

BROMSGROVE DISTRICT COUNCIL

Date: 17th July 2023

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THE INTERNAL AUDIT PROGRESS REPORT

Relevant Portfolio Holder	Councillor C. A. Hotham
Portfolio Holder Consulted	Yes
Relevant Head of Service	Peter Carpenter, s151 Officer
Report Author: Andy Bromage	Job Title: Head of Internal Audit Shared Service Worcestershire Internal Audit Shared Service Contact email: andy.bromage@worcester.gov.uk Contact Tel: 01905 722051
Wards Affected	All Wards
Ward Councillor(s) consulted	No
Relevant Strategic Purpose(s)	Good Governance & Risk Management underpins all the Strategic Purposes.
Non-Key Decision	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Standards and Governance Committee is asked to RESOLVE that:-

1) the report is noted.

2. BACKGROUND

The involvement of Member's 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.

This section of the report provides commentary on Internal Audit's performance for the period 01st April 2023 to 30th June 2023.

Summary Dashboard 2023/24:

Total reviews planned for 2023/24	12 (minimum)
Reviews finalised to date for 2023/24:	0
Assurance of 'moderate' or below:	0
Reviews awaiting final sign off:	0
Reviews ongoing:	2
Reviews to commence (Q2):	5
'High' Priority recommendations reported 2023/24:	0
Satisfied 'High' priority recommendations to date:	N/a
Plan delivery to June 2023:	14%

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Since the last progress report presented to the Committee, five 2022/23 reports have been finalised, four 2022/23 reports are at clearance/draft report stage and two 2023/24 reviews have commenced.

Follow Up outcomes are reported in Appendices 4 and 5 and by exception.

All 'limited' or below assurance reviews go before Corporate Management Team for full consideration.

2022/23 AUDITS

The reviews that have been finalised since the last committee update:

- Accounts Payable
- Treasury Management
- Payroll
- Risk Management
- Workshop Licensing Compliance (Critical Review)
- Worcestershire Regulatory Services (Critical Review)

The reviews at draft report or clearance stage are:

- ICT (Moderate)
- Council Tax (Moderate)
- National Non-Domestic Rates (Significant)
- Benefits (Significant)

As the above are classified as 'on going' the assurance and outcome of the reviews will be reported at Committee on completion.

2023/24 AUDITS TO 30th JUNE 2023

A rolling programme of testing is due to take place during quarters 1 to 3 for Debtors, Creditors and Payroll. The results will be reported during quarter 4.

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 regarding 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. 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.

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Internal Audit are continuing to consider new processes emerging from the 'new norm' working arrangements that have been necessary to continue to provide Bromsgrove residents with services post pandemic. Plan flexibility is required to include and provide assurance on potential areas of change.

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 (Appendix 4). The outcomes of the follow up reviews are reported in full (Appendix 5) 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 to reduce the number of revisits necessary to confirm the recommendations have been satisfied.

3.4 **AUDIT DAYS**

Appendix 1 provides a summary of delivery. At the 30th June 2023 a total of 33 days had been delivered against an overall target of 235 days for the year.

3.5 **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 appraisal'
- 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

National Fraud Initiative

- 3.6 National Fraud Initiative data set uploads are planned for December 2023 and January 2024. The results from the 2022/23 uploads are currently being investigated by the various Service areas who are working through them and taking appropriate action. WIASS continue to provide advice and assistance regarding the process.

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Monitoring

- 3.7 To ensure the delivery of the 2023/24 plan and any revision required there continues to be 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 to ensure an internal audit opinion can be reached using reviews from the authority's core financial systems, as well as other systems which have taken place. Changes to the plan will be discussed with the s151 Officer and reported to Committee.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising out of this report.

5. LEGAL IMPLICATIONS

- 5.1 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".

6. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 6.1 Good governance along with risk management underpin all the Corporate strategic purposes. This report provides an independent assurance over certain aspects of the Council's operations.

Climate Change Implications

- 6.2 The actions proposed do not have a direct impact on climate change implications.

7. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 7.1 There are no implications arising out of this report.

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Operational Implications

7.2 There are no new operational implications arising from this report.

8. RISK MANAGEMENT

8.1 The main risks associated with the details included in this report are to:

- Insufficiently complete the planned programme of audit work within the financial year leading to an inability to produce an annual opinion; and,
- a continuous provision of an internal audit service is not maintained.

9. APPENDICES and BACKGROUND PAPERS

Appendix 1 ~ 2023/24 Internal Audit Plan summary of delivery

Appendix 2 ~ 2023/24 Plan progress

Appendix 3 ~ 2022/23 Finalised audit reports including definitions.

