

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Date: 24<sup>th</sup> November 2020

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**THE INTERNAL AUDIT PROGRESS 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	Chris Forrester, Financial and Customer Services
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 for 2020/21.

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to note the report.**

**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 6 of the Accounts and Audit Regulations 2018 to “maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of 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 2020 to 31<sup>st</sup> October 2020 against the performance indicators agreed for the service.

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#### 3.5 Summary Dashboard:

Total reviews planned for 2020/21(originally):	13 (minimum)	
Reviews finalised to date for 2020/21:	1	
Assurance of 'moderate' or below:	1	
Reviews currently awaiting final sign off:	2	
Reviews ongoing:	7	
Reviews to be completed (Q3 to Q4):	2	
Number of 'High' Priority recommendations reported to date:		0
Satisfied 'High' priority recommendations to date:		0
Productivity:	63% (against targeted 74%)	
Overall plan delivery to date:	36% (against target >90%)	

Since the last sitting of the Committee two reports have been completed and are waiting final management sign off.

Follow Up reports that have been finalised since the last Committee sitting are reported in Appendix 4.

All 'limited' assurance reviews go before CMT for full consideration.

#### 3.6 2020/21 AUDITS ONGOING AS AT 31<sup>st</sup> OCTOBER 2020

Two reviews that have moved to clearance stage since the last Committee sitting are:

- Markets
- Use of Agency and Consultants

Audits progressing through the planning or testing stage included:

- Health and Safety
- Council Tax
- Benefits
- NNDR
- Debtors
- Creditors
- Treasury 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.

A rolling testing programme on Debtors and Creditors has been continuing during quarters 2 and 3 inclusive. The rolling testing programme results will be amalgamated as at the end of quarter 3 and formal audit reports issued during quarter 4.

The 2020/21 plan reflects the delayed start and certain lesser risk reviews will need to be rolled to next years plan. Priority continues to be given to potentially higher risk areas e.g. limited assurance audits. As we return to the new normal the impact of restrictions of the COVID-19 lockdown on the plan will be closely managed as the year progresses. The plan for 2020/21 has remained very flexible and the core financial areas of the business

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are currently being reviewed and reported on. With progress set to continue there is sufficient coverage for the Head of Internal Audit to provide an overall opinion. Committee will continue to be regularly informed of developments throughout the year and any variations to the plan will be overseen by the Executive Director and s151 Officer.

Critical review audits are designed to add value to an evolving Service area. Depending on the transformation that a Service is experiencing at the time of a scheduled review a decision is made in regard to the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative updates or a comparison required a critical review approach will be used. In order to assist the service area to move forwards a number of challenge areas will be identified using audit review techniques. The percentage of critical reviews will be confirmed as part of the overall outturn figure for the audit programme. The outturn from the reviews will be reported in summary format as part of the regular reporting as indicated at 3.5 above.

Audit are now considering any new processes emerging from the extraordinary working arrangements that have been necessary to continue to provide the Bromsgrove residents with services both now and throughout the pandemic. Plan flexibility will continue to be required to include and provide assurance on these emerging areas.

Follow up reviews are an integral part of the audit process. There is a rolling programme of review that is undertaken to ensure that there is progress with the implementation of the agreed action plans. The outcomes of the follow up reviews are reported in full so the general direction of travel and the risk exposure can be considered by Committee. An escalation process involving CMT and SMT is in place to ensure more effective use of resource in regard to follow up and reduce the number of revisits necessary to confirm the recommendations have been satisfied. There are no material exceptions to report at this time.

### **3.7 Disabled Facilities Grants**

A review was undertaken on behalf of Worcestershire County Council colleagues to allow for an audited return to be submitted by them prior to a 31st October 2020 deadline. Using the testing sample results the overall assurance that was given by the Head of the Worcestershire Internal Audit Shared Service was; "I can confirm to the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects based on the samples and testing matrix provided by County Auditors, the conditions attached to the Disabled Facilities Capital Grant Determination (2019-20) No [31/3170] have been complied with". This assurance was provided to County on the 26th October 2020.

### **3.8 AUDIT DAYS**

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the revised targets set for the year. As at 31<sup>st</sup> October 2020 a total of 84 days had been delivered against a target of 230 days for 2020/21.

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Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 5<sup>th</sup> March 2020 for 2020/21.

Appendix 3 provides copies of the reports that have been completed and final reports issued since the last sitting of Committee.

