

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

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, Finance 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 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 2020 to 31st January 2021 against the performance indicators agreed for the service.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

3.5 Summary Dashboard:

Total reviews planned for 2020/21(originally):	13 (minimum)
Reviews finalised to date for 2020/21:	5 (including DFG's)
Assurance of 'moderate' or below:	3
Reviews currently awaiting final sign off:	4
Reviews ongoing:	4
Reviews to be completed (Q4):	1 (WRS to run into 2021/22)
Number of 'High' Priority recommendations reported to date:	1
Satisfied 'High' priority recommendations to date:	0
Productivity:	70% (against targeted 74%)
Overall plan delivery to date:	56% (against target >90%)

Since the last sitting of the Committee two reports have been finalised and four reviews are awaiting 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 31st JANUARY 2021

One review was considered before CMT and is now awaiting management sign off:

- Use of Agency and Consultants

Two reviews that have been finalised since the last Committee sitting include and are reported in full at Appendix 3:

- Treasury Management
- Debtors

Three reviews awaiting management sign off include:

- Council Tax
- National Non-Domestic Rates
- Benefits

One audit progressing through clearance stage is:

- Health and Safety

Audits progressing through testing stage include:

- Creditors
- Main Ledger
- Risk Management

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

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

A rolling testing programme results that have been continuing during quarters 2 and 3 are being amalgamated as at the end of quarter 3 and formal audit reports issued during quarter 4, e.g. Debtors.

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 has been be closely managed as the year has progressed. The plan for 2020/21 has remained very flexible and the core financial areas of the business are currently being reviewed and reported on. With progress set to continue the Head of Internal Audit will consider the output to provide an overall opinion at year end. Committee will continue to be regularly informed of developments throughout the year and any variations to the plan have been be overseen by the Head of Finance and Customer Services 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 regards to the audit approach. Where there is significant change taking place due to transformation, restructuring, significant legislative update, or a comparison required a critical review approach will be used. To assist the service area to move forwards 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.

Internal 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. An additional area of work identified since January 2021 is with Worcester Regulatory Services and this is set to start in March and continue into the new municipal year. The review will be classed as a 2021/22 audit but work will commence during this financial year.

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, where applicable, 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 regarding follow up with the aim to reduce the number of revisits necessary to confirm the recommendations have been satisfied. There are no material exceptions to report currently.

3.7 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 31st January 2021 a total of 129 days had been delivered against a revised target of 188 days for 2020/21.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Audit, Standards and Governance Committee on the 5th 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.

3.8 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 coordination of uploads.
- Investigations

3.9 National Fraud Initiative

NFI data set uploads have been ongoing from the beginning of October for Bromsgrove District Council regarding the 2020/21 NFI national exercise. The first phase of data set uploading continued until the end of December 2020. Reasonable progress had been made regarding the data set uploads with the majority completed before the deadline. As at the 31st December 2020 there remained outstanding data set uploads for the Creditors history and standing data. For late uploads there is the potential for the NFI to apply a penalty fee of 5% of the annual fee. Confirmation was received in January that it would be unjust for the NFI to levy such a fine with everything that Local Authorities have been expected to deal with over the past year. Electoral registration, Single Person Discount and Business Grant data sets have also been uploaded during January before the January 31st deadline. WIASS will continue to provide advice and assistance regarding the process.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

3.10 Monitoring

To ensure the ongoing 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 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 has been necessary. This has been agreed on a risk priority basis with the s151 Officer as the year has progressed. With the adjustments to the plan there will remain reasonable audit coverage for 2020/21.

3.11 Quality Assurance Improvement Plan

3.12 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. Action to date is reported for information at Appendix 5.

3.13 Customer / Equalities and Diversity Implications

There are no implications arising out of this report.

3.14 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.

3.15 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

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

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.

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: 11th March 2021

APPENDIX 1

Delivery against Internal Audit Plan for 2020/21
1st April 2020 to 31st January 2021

Audit Area	Original 2020/21 Total Planned Days	Forecasted days to the 31st March 2021	Actual Days Used to the 31st January 2021
Core Financial Systems (see note 1)	60	60	49
Corporate Audits	66	*36	31
Other Systems Audits (see note 2)	68	*56	25
SUB TOTAL	194	152	105
Audit Management Meetings	15	15	12
Corporate Meetings / Reading	5	5	5
Annual Plans, Reports and Committee Support	16	16	7
Other chargeable (see note 3)			
SUB TOTAL	36	36	24
TOTAL	230	188	129

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.