Appendix 4 ~ Follow Up Programme Overview

Appendix 5 ~ Follow Up Reports recently issued

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APPENDIX 1

Delivery against Internal Audit Plan for 2023/24
1st April 2023 to 30th June 2023

Audit Area	2023/24 Plan Days	Days used to 30 th June 2023
Core Financial Systems (see note 1)	77	4
Corporate Audits	71	0
Other Systems Audits (see note 2)	59	24
SUB TOTAL	207	28
Audit Management Meetings/ Corporate Meetings / Reading/ Annual Plans, Reports and Audit Committee Support	28	5
Other chargeable (see note 3)	0	0
SUB TOTAL	28	5
TOTAL	235	33

Audit days used are rounded to the nearest whole.

Note 1: Core Financial Systems are audited predominantly in quarters 3 and 4 to maximise the assurance provided for Annual Governance Statement and Statement of Accounts but not interfere with year-end. A rolling programme continues regarding Debtors, Creditors and Payroll to maximise coverage and sample size. The overall results will be reported during Q4.

Note 2: Several budgets in this section are 'on demand' (e.g. consultancy, investigations) so the requirements can fluctuate throughout the quarters potentially resulting in unallocated days.

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

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APPENDIX 2

2023/24 Internal Audit Plan

Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
FINANCIAL						
Debtors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	Commenced Rolling programme
Main Ledger/Budget Monitor/Bank Rec (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		17*	3 to 4	
Creditors (note 1)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		14*	3 to 4	Commenced Rolling programme
Treasury Management	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		6*	2	
Council Tax	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		8*	1 to 3	Completion of 2022/23 required
Benefits	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		10*	1 to 3	Completion of 2022/23 required
NNDR	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		8*	1 to 3	Completion of 2022/23 required
Sub TOTAL				77		

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Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
CORPORATE						
IT Audit	Fundamental to strategic purpose delivery	COR18 – Protection from Cyber Attack		15*	3 - 4	
Risk Management Embedding (note 2)	Fundamental to strategic purpose delivery	S151 request		10*	3 - 4	
Corporate anti-fraud and corruption	Fundamental to strategic purpose delivery	COR – Cost of Living		5*	2	
Procurement and Contract Management (Note 3)	Fundamental to strategic purpose delivery	COR16 – Management of Contracts & S151 request		8*	4	
Corporate Data Quality and Usage (Critical Friend)	Fundamental to strategic purpose delivery	S151 request		10*	2	
Projects – Levelling Up	Fundamental to strategic purpose delivery	COR22 - Delivery of Levelling up, Towns Fund and UK Shared Prosperity Fund work & S151 request		8*	2	
Grants (Various incl. Disabled Facilities Grants)	Enabling	COR17 - Resolution of the approved Budget Position in both Councils		10	1 to 4	Not required during Q1
Sub TOTAL				71		

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Audit Area	Corporate Link	Risk Register Reference		Proposed Resource 2023/24	Indicative Planned Qtr.	Progress To Date
Worcester Regulatory Services						
Focus to be confirmed	Statutory and Regulatory Requirement	COR15 – Impact to changes in Partner Funding Arrangements		12	2	
Sub TOTAL				12		
Service Delivery						
Human Resources						
Organisational Processes	Fundamental to strategic purpose delivery	COR19 – Adequate Workforce Planning & S151		5	2	
Sub TOTAL				5		
Advisory, Consultancy & Contingency	Operational support	N/a	N/a	10	1 - 4	Ongoing
Fraud & Investigations incl. NFI	Operational support	N/a	N/a	10	1 - 4	Ongoing
Completion of prior year's audits	Operational support	N/a	N/a	8	1	Ongoing
Report Follow Up (all areas)	Operational support	N/a	N/a	10	1 - 4	Ongoing
Statement of Internal Control	Operational support	N/a	N/a	4*	1 & 4	
Sub TOTAL				42		
Audit Management Meetings	Operational support	N/a	N/a	28		Ongoing
Corporate Meetings / Reading	Operational support	N/a	N/a			
Annual Plans, Reports & Committee Support	Operational support	N/a	N/a			
Sub TOTAL				28		
TOTAL CHARGEABLE				235		

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Explanatory Notes:

*As part of the increasing joint and shared service working between Bromsgrove District Council and Redditch Borough Council the audit budgets and areas will feature in both internal audit plans and be consolidated to deliver a single piece of work covering both Councils. Where practically possible the days will be split equally between the plans. Weighting will, however, be applied if it is considered the focus of the work will major on one Council. The customer journey will be considered overall as part of the service audits.

Note 1: Ongoing risk with financial system therefore audit budgets maintained.

Note 2: Risk management relaunched 2022/23 reviewing ongoing progress against action plan and reporting.

Note 3: Procurement – ensuring embedding continues.

Appendices A & B are indicated below and can be applied to all reports.

Appendix A
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>

Appendix B
Definition of Priority of Recommendations

Priority	Definition
High	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.
Medium	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.
Low	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.