Appendix 4 provides the Committee with 'Follow Up' reports that have been undertaken to monitor audit recommendation implementation progress by management.

Appendix 5 provides an overview of the Quality Assurance Improvement Plan.

### **3.9 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

### **3.10 National Fraud Initiative**

NFI data set uploads have been ongoing from the beginning of October for Bromsgrove District Council in regard to the 2020/21 NFI national exercise. Data set uploading will continue until December 2020. Reasonable progress has been made to date and there is an expectation that all data sets will be uploaded by the deadline. WIASS will continue to provide advice and assistance in regard to the process.

### **3.11 Monitoring**

To ensure the delivery of the 2020/21 plan and any revision required 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

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financial systems, as well as the revised plan for other systems which have been deemed to be 'high' and 'medium' risk. Due to changing circumstances and the impact of the COVID-19 pandemic a variation in the plan will be required. This will be agreed on a risk priority basis with the s151 Officer as the year progresses. With any adjustment to the plan there will remain comprehensive audit coverage for 2020/21.

### **3.12 Quality Assurance Improvement Plan**

3.13 WIASS delivers the audit programme in conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) as published by the Institute of Internal Auditors. A self assessment took place in August 2020 to identify potential areas for improvement and a programme of improvement was agreed before the Client Officer Group in September 2020. The outcome is reported for information at Appendix 5.

### **3.14 Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

3.15 WIASS is committed to providing an audit function which conforms to the Public Sector Internal Audit Standards (as amended). 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.

3.16 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.

## **5. APPENDICES**

Appendix	1 ~ Internal Audit Plan delivery 2020/21
Appendix	2 ~ Plan position and key performance indicators 2020/21
Appendix	3 ~ Finalised audit reports including definitions
Appendix	4 ~ Finalised 'follow-up' reports.
Appendix	5 ~ Quality Assurance Improvement Plan

## **6. BACKGROUND PAPERS**

Individual internal audit reports are held by Internal Audit.

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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](mailto:andy.bromage@worcester.gov.uk)

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**APPENDIX 1**

**Delivery against Internal Audit Plan for 2020/21**  
**1<sup>st</sup> April 2020 to 31<sup>st</sup> October 2020**

<b>Audit Area</b>	<b>Original 2020/21 Total Planned Days</b>	<b>Forecasted days to the 31<sup>st</sup> December 2020</b>	<b>Actual Days Used to the 31st October 2020</b>
Core Financial Systems (see note 1)	60	60	17
Corporate Audits	66	26*	28
Other Systems Audits (see note 2)	68	10*	22
<b>SUB TOTAL</b>	<b>194</b>	<b>96</b>	<b>67</b>
Audit Management Meetings	15	12	9
Corporate Meetings / Reading	5	3	4
Annual Plans, Reports and Committee Support	16	12	4
Other chargeable (see note 3)	36	27	17
<b>SUB TOTAL</b>	<b>36</b>	<b>27</b>	<b>17</b>
<b>TOTAL</b>	<b>230</b>	<b>123</b>	<b>84</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. A rolling programme has also been introduced for Debtors and Creditors to maximise coverage and sample size. The results will be reported during Q4.

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

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

\* Where the forecasted days are less than the planned days for the year this reflects the adjustments that have been made to the plan during the year.

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**APPENDIX 2**

**Audit Plan Position as at the 31<sup>st</sup> October 2020**

Audit Area	Planned days 2020/21	Proposed Review	Current Position and indicative delivery date		Assurance
<b>Accountancy &amp; Finance Systems</b>					
Debtors	9	Full	Testing underway	Q3/4	
Main Ledger/Budget monitoring/bank rec	10	Full	To commence	Q3/4	
Creditors	9	Full	Testing underway	Q3/4	
Treasury Management	6	Full	Testing underway	Q3	
Council Tax	8	Full	Testing underway	Q3/4	
Benefits	10	Full	Testing underway	Q3/4	
NNDR	8	Full	Testing underway	Q3/4	
<b>SUB TOTAL</b>	<b>60</b>				
<b>Corporate</b>					
IT	8	Full	To commence	Q4	
Risk Management	6	Critical Friend Support	To commence	Q1/ 4	
Health and Safety	7	Limited Focus	Testing underway	Q1/ 2	
Procurement	8	Full	To commence	Q4	
GDPR	8	Limited Focus	To commence	Q4	
Orb	9	Full	Finalised	Q1	Moderate
Use of Agency & Consultants	9	Full	Clearance	Q2	
Projects	11	Critical Friend	To commence	Q4	
<b>SUB TOTAL</b>	<b>66</b>				
<b>System / Management Arrangements</b>					
Refuse Service Scalability	6	Limited Scope	To commence	Q4	
Markets	10	Limited Scope	Clearance	Q2	
Worcester Regulatory Services	10	Limited Scope	To commence	Q4	
Advisory and Consultancy	10	Pull Down Budget	Q1 – Q4		N/a
Fraud and Investigations inc. NFI	10	Pull Down Budget	Q1 – Q4		N/a
Completion of prior years work	8	Pull Down Budget	Q1 – Q4		N/a
Report follow up	10	Pull Down Budget	Q1 – Q4		N/a
Statement of Internal Control	4	Pull Down Budget	Q1 – Q4		N/a
<b>SUB TOTAL</b>	<b>68</b>				
NOTE: (D) = Draft.					