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

APPENDIX 2

Audit Plan Position as at the 31st January 2021

Audit Area	Planned days 2020/21	Proposed Review	Current Position and indicative delivery date		Assurance
Accountancy & Finance Systems					
Debtors	9	Full	Finalised 8 th February 2021	Q3/4	Significant
Main Ledger/Budget monitoring/bank rec	10	Full	Testing underway	Q4	
Creditors	9	Full	Testing underway	Q3/4	
Treasury Management	6	Full	Finalised 8 th February 2021	Q3	Moderate
Council Tax	8	Full	Draft Report - Awaiting Mngt Response	Q3/4	
Benefits	10	Full	Draft Report - Awaiting Mngt Response	Q3/4	
NNDR	8	Full	Draft Report - Awaiting Mngt Response	Q3/4	
SUB TOTAL	60				
Corporate					
IT	8	Full	To commence 21/22	Q4	
Risk Management	6	Critical Friend Support	Planning/Testing prep	Q4	
Health and Safety	7	Limited Focus	Clearance Meeting	Q1/ 2	
Procurement	8	Full	To commence 21/22	Q4	
GDPR	8	Limited Focus	To commence 21/22	Q4	
Orb	9	Full	Finalised 27 th August 2020	Q1	Moderate
Use of Agency & Consultants	9	Critical Friend	Draft Report - Awaiting Mngt Response	Q2	
Projects	11	Critical Friend	To commence 21/22	Q4	
SUB TOTAL	66				
System / Management Arrangements					
Refuse Service Scalability	6	Limited Scope	To commence 21/22	Q4	
Markets	10	Limited Scope	Finalised 24 th November 2020	Q2	Moderate
Worcester Regulatory Services	10	Limited Scope	To commence 2020/21 and run into 2021/22	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
SUB TOTAL	68				

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

NOTE: # = includes DFG work undertaken on behalf of Worcestershire County Council

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
SUB TOTAL	36			
PLAN TOTAL	230			

BROMSGROVE DISTRICT COUNCIL

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Date: 11th March 2021

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 st January 2021)	Trend Since last Reporting	Frequency of Reporting
Operational					
1	No. of audits achieved during the year	Per target	Target = Original Minimum 13 Delivered = 5 (further 4 @ Sign off)	↑	When Audit Committee convene
2	Percentage of Plan delivered	>90% of agreed annual plan	56%	↑	When Audit Committee convene
3	Service productivity	Positive direction year on year (Annual target 74%)	70% (Q2 average 63%) (Q1 average 50%)	↔	When Audit Committee convene
Monitoring & Governance					
4	No. of 'high' priority recommendations	Downward (minimal)	1 (2019/20 = 9)	↔	When Audit Committee convene
5	No. of moderate or below assurances	Downward (minimal)	3 (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)	4 issued. 2 returned: 1x Excellent 1x Good	↑	When Audit Committee convene

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX 3

2020/21 Audit Reports.

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report

Treasury Management 2020/21

8th February 2021

Distribution:

To: Head of Financial and Customer Services and Acting Executive Director Finance and Resources (Section 151 Officer)

Cc: Chief Executive
Deputy Chief Executive

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Contents

1. Introduction	12
2. Audit Scope and objective	13
3. Audit Opinion and Executive Summary	13
4. Detailed Findings and Recommendations	15
Independence and Ethics:.....	17
APPENDIX A.....	23
APPENDIX B.....	24

1. Introduction

The audit of Treasury Management was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council as approved by the Audit, Standards and Governance Committee on 5th March 2020. The audit was a risk-based systems audit of Treasury Management as operated by Bromsgrove District Council.

- 1.1. This area of review is a back-office function and therefore underpins all the Strategic Purposes.
- 1.2. The following Service risks were relevant to this review:
 - FIN2 – Poor treasury management.
- 1.3. This review was undertaken during the month(s) of October, November and December 2020.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

2. Audit Scope and objective

- 2.1. This review was undertaken to provide assurance on the processes surrounding the Treasury Management System to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any Treasury Management system/process.
- 2.2. The scope covered:
- That the Council has in place Treasury Management procedures and Strategy in line with the Prudential Code guidance and comply with these
 - Acquisitions of assets/property investments comply with policies/strategy and there is transparency
 - Borrowings and investments
 - Treasury reconciliations
 - Cash flow management
 - System security
 - Awareness of the impact of Covid-19 in relation to Cashflow
 - Follow up on the 2019/20 Audit report recommendations.
- 2.3. This review covered the period from April 2020 to the date of the audit.