2022/23 Audit Reports.
Recently Finalised reports.

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Accounts Payable 2022/23

4th April 2023

Distribution:

To: Creditor, Debtors and Insurance Manager
Head of Finance and Customer Services
CC: Chief Executive
Interim Section 151 Officer

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1. Introduction

- 1.1 The audit of Accounts Payable was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved at the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council as approved at the Audit, Standards and Governance Committee on 21st July 2022. The audit was a risk-based systems audit of Accounts Payable system as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This review does not relate directly to the strategic purposes but does underpin them as it is the system that is used to make payments for goods and services.
- 1.3 The following risk entries from the corporate risk register were relevant to this review: -
- COR 20 – Financial Provision Rectification

- 1.4 There is a potential fraud risk in the form of invoice fraud, fraud through collusion, phishing E-mails and scams if controls are not in place and working effectively.
- 1.5 This review was undertaken during the months of November 2022 to February 2023.

2 Audit Scope and objective

- 2.1 This review has been undertaken to provide assurance that robust controls and risk management arrangements are in place to mitigate risks known to exist within any creditor system/process.
- 2.2 The scope covered:
- Purchase order process including the authorisation process/levels and banding of authorisation permissions.
 - Invoice payment process/Prompt payment code/Goods receipting
 - Access rights - Officer profiling has been set up correctly and accounts are being updated when officers have left the organisation.
 - New supplier accounts are being set up correctly and the correct procedure is being adhered to - suppliers accounts can only be set up once there is evidence of 3 quotes on file.
 - Change of suppliers' details minimises the risk of fraud.
- 2.3 This reviewed covered the period from 1st April 2022 to February 2023.

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 / 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.
- 3.3 The review evidenced that a lot of work has been undertaken by the payments team to implement controls to mitigate the risks highlighted in the previous year's review Some of the key areas where improvements were identified include: -
- Setting up a new supplier – In July 2022 new supplier forms were introduced; New Suppliers must now be approved by Procurement prior to finance adding the new supplier to the finance system.
 - The system will no longer allow officers to both raise and approve invoices; this has to be completed by two separate officers.
 - Fasttrack payments are minimal and have a robust process which has to be approved by the Section 151.
 - Accounts payable Suspense accounts are cleared regularly.
- 3.4 The review found the following areas of the system were working well:
- New supplier accounts are being set up correctly and amended accurately when required.
 - Invoice payment process –
 - Requisitions are being raised correctly.
 - Prompt payment code/Goods receipting is being issued
 - Purchase orders are being raised correctly.

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

	Priority (see Appendix B)	Section Recommendation number	4
Approval of orders	High	1	
User access	High	2	
Raising of Purchase Orders	Medium	3	

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
New matters arising					
1	H	<p>Approval of orders</p> <p>The review found that:</p> <p>1) The authoriser can approve orders without going on the system by clicking an "approve" button contained within the notification email and can therefore approve orders</p>	<p>There is a high risk of reputational damage and financial loss to the Council if authorisers are authorising an order without knowledge of what the item is.</p>	<p>There needs to be clear controls in place to mitigate the risk of orders being authorised incorrectly.</p> <p>Orders should not be approved unless the authoriser has read and</p>	<p>Management agrees with this recommendation. Whilst requisitioners and authorisers/budget managers will have had the opportunity to attend training on the purchase ordering system, further financial training is being rolled out across</p>

		<p>without reading what the goods/services being authorised is.</p> <p>2) An officer who has no knowledge of the goods/services being procured has access to approving orders if they are in the same pool against another services budget.</p> <p>3) If a cost code is input incorrectly, then the approval request may get emailed to another pool of authorisers and if approved the spend would come out of another services budget code.</p>		<p>understood what they are approving. Firstly the pools of authorisers should be reviewed to ensure that these are appropriate, any changes that can be implemented via the system should be investigated and then training should be undertaken to ensure that all officers know their responsibility when authorising an order.</p>	<p>the organisation to ensure that all officers are aware of their financial responsibilities.</p> <p>We will undertake a review of the authorisation pools and investigate removing the ability to approve an order without accessing the system.</p> <p>Responsible Manager: Creditor, Debtors and Insurance Manager</p> <p>Implementation date: October 2023</p>
2	H	<p>User access</p> <p>The review identified that:</p> <p>1) There are 36 profiles set up with full access to the system, of which 19 are active and are 3rd party users.</p> <p>2) it is accepted that for 3rd party users working remotely and from abroad there is a need to have the access open to work outside of IT working hours. However, these remain open after the work has been completed with no monitoring.</p>	<p>Corruption of data and orders processed and authorised fraudulently leading to financial and reputational damage.</p>	<p>To undertake a review of all live users and determine if access is still required to the system. A review to be undertaken on a yearly basis to ensure that all access remains appropriate.</p> <p>With the risk of 3rd party users who have full access to the system, there needs to be a process in place to approve the opening of third-party access as required and then</p>	<p>Management agrees with this recommendation.</p> <p>At the point of writing, a review of active users with full access to the system has been undertaken. This review resulted in 1 council and 7 third party users system access being disabled. The remaining users are either council employees or TechOne consultants who provide system support to the council. If users have not accessed the system for</p>

