpose and add value.</p> <p>Review the manual processing of the performance measures and investigate if further automation is possible to reduce the amount of manual work thus streamlining the process.</p>	<p>Adapt measures currently collected to reflect useful data, Also look at data collected from the system without manipulation (in order to involve automation)</p> <p>Additional reports are produced quarterly for the Head of Customer and Financial Support. Also for members committees which contained more detailed information regarding how the service is performing.</p> <p>These reports were details of expenditure against budgets</p> <p>Reasons for the difference in expenditure to reporting is due to the time when claim is processed which could mean a claim is back dated and would be added/recovered at a later date.</p> <p>Procedure to produce report for Hardship in same format as Discretionary Hardship Payment.</p> <p>Discretionary Hardship Payment report has now been resolved and information can easily be obtained.</p> <p>Notes on measures to be updated where there has been a change trend/performance</p> <p>Implementation date: 31st March 2019</p>
3	Medium	<p>Current expenditure of the welfare benefits</p> <p>The amount of applications as shown on the Orb for Discretionary Housing Payment has decreased this financial year compared to last</p>	<p>Un-spent Discretionary Housing Payment will need to be returned and the amount of the award for the following year will be</p>	<p>Identify the reason for the reduction in applications for the Discretionary Housing Payment award and where the current referrals are coming from.</p>	<p>Responsible Manager: Assistant Financial Support Services Manager (Welfare)</p> <p>Actions:</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		<p>year.</p> <p>There was no evidence that refusals of claims for Discretionary Housing Payment or Council Tax Hardship fund are being monitored.</p>	<p>reduced, potentially leading to some customers in hardship not being able to claim this benefit in the future once the budget is spent.</p>	<p>Keep the Financial Independence Team along with other key personnel within the homelessness service updated on the expenditure against budget on a monthly basis.</p> <p>Provide training to front line staff so that they advise customers to claim and discuss any cases where Discretionary Housing Payment has been refused.</p> <p>Implement a control to ensure the discretionary hardship payment funds are used appropriately and that the budget is utilised fully to assist in delivering the Corporate priorities.</p>	<p>Working with Housing Options to help with Discretionary Housing Payment take up following changes to Homeless scheme. This has been identified that Housing had been using their own money instead of Discretionary Housing Payment to help with Deposits on private rents.</p> <p>Housing are contacting their partner to ensure this awareness is shared.</p> <p>Financial Independence Team</p> <p>Officers have this year undertaken talks in community to show what is available.</p> <p>Training being undertaken with the Financial Support Advisors on Discretionary Housing Payment completion</p> <p>General Staff Training upcoming.</p> <p>Set up monthly meetings with Housing to discuss Discretionary Housing Payment expenditure against budget and agree actions.</p> <p>Implementation date:</p> <p>30th April 2019</p>
4	Medium	<p>Record Keeping</p> <p>The sample check identified a number of cases where it was not clear why the customer was awarded the welfare benefit.</p> <p>It was unclear from the file notes the amount of the award made for Discretionary Housing Payment and Council Tax Hardship cases as the</p>	<p>Risk of reputational damage if challenged.</p> <p>Inadequate record keeping could lead to inappropriate or inconsistent award.</p>	<p>Establish clear guidance as to what needs to be included in file note when making a decision on the award and the decision on the amount of the award and where this information is to be recorded on Civica.</p> <p>Establish a quality review process to sample monitor the awards to ensure they</p>	<p>Responsible Manager:</p> <p>Assistant Financial Support Services Manager. (Systems).</p> <p>Actions:</p> <p>Set staff clear guidelines to follow and will then monitor through Quality Checking officers.</p>

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
		payments shown on the Civica report did not reconcile as most included other payments. There is no control in place to monitor the awards for consistency and transparency.		are awarded appropriately, transparently and that information is found in a timely manner.	Implementation date: 28 February 2019
end					

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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.

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:

- 2016/17 reports; one ongoing with progress taking place but exceeding the target delivery
- 2017/18 reports; five reviews being followed up in the coming months.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

<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	
2016-17 Audits							
Dash Board & Performance Measures	3rd May 2017	Business Transformation	Limited	An audit took place in May 2017 and made 3 high and 1 medium priority recommendations relating to resilience, timeliness of reporting, integrity of information and information held.	A follow up in May 2018 found that 2 high priority recommendations in relation to resilience and timeliness and the 1 medium priority recommendation in relation to additional information had been implemented. The high priority recommendation in relation to integrity of information was in progress. Follow Up February 2019.		
2017-18 Audits							
Disabled Facilities Grants	28th September 2017	Community Services	Moderate	The report found 1 high priority and 2 medium priority recommendations in relation to Records retention and security, Registration of Land Charges and Private Sector Home Repairs Assistance policy. Only 1 medium priority recommendation related directly to Bromsgrove District Council.	The follow up in February 2018 found that the one medium priority recommendation was in progress and the policy update would be reported to Cabinet in June 2018. No evidence that this took place therefore further follow up to take place. Follow up planned 28th January 2019.		

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Environmental Waste	27th November 2017	Environmental Services	Moderate	The report found 1 high and 4 medium priority recommendations in relation to Bulky Waste Receipt Books, Business Waste Charges, Fees and Charges, Bulky Waste quotes and Garden Waste Invoices.	Follow up January 2019 found the 4 medium priority recommendations were satisfied and the high priority recommendation was in progress pending further transformation of the Business Support Team re. reconciliation and controlled stationery. To be followed up in April 2019.		
Records Management	5th January 2017	Corporate	Limited	Reported 5 high and 1 medium priority recommendations; implementation of the information security policy, inventory of IT equipment, retention and disposal schedule, confidential waste collection, storage of documents on the Orb and GCSx email accounts.	Being followed up as part of the 2018/19 GDPR audit.		
Worcestershire Regulatory Services	19th July 2018	Worcestershire Regulatory Services	Moderate	Reported 4 medium priority and 2 low priority recommendations; Risk assessment, Subsistence Fees, Outstanding Invoices, Inspections	To be followed up as part of the 2018/19 WRS audit. (March 2019)		
Benefits	30th July 2018	Revenues & Benefits	Significant	Reported 3 medium and 2 low priority recommendations; Overpayment, Write-Offs, Performance Information, Overpayment Classification and User Access Reviews	To be followed up as part of the 2018/19 Benefits audit. (January 2019)		
end							