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General				
Audit Management Meetings	15	Pull Down Budget	Q1 – Q4	N/a
Corporate Meetings/Reading	5	Pull Down Budget	Q1 – Q4	N/a
Reports, Annual Plans and Committee Support	16	Pull Down Budget	Q1 – Q4	N/a
<b>SUB TOTAL</b>	<b>36</b>			
<b>PLAN TOTAL</b>	<b>230</b>			

#### Performance against Key Performance Indicators 2020-2021

The success or otherwise of the Internal Audit Shared Service will be measured against some of the following key performance indicators for 2020/21. 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	2020/21 Position (as at 31 <sup>st</sup> October 2020)		Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = Minimum 13  Delivered = 1 ( 2@Clearance)		When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	36%		When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	63% (Q2 average)  (Q1 average 50%)		When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward  (minimal)	Nil to date  (2019/20 = 9)		When Audit Committee convene
5	No. of moderate or below assurances	Downward  (minimal)	1  (2019/20 = 7)		When Audit Committee convene
6	'Follow Up' results	Management action plan implementation date exceeded (nil)	Nil to report		When Audit Committee convene
Customer Satisfaction					
7	No. of customers who assess the service as 'excellent'	Upward(increasing)	Nil returns to date		When Audit Committee convene

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**APPENDIX 3**

**2020/21 Audit Reports.**

There were no finalised reports to include since the last Committee sitting.

**Appendices A & B** are indicated below and are applied to all reports. To save duplication these have been produced once, listed below for information.

## **APPENDIX A**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.  No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
<b>Significant Assurance</b>	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.  Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>Moderate Assurance</b>	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 it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.  Follow up of high and medium priority recommendations only will be undertaken after 3 to 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>Limited Assurance</b>	Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.  Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>No Assurance</b>	No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.  Follow up of high and medium priority recommendations only will be undertaken after 3 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

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## **APPENDIX B**

### **Definition of Priority of Recommendations**

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

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**Appendix 4**

### **FOLLOW-UP REPORTS:**

There were no other finalised 'Follow-Up' reports to report since the last Committee sitting.

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**Appendix 5**

**Quality Assurance Improvement Plan.**

<b>Action Number</b>	<b>Area for Action and Standards Reference</b>	<b>Outcome Required</b>	<b>Action</b>	<b>Lead person</b>	<b>Target Date for completion</b>	<b>Date of Completion</b>	<b>Latest Position</b>
1	1000	Updated Charter and Partner approval.	To review and update as appropriate, and present to COG and Partner Committees for approval.	Head of Internal Audit & Team Leader	Sep-21 (Annual Reports)		
2	1210.A1 - Training Requirements	Professional qualifications to be obtained.	Auditors to enhance their skills and qualifications through professional study e.g. IIA	Auditors	2023/24		
3	2420 - Timely Completion of Review Stages	Improvement in issuing the 'Draft Report' to the agreed date as set out in the Brief. To make improvements in the monitoring of the management response after the issue of a Draft Report.	Monitor the issue of Draft Reports and the receipt of management response during the financial year taking appropriate and timely action where the target dates are stressed.	Auditors	Mar-21		
4	2500.A1 - Follow Up	More efficient and timely follow up in regards to reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-21		
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into the annual planning and use within individual audits.	To review the current process of using the annual risk assessments and how inclusion into annual planning and audit planning can be improved.	Head of Internal Audit / Audit Team Leader	Nov-20		