		<p>3) Access is not being kept to a minimum as there are 326 active users on the finance system of which 179 users can approve Orders. No justification could be evidenced to reflect the reason why the total amount of users highlighted was required.</p> <p>4) There is no clear audit trail report that can be pulled from the system to highlight a user's activity in the event an investigation is required for fraudulent activity.</p> <p>5.) Leavers are not disabled from the system until Human Resources make system admin aware which is taking place once every three months. However a valid Microsoft account would be required to access the system and this is closed at the point of hem leaving.</p>		<p>once they have completed the work these must be closed down and not remain constantly open.</p> <p>Work needs to take place with HR to ensure that all leavers' accounts are suspended as close to the date that users leave the authority as possible.</p> <p>To discuss with the system developer the potential for the generation of reports that can provide an audit trail into user activity as a prevention in the event fraud takes place.</p>	<p>3 months, access will be disabled.</p> <p>Work is ongoing to ensure a robust leavers system process is in place. In addition to this, a full review of all user access and access to reports will be undertaken.</p> <p>Responsible Manager: Creditor, Debtors and Insurance Manager</p> <p>Implementation date: October 2023</p>
3	M	<p>Raising of Purchase Orders</p> <p>Out of 100 transactions tested across both authorities 10 were found where the Purchase Orders</p>	<p>There is a risk of Financial loss/reputational damage to the authority if payments are made without appropriate</p>	<p>As part of the on-going journey to improve the process in the Accounts payable system, and to make</p>	<p>From 1st April 2023, the council has implemented a no purchase order no payment process to ensure that all departments are</p>

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		were raised after the invoice date/service was received.	controls in place over the raising of Purchase Orders/Goods Receipts.	sure late payments are kept to a minimum training to be undertaken in areas where purchase orders are not raised prior to the supply of goods and services.	compliant with the procurement process. This should therefore remove the issue of purchase orders being raised after the invoice is received. The Finance team will work closely with the Procurement team to identify any areas that may require additional training or support. Responsible Manager: Creditor, Debtors and Insurance Manager Implementation date: April 2023

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 with 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

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Light Touch Treasury Management 2022/23

24th March 2023

Distribution:

To: Technical Accountant
Financial Services Manager

Cc: Head of Finance and Customer Services

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2. Introduction

- 1.1 The light touch audit of Treasury Management was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved by the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council as approved by the Audit, Standards and Governance Committee on 21st July 2022. The light touch audit was a risk based systems audit of Treasury Management as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 This area is a back office function and therefore underpins all of the strategic purposes.
- 1.3 There are no Corporate or Service Risks that were relevant to this review.

-
- 1.4 There is a potential for fraud in this area with the transfer of funds fraudulently to personal or third-party bank accounts.
- 1.5 This review was undertaken during the month of February 2023.

2 Audit Scope and objective

- 2.1 A full audit was undertaken in 2020/21 with no concerns raised. In 2021/22 a light touch review gave significant assurance so this year a light touch audit has been undertaken to provide assurance that controls are still in place and operating effectively. 2023/24 will be a full review of Treasury Management.
- 2.2 The review covered authorisation of investment and borrowings, compliance with the Treasury Management Strategy in relation to Institutions invested in, the limits invested, and the interest received and paid. In addition to this the 2021/22 audit findings were also followed up.
- 2.3 This review covered processes in place at the time of the audit.

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.
- 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 testing has identified an isolated weakness in the design of controls and / or inconsistent application of controls in one area.
- 3.3 The review found the following areas of the system were working well:
- Management approval had been obtained for the Investments/Borrowing

- Investments and borrowings are in line with the Treasury Management Strategy
- Interest is received/paid in line with agreed rates.

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

	Priority (see Appendix B)	Section 4 Recommendation number
Reconciliations	Medium	1

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	Reconciliation The Treasury Management Transactions are not recorded in the Main Ledger in a timely manner.	Potential for financial loss if transactions are not tracked and monitored to identify any unaccounted-for transactions.	Treasury Management transactions to be recorded in the main ledger in a timely manner.	The Finance team will ensure that reconciliations are undertaken in a timely manner during 2023/24.

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		No reconciliations are undertaken between the investment spreadsheet and the Main Ledger.		Reconciliations to be undertaken on a quarterly basis as a minimum.	Responsible Manager: Financial Services Manager Implementation date: 30 th April 2023
New matters arising					
There were no new risks or control issues from the testing that require reporting.					