3. Audit Opinion and Executive Summary

- 3.1. From the audit work carried out we have given an opinion of **moderate assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.
- 3.2. We have given an opinion of **moderate assurance** in this area because the system of control is generally sound however some of the expected controls are not in place and 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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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

- Cashflow management
- Cashflow forecasting during the pandemic.
- Treasury Management process, resilience and continuity.
- Monitoring and authorisation of Regeneration Investments
- Access rights to the system once a leaver has left the organisation.
- There is a sound audit trail on IdealTrade.

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

	Priority (see Appendix B)	Section 4 Recommendation number
Treasury Members Training	Medium	1
Treasury Management / Capital and Investment Strategies Reporting to Members.	Medium	2
Reconciliation and Borrowing Sign off	Medium	3

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit					
1	M	<p>Treasury Members Training</p> <p>During testing it was ascertained Members of Bromsgrove District Council elected in May 2019 had not been offered treasury management training by an accredited provider.</p> <p>Due to Covid-19 this training was not possible to complete.</p>	<p>The council may be open to unacceptable risks that could have been mitigated by the implementation of additional controls.</p>	<p>Training is offered to those Members newly appointed to relevant Committees as soon as practical with an accredited provider to allow members to be further informed when making decisions on the strategy and procedures relating to treasury management.</p>	<p>Responsible Manager: Head of Finance and Customer Services</p> <p>Agreed a session will be booked in as soon as practicable</p> <p>Implementation date: As soon as practical after the end of the current pandemic.</p>
New matters arising					
2	M	<p>Treasury Management/ Capital and Investment Strategies Reporting to Members</p> <p>Although there are Treasury Management/ Capital and</p>	<p>Loss of public fund if risky investments are made leading</p>	<p>An annual update of strategy and procedure is reported</p>	<p>Action Taken During the Audit: Management were informed of</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

		Investment Strategies for Bromsgrove District Council these have not been reported to Members.	to reputational risk and challenge if the process is not transparent and the public purse is not protected.	before Members in line with the Prudential Code.	this prior to the official report being issued. Internal Audit can now confirm that this has been actioned and the reports were presented to Cabinet on 25 th November 2020.
3	M	<p>Reconciliation and Borrowing sign off</p> <p>The Treasury Management is undertaken by several officers on a day to day basis and although there is an authorisation of transfer of funds on investments there is no formally established authorisation of borrowings. A discussion does take place with the Head of Finance and Customer Services, and there is a period of grace whereby an agreement to borrow can be cancelled but there is no formal record of the decision made, and reconciliations although undertaken are not signed off by Management except at the year end.</p> <p>Therefore, there is no official monitoring to ensure that monies that should have been received are received.</p>	Risk of financial loss if borrowings are agreed when they are not required, or the interest rate is not a good deal for the Council	<p>As a minimum and to ensure that the process does not suffer undue delay the reconciliation should be reviewed and signed off by Management on a quarterly basis as part of the quarterly reporting to Members.</p> <p>This will ensure that all monies that should have been received have been</p>	<p>Responsible Manager: Head of Finance and Customer Services</p> <p>Agreed, this is a sensible suggestion</p> <p>Implementation date: By end of Feb 2021</p>

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented in order to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Worcestershire Internal Audit Shared Service



Bromsgrove
District Council
www.bromsgrove.gov.uk

Final Internal Audit Report

Sundry Debtors 2020/21

8th February 2021

Distribution:

To: Head of Finance and Customer Services (Interim Executive Director of Finance and Resources and S151 Officer
Financial Support Manager

Cc: Chief Executive
Deputy Chief Executive

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Contents

1. Introduction	12
2. Audit Scope and objective	13
3. Audit Opinion and Executive Summary	13
4. Detailed Findings and Recommendations	15
Independence and Ethics:.....	17
APPENDIX A.....	23
APPENDIX B.....	24

1. Introduction

- 1.1. The audit of the Sundry Debtors System was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2020/21 as approved by the Audit, Standards and Governance Committee on 5th March 2020. The audit was a risk-based systems audit of the Sundry Debtors System as operated by Bromsgrove Council.
- 1.2. This area of review is a back-office function and therefore underpins the Strategic Purposes as it covers the collection of Sundry income.
- 1.3. There were no risks on the Corporate or Service risk register that were relevant to this review.
- 1.4. There is a risk of fraud with the possibility of Teeming and lading or the mis use of credit notes if controls are not in place and working effectively.
- 1.5. This review was undertaken during the months of November and December 2020.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

2. Audit Scope and objective

2.1 The audit sought to provide assurance on the processes surrounding the Efin debtor system to ensure that controls and risk management arrangements are in place and working to mitigate the risks known to exist within any debtor system/process.