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 with 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

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Risk Management 2022 - 23

24th April 2023

Distribution:

To: Interim Section 151 Officer

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1. Introduction

- 1.1 The audit of the Risk Management system was carried out in accordance with the Draft Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 to be presented to the Audit, Governance and Standards Committee on 28th July 2022 and for Bromsgrove District Council to the Audit, Standards and Governance Committee on 21st July 2022. The audit was a risk-based systems audit of the Risk Management System as operated by Redditch Borough Council and Bromsgrove District Council.
- 1.2 Risk management is a function underpinning all corporate priorities and objectives.
- 1.3 Risk Management underpins all corporate & service risks. The 4Risk system is the risk register and all entries are relevant to this review.
- 1.4 This review was undertaken during the months of February and March 2023.

2. Audit Scope and objective

- 2.1. This review has been undertaken to provide assurance that robust systems of risk management are in place with corporate management overview, with a culture of risk management embedded throughout the authority.
- 2.2. The scope covered:
- Consistent and appropriate use of the 4Risk system.
 - Management of risk appetite and risk training.
 - Service approaches to risk are consistent and defined. Risks that are deemed to be tolerable are not recorded as open on 4Risk.
 - Members are reported to and involved in risk discussions.
- 2.3 The review covered processes and policies in place at the time of the audit.
- 2.4 This review did not cover:
- External audit reviews and findings.
 - Assessment and scoring of risks.

3. Audit Opinion and Executive Summary

- 3.1. From the audit work carried out we have given an opinion of **moderate** 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** in this area because there is a sound system of control in place but that some of the expected controls are not in place and / or are not operating effectively therefore assurance can only be given over the effectiveness of controls within some areas of the system.
- 3.3. The review found the following areas of the system were working well:
- Direction, guidance, and leadership from the Section 151 to risk champions was consistently praised.
 - Risk champions acted upon their responsibilities and displayed a desire for successful risk management.
 - The Audit, Standards and Governance committee is receiving detailed updates from officers.
 - The embedding of risk management across the councils and its services is developing.
 - There is improved focus within the councils towards risk. There were 119 departmental risks, due to the management of the risk officer board they are reduced to 58 meaningful risks. Further embedding is now planned.
- 3.4. The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
4Risk User Access, Risk and Action Ownership, Management and Training.	High	1
Risk Strategy and Manuals	Medium	2

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
New matters arising					
1	H	<p>4Risk User Access, Risk and Action Ownership, Management and Training.</p> <ol style="list-style-type: none"> 1. Testing highlighted that several users known to have ceased employment at the council retained user access and risk/action ownership. 2. Risk and action ownership was not always assigned. 3. Data input was inconsistent in the corporate risk register. Notably entries for risk control, residual risk priority and action required were missing from several risks. 4. The review functionality is not in use on a corporate level and inconsistently used on a service level. Whilst assurance can be provided that corporate and service risks are reviewed, the 	<p>Successful management of risk hampered by lack of historical data because of absent reviews, unidentified persons responsible.</p> <p>Risk of external access to system. Users maintain access until password expires if account not deactivated.</p>	<p>A full review of users is required to ensure that past staff members are removed from the system.</p> <p>Risk/action ownership must be assigned or reallocated to an appropriate user. Owners must ensure all risks have appropriate data fully input into the system and review functionality for risks and actions is used.</p> <p>Identify where in the 4Risk system explanatory notes are held and who can view them. Ensure that explanatory</p>	<p>Responsible Manager: Interim Section 151 Officer</p> <p>A full review will be undertaken of users, including the Risk Owner and the Delegated Risk Owner to ensure these line up with present roles and responsibilities. This will include a link to the departmental risk lead who sits on the quarterly risk board and is responsible for formally reporting those departments risks.</p> <p>As part of this process links will also be made between Corporate Risks and Department Risks.</p> <p>Guidance will be reviewed on 4 Risk reporting, especially at departmental level, to ensure</p>

		<p>same assurance cannot be provided that risk actions are reviewed. Action reviews are not consistent. Explanatory notes added when reviewing risks could not be found on the system. There is currently no method to identify how services reviewed risk.</p> <p>5. A consistent corporate training programme has not been provided in recent years. Ownership for training has been on individual services/users. There are no parameters set for the quantity and quality of content in recent years.</p>		<p>notes are available to relevant management.</p> <p>A corporate training programme must be set up to develop high standards of risk management and consistent use of the 4Risk system. This should include initial introduction to new users, system processes and refresher training.</p>	<p>monthly risk reviews taking place have access to the pertinent information. This will include training on systems access for those who are required to access 4 Risk.</p> <p>Overall risk training will be added to the finance training plan however this will not take place until later in 2023 given the volume of finance related training taking place in Q1 and Q2 of the 2023/4 financial year.</p> <p>Implementation date: 31st July 2023 apart from the wider Corporate Training which will be by 30 December 2023. (see point below)</p>
2	M	<p>Risk Strategy and Manuals</p> <p>The risk strategy does not reflect the current approach to risk management within the council.</p> <p>Not all staff members are aware of the council's risk strategy.</p> <p>Policies and documents are not up to date on modern gov websites for both councils. These include risk registers and risk strategy.</p>	<p>Inconsistencies in risk approach with any of the possible ramifications for corporate or service risks including but not limited to: resource sink, downtime, reputational damage and financial implications.</p>	<p>To ensure that the council's risk strategy and associated documents reflect the Council's current approach to risk.</p> <p>Risk strategy must be communicated to all staff.</p> <p>To remove old copies of risk registers and strategies and</p>	<p>Responsible Manager: Interim Section 151 Officer</p> <p>The underlying Risk Strategy was formulated via Zurich in 2019. Since this time the way that the Council operates and how the Government funds Councils has changed considerably. Before the initial 2023/4 Audit Committees on the</p>

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17th July 2023

			Inefficient processes towards the management of risk.	then pending the review publish up to date documents.	<p>30th May and the 1st June Member appetite to Risk will be assessed.</p> <p>This will be fed into a review of the Councils overall Risk Strategy which will update the existing plan to reflecting how the Council works now and Risks have potentially changed due to this.</p> <p>This will include Risk Management recommendations from the Audit Committee Task Group on why the Council received a S24 Statement reported to Bromsgrove Audit Committee on the 9th March 2023.</p> <p>The updated Strategy will then be presented to CMT and then both Audit Committees for approval before implementation.</p> <p>Implementation date: September 2023</p>

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 with 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

Worcestershire Internal Audit Shared Service



Final Internal Audit Report

Payroll Audit 2022/23

Date 24th April 2023

Distribution:

To: Payroll Team Leader
Human Resources & Development Manager
Head of Finance and Customer Services

CC: Financial Services Manager
Interim Director of Finance and S151 Officer

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3. Introduction

- 1.1 The audit of the Payroll system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Redditch Borough Council for 2022/23 as approved by the Governance and Standards Committee on 28th July 2022. The audit was a risk based systems audit of the Payroll System as operated by Redditch Borough Council on behalf of Bromsgrove District Council.
- 1.2 This review does not relate to any of the Strategic Purposes directly but does underpin them as it is the system used to pay the salaries to all officers.
- 1.3 There are no risks on the corporate risk register relevant to this review. The service risk relevant to this review is:
FIN 3 - Unable to provide payroll service at key times
- 1.4 This review was undertaken during the months of December 2022, January and February 2023.

2 Audit Scope and objective

- 2.1 This review has been undertaken to provide assurance that only Bona Fide employees were paid, that payments were made in a timely manner, are accurate and all adjustments, special leave and additional pay were only actioned upon authorisation.
- 2.2 The scope covered:
- Starters and Leavers
 - Payslip calculations for Council employees and members are correctly calculated including PAYE, National Insurance and pensions.
 - Special Leave is being correctly authorised and correctly processed through the system.
 - Additional Pay – e.g., Honorariums are being correctly authorised and correctly processed through the system.
 - Follow up of 2021-22 audit recommendations.
- 2.3 This reviewed covered the period from 1st April 2022 to 3rd February 2023
- 2.4 This review did not cover
- Payroll reconciliations
 - 3rd party payments
 - Wyre Forest District Council Payroll
 - Rubicon Payroll
 - The setting of pay rates

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.

- 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 in the design of controls and / or inconsistent application of controls in a small number of areas.
- 3.3 The review found the following areas of the system were working well:
- Employees are bona fide.
 - NIC, PAYE and Pensions have been correctly calculated.
 - Actions from the 2021/22 have been completed.
- 3.4. While this review did not highlight any concern over the inputting of information by payroll Internal Audit are concerned there is potential for human error when relying solely on the information provided on the set forms/spreadsheet due to the inconsistency and poor quality of information provided to the Payroll Team from Service Managers.
- 3.4 The review found the following areas of the system where controls could be strengthened:

	Priority (see Appendix B)	Section 4 Recommendation number
Honorariums	Medium	1
Special Leave/Documentation	Low	2