2.2 The scope covered:

- Policies and procedures are implemented and adhered to
- Raising of invoices (raised and recorded promptly and accurately)
- Application of approved fees and charges
- VAT is accurately calculated and applied
- Income is posted correct and promptly
- Recovery action write offs, aged debt analysis and bad debt provision
- Debtor reconciliation
- Follow up of the 2019/20 recommendations.

2.1. This reviewed covered the period from 1st April 2020 to 30th November 2020

2.2. This review did not cover the process for setting fees and charges or the level that they are set at.

3. Audit Opinion and Executive Summary

3.1. From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the "Definition of Audit Opinion Levels of Assurance" table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

- 3.2. We have given an opinion of **significant assurance** in this area because there is a generally sound system of internal control in place but our testing has identified isolated weaknesses such as aged debts reports, tidy up and the ability to create duplicate debtors accounts that do not pose a major risk but where processes could be strengthened with the advent of the new finance system.
- 3.3. The current Financial System does allow duplicated debtors accounts to be set up and tidy up exercises are carried out on an ad hoc basis however the data within the current system is being cleansed before it is migrated to the new system.
- 3.4. The review found the following areas of the system were working well:
- Policies and procedures are adhered to
 - Invoices are raised in a timely manner and Income is promptly posted to the debtors' ledger
 - Bad Debts are authorised prior to being written off and all efforts are made to recover the debt prior to it being considered for write off.
 - There is a year-end reconciliation between the debtors' and the main ledger system.
 - Invoices were raised in line with approved fees and charges
- 3.5. It should be noted that at the time of the audit the new finance system was still in the process of being implemented therefore the assurance is only given over the process on the current system. Within the current process Aged Debts reports are only issued when requested by Services. However, with the requirement for budget savings enhanced by the pandemic it is important that the Council receives payments for services provided. Therefore resources should be reviewed to see what efficiencies have been gained from the implementation of the new system to see if aged debts reports could be issued to services on a monthly basis in order for them to review the debts owed and if consideration should be given to suspension of service although depending on the service provided it is acknowledged that this will not always be possible.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
Issues brought forward from previous audit					
There were no issues brought forward from previous audits that have not been implemented.					
New matters arising					
As this was a review of the debtors' process and a new system is being implemented there were no high risk matters arising that need consideration other than that mentioned at 3.5 above.					

5. Independence and Ethics:

- WIASS confirms that in relation to this review there were no significant facts or matters that impacted on our independence as Internal Auditors that we are required to report.
- WIASS conforms to the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and confirms that we are independent and able to express an objective opinion in relation to this review.
- WIASS confirm that policies and procedures have been implemented to meet the IIA Ethical Standards.
- Prior to and at the time of the audit no non-audit or audit related services have been undertaken for the Council within this area of review.

Head of Internal Audit Shared Services

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

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

Opinion	Definition
Full Assurance	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.
Significant Assurance	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.
Moderate Assurance	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.
Limited Assurance	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.
No Assurance	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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

APPENDIX B

Definition of Priority of Recommendations

Priority	Definition
H	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.
M	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.
L	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.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Appendix 4

FOLLOW-UP REPORTS:

'Follow-Up' work has been undertaken regarding the core financial audits as part of the audit reviews with progress being reported as part of the finalised report.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

Appendix 5

Quality Assurance Improvement Plan.

Action Number	Area for Action and Standards Reference	Outcome Required	Action	Lead person	Target Date for completion	Date of Completion	Latest Position
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)	To commence	December 2020: To be prepared for the July/Sept 2021 Cttee cycle.
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	Ongoing	December 2020: An Auditor is seeking Membership to IIA.
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	Ongoing	December 2020: Being monitored
4	2500.A1 - Follow Up	More efficient and timely follow up regarding reported management action plans.	To review and enhance the follow up process, and monitor progress to reduce potential slippage.	Audit Team Leader	Mar-21	Ongoing	December 2020: Being monitored and discussed as 1:2:1s
5	2010.A1 - Annual Risk Assessments	More effective implementation of Annual Risk Assessments into the annual planning and use within	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	Complete 30 th November 2020	All office risk assessments have been reviewed. Risk assessments have been drafted for COVID associated office risks when visiting Partner offices.

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

		individual audits.					Home risk assessments have been completed. Actions identified have been completed.
--	--	--------------------	--	--	--	--	---