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/Action Plan
New matters arising					
1	M	<p>Honorariums</p> <p>There is no council policy or guidance on awarding honorariums.</p> <p>Testing identified:</p> <ul style="list-style-type: none"> 2 employees that had been awarded honorariums for over 4 continuous years. This service has also been in an interim structure for the same period. 	<p>Impact on the employee's personal circumstances.</p>	<p>Decide what a Council defines as an honorarium and provide guidance to managers.</p> <p>Address the Interim structure within the Finance and Customer Service Team as a priority.</p>	<p>Management Response and Action</p> <p>Management agrees with the recommendation that further guidance will help managers to complete forms correctly, including those relating to honorarium requests. We will review and update forms and guidance.</p> <p>The Head of Finance and Customer Services agrees with the recommendation to address the interim structure within Finance and Customer Services. Work is currently ongoing to resolve this.</p> <p>Responsible Managers Human Resources and Organisational Development Manager and Head of Finance and Customer Services</p> <p>Implementation Date December 2023</p>
2	L	Special Leave/Documentation			

	<p>The Special Leave Policy found on the Orb has a next review date of December 2020.</p> <p>The Special Leave form / spreadsheet submitted to HR/Payroll doesn't capture the relationship to the deceased. Therefore, Internal audit are not able to give assurance that the special leave process has been correctly followed against the criteria.</p> <p>Testing identified an Inconsistent approach from line managers submitting information. The Spreadsheet is not being completed correctly and not all forms are being fully completed.</p>	<p>With a manual process there is the risk of human error in the recording and processing of information which has the potential to result in employees incorrectly paid.</p>	<p>The Council should review the current manual process including the forms and spreadsheet to ensure they are user friendly, practical and relevant for the services, HR and Payroll. These forms need to be completed correctly to provide the Council with an audit trail in the event of a challenge.</p> <p>Consider the use of Microsoft forms for Managers to submit information to HR and Payroll. These could also provide Management with statistical information.</p>	<p>Management Response Management agrees with this recommendation. The existing forms and spreadsheet were developed as an interim solution during the early stages of the Covid-19 pandemic and corresponding changes in working practices.</p> <p>Action The HR and Payroll teams will review all forms to ensure that they are capturing the required information and will ensure that guidance for managers is clear.</p> <p>Responsible Managers Human Resources and Organisational Development Manager and Payroll Team Leader</p> <p>Implementation Date December 2023</p>
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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.

BROMSGROVE DISTRICT COUNCIL

Audit, Governance & Standards Committee

17th July 2023

- WIASS conforms with 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

BROMSGROVE DISTRICT COUNCIL

Audit, Governance & Standards Committee

17th July 2023

Overview of 2023/24 Follow Up Programme

Appendix 4

	Year of Review	Review Area	Assurance	Follow Up Position	Indicative Date of Follow Up		Position and Conclusion
BDC	21/22	Procurement	Limited	2 nd	May-23	Q1	All points implemented – Report - Appendix 5 No further action required
BDC	21/22	General Data Protection Regulation	Moderate	2 nd	Jul-23	Q2	1 recommendation implemented and 2 partially implemented. Further follow up to be arranged and linked to GIS/Gazetteer Phase 1.
BDC	22/23	GIS/Gazetteer Phase 1	Critical Review	1 st	Jul-23	Q2	To be arranged and linked to the General data Protection regulation.
BDC	22/23	Accounts Payable	Moderate	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	IT Review	Moderate	1 st	Jan-24	Q4	To be included in 23/24 Audit
BDC	22/23	Treasury Management	Significant	1 st	Jul-23	Q2	To be included in 23/24 Audit
BDC	22/23	Accounts Receivable	Limited	1 st	Dec-23	Q3	To be included in 23/24 Audit
BDC	22/23	Council Tax	Moderate	1 st	Nov-23	Q3	To be included in 23/24 Audit

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	Year of Review	Review Area	Assurance	Follow Up Position	Indicative Date of Follow Up		Position and Conclusion
BDC	22/23	National Non-Domestic rates	Significant	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	Benefits	Significant	1 st	Nov-23	Q3	To be included in 23/24 Audit
BDC	22/23	Workshop Licensing Compliance	Critical Friend	1 st	Dec-23	Q3	To be arranged
BDC	22/23	Fuel Usage and Efficiency	Moderate	2 nd	Aug-23	Q2	To be arranged
BDC	22/23	WRS- Animal License Activity	Critical Friend	1 st	Sept-23	Q2	To be arranged

Note:

There are no exceptions to report.

2023/24 Review areas will be added to the table when they become due for a follow up visit.

Worcestershire Internal Audit Shared Service



Procurement 2021/22

2nd Follow-up Report – 19th June 2023

Distribution:

To: Procurement Officer
Senior Solicitor, Contracts, Commercial and Procurement Officer
Head of Legal, Democratic and Property Services
Section 151 Officer

Cc: Chief Executive

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Section A - Justification of Audit Follow-up Approach

The date of the final audit Report was 14/06/2022 with the first follow up report on 25/11/2022 and is being followed up again because:

- 1 high priority recommendation remained outstanding; and
- At least 6 months have passed since the previous follow-up:

Please note that recommendations implemented from the previous follow up have not been included in this report.

The following audit approach has therefore been applied:

1. The 1 'high' priority recommendation outstanding from the first follow up has been updated with the current position.
2. Where required recommendations against weaknesses in key controls have been tested.

Section B - Conclusion - Current Position statement

The original audit report gave **Limited Assurance** over the control environment, and this was the 2nd follow-up. The first follow up found that 1 medium recommendation had been implemented and was not included in this report.

From the explanations received and the evidence provided, internal audit was satisfied that further progress has been made in relation to the high priority recommendation and this has now been fully implemented.

As Internal Audit is satisfied that the risk to the Council has been mitigated no further follow-up will be required.

This follow up was undertaken during the month of June 2023.

Audit, Governance & Standards Committee

17th July 2023

Section C – Current Position

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as at 26th October 2022</u>	<u>2nd Follow up Position as at 14th June 2023</u>
1 High	<p>Compliance of the procurement rules and purchases made</p> <p>To work with finance to implement phase 2 of the finance system which will in turn enable more functionality to block users ordering without permission and allow better monitoring of new procurement projects.</p> <p>To conduct appropriate meetings with each individual service and understand what is preventing the service from contacting procurement about new supplier contracts and understand what is preventing services from complying with the procurement rules.</p> <p>To consider having regularly procurement meetings with the Head of Service so that concerns can be raised and addressed and where possible appropriate sanctions can be given.</p>	<p>A meeting took place on 9th May 2022 between Finance and the Procurement Team.</p> <p>It was agreed that an action plan would be developed to cover the following areas:</p> <ol style="list-style-type: none"> 1. Review of thresholds and rules - The review was completed on 11th May 2022. There was no requirement to change thresholds, but it was agreed some improvements were required on the instructions for each stage which as at 13th June 2022 are in draft awaiting final approval. 2. Training (content, attendees, when, how etc) – training slides have been updated and as of 13th June 2022 dates are to be booked for training sessions in September 2022. (2 weeks 3. Financial systems & processes - April 23 is the target for this to embed this across the authorities prior to rolling out the official Policy. 	<p>Partially Implemented</p> <p>Although some changes have been made within the Procurement Rules to help with the compliance aspects, this action is still to be fully implemented.</p> <p>Since the review, wording on the orb has been updated to help users better understand the Procurement Rules and the Procurement Team are currently reviewing the Procedure Rules. This is to be finalised by Q1 2023.</p> <p>In September 2022 training was also undertaken to help embed the Procurement Rules.</p> <p>A new module within the financial system is still in development to enable all purchases that involves procurement to have a clear sign off procedure prior to spending being undertaken.</p>	<p>Implemented</p> <p>Since the last review there has been a review of the thresholds in place and the decision was to keep the current thresholds the same. A further review will take place once the procurement white paper has been through Parliament.</p> <p>The financial system has been updated so that all new suppliers must have a new supplier form attached to the system which must have been signed off by Procurement.</p> <p>On 1st April 2023 Procurement have introduced a new purchasing compliance which will not allow services to raise purchase orders on the finance system except to suppliers that have been actively confirmed as compliant with a contract listed on</p>

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Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>1st Follow up Position as at 26th October 2022</u>	<u>2nd Follow up Position as at 14th June 2023</u>
	<p>Finally to update the procurement section on the orb and include text to inform staff that they must communicate with procurement on spends of all values of the procurement rules so that procurement is in the loop about all suppliers/frameworks used.</p>	<p>4. Senior Leadership Culture and Management – Action plan reported to CMT 11th May 2022. Heads of Service to be included in training and CMT to champion each training session. 13th June 2022 it has been agreed that Legal and Procurement Leads to meet with Heads of Service quarterly to review procurement matters as part of raising the profile of compliance. Also there are more communication messages planned to embed this with staff.</p> <p>Responsible Manager: Executive Director of Resources in conjunction with the Interim Head of Finance and Customer Services and the Head of Legal, Democratic and Property Services</p> <p>Implementation date: Ongoing as above with final action by 30th April 2023.</p>	<p>This system update is due to be implemented by April 2023. As well as this, an interim manual control has been put in place where all new suppliers must be authorised by procurement, otherwise Finance will not allow any spending to occur. Existing suppliers will be monitored more actively from April 2023.</p> <p>Quarterly meetings occur with the Heads of Service to review procurement matters as part of raising the profile of compliance.</p>	<p>the ERP: no compliance, no order.</p> <p>Since the first follow up a new Procurement channel has been developed on Microsoft Teams to enable services within the Council to discuss and ask questions.</p> <p>As part of continued development the procurement page on the orb no longer gets updated and instead there is a 'how to procure' section within the channel on Teams / SharePoint to allow staff easier visibility.</p> <p>Monthly meetings now take place with Heads of Service and new suppliers forms are scrutinised prior to approval to ensure compliance with Procurement rules.</p>