

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	2nd December 2014	AGENDA ITEM NUMBER
TITLE:	Internal Audit 2014/15 Plan – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit & Risk Dashboard (Quarters 1 & 2 2014/15)		
Appendix 2 - Audit Reviews Position Statement (Quarters 1 & 2 2014/15)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2014/15 was presented to the Corporate Audit Committee on the 13th May 2014. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2014/15.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

Current Performance

4.1 Robust performance measurement and reporting is vital to ensure that timely and effective decisions can be made. To aid and inform the Committee Appendices 1 & 2 provides detail on current key performance information related to the Audit and Risk function.

4.2 As at the end of Quarter 2, the Audit & Risk Team had completed or had work in progress amounting to 39% of the planned work. There are a number of reasons for not achieving 50% of the plan at the financial year half way point.

4.3 - Level of unplanned work – Although the amount of time investigating financial irregularities is much reduced on previous years (reduction from 17% to 9% of total available time) the Audit Team has had to allocate resources to this and other types of unplanned work. We have had to allocate additional time to School Financial Value Standards and had three grant claims which required ‘independent’ review prior to Chief Executive ‘sign-off’.

- Exceeding Audit Days allocated – The Dashboard records that 70% of audits had been completed within the number of days assigned (i.e. planned audit days). Therefore 30% of audits completed (Final Report stage) had exceeded planned days.

- Resources – The Audit Plan included 200 days to be sourced from the South West Audit Partnership (SWAP). Up to the end of September only 3 audits totalling 50 days had been completed by SWAP. We are currently arranging another 6 audits to be carried out by SWAP during the final 2 quarters of 2014/15.

- Completion of 2013/14 reviews – A number of audit reviews from 2013/14 which were still work in progress at the end of March 2014 required additional work to be carried out increasing the audit days allocated.

4.4 Appendix 2, the second part of the Dashboard, records the 2014/15 Audit Plan and those reviews finalised, drafted or ‘Work-In-Progress’ as at the end of September 2014. This records that 27 Audit Reports have been finalised in the 2014/15 Financial Year up to the 30th September. Another 12 were in ‘draft’ form and another 9 audits were ‘Work-In-Progress’. It is pleasing to note that all but 3 of the ‘finalised’ Audit Reviews were assessed at an Assurance Level of 3 or above (Adequate to Good Framework of Internal Control).

4.5 The 3 ‘finalised’ audits assessed at Level 2 ‘Weak Control Framework’ were:

1) IT Software Licensing - This audit considered the arrangements to acquire, manage and maintain software assets and that ensure that software was appropriate and legal to use. It also considered licensing, maintenance and support arrangements for software assets. Weaknesses included:

a) an IT procurement policy and related written procedures had not been adopted / disseminated covering - who has responsibility for acquisition; interpretation of government and EU requirements for IT Procurement; business case submission (review and approval).

b) a single inventory of software licences was not being maintained.

c) Software media and licence keys for locally installed software could not be located.

Senior management have agreed to all the recommendations and these will be followed up by May 2015 when they should have all been implemented.

2) Parks & Green Spaces – The audit reviewed the parks operations including the management of trees; income from internal sales and external trading; safeguarding of assets and consumables; staffing costs; and management of allotment waiting lists. Weaknesses included:

- a) Service Level Agreements or budgets are not in place to enable the service to effectively inspect / maintain Council tree stock.
- b) Council's tree stock was not being inspected in line with the timescales adopted by the Service.
- c) Assets were not safeguarded - an inventory of hand / small power tools was not maintained.
- d) Failure of management to verify accuracy of payroll claims prior to submission for payment.

Senior management have agreed to all the recommendations and these will be followed up by March 2015 when they should have all been implemented.

- 3) Safer Recruitment (Disclosure & Barring Service) – The work of the Criminal Records Bureau and the Independent Safeguarding Authority merged into a single, new Non Departmental Public Body called the Disclosure & Barring Service (DBS) from December 2012. Based on this there have been many changes to the disclosure process including a new definition of regulated activity. A significant change is that the employer relies on the individual to present their disclosure certificate.

The 'Weak' Assurance Level rating was awarded based on non-compliance by Recruiting Officers to efficiently process timely DBS applications and manage responses. In addition, the Resourcelink system does not 'flag' those posts requiring Disclosure Certificates to be provided.

Human Resources have responded positively to the audit findings and the agreed actions in respect of improving management practices and the related monitoring and chasing of managers should now have been completed. The audit findings and recommendations will be followed-up.

- 4.6 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 67%. Of the 14 audits 'Followed-Up' during the first half of the financial year only 4 had critical / high risk rated weaknesses/recommendations. For 3 of the 4 audits all critical / high recommendations were implemented. The 'Follow-Up' of the Council Tax (Collections, Recovery, Enforcement & Write-offs) identified that the 2 high risk recommendations had not been fully implemented. The introduction of a Data Processing Agreement and Service level Agreement for DG Collections Ltd, (one of the Councils preferred bailiffs), had not been formally agreed. At the time of the 'Follow-Up' the relevant documents had been compiled by Legal Services but the Service was still waiting for the signed documents to be returned.
- 4.7 The fourth speed dial recording customer satisfaction continues to record that rating are very good. A 'Satisfactory' rating was received for a single audit carried out by our South West Audit Partnership (SWAP) colleagues. The Audit Group Manager has liaised with both the Audit Client and SWAP to investigate the reasons for the lower score received.
- 4.8 The Audit & Risk Team continue to provide support to the School's assigned "Responsible Officer" (School Governor) for a number of Academy Schools. At the beginning of the year we had annual renewable agreements with 11 Schools

requiring an annual allocation of 44 audit days. For the 2014/15 Academic Year starting September 2014 this increased to 14 Schools. High Littleton Primary, Aspire and Bath Studio will have their first visits after Christmas.

Resources & Partnership Development

4.9 The Committee has been kept informed of the development of joint working with North Somerset Council and the South West Audit Partnership during the last 12 months. As detailed at the last committee meeting progress has been positive in moving these arrangements into a more formal setting for the future and it is anticipated approval will be given to create a partnership between the two Councils during December.

4.10 In summary a significant amount of work has been ongoing between the two teams to work together over the last year. Central to this has been a series of workshops, each with a different theme to build trust and confidence between the two teams. Both teams engaged positively in these sessions and all the work surrounding them, leading to a series of very positive outcomes as follows –

- Single Vision & Values for future working;
- Single Audit Management System (MKI) for both Councils;
- Single Audit Manual;
- Single Audit Report Template;
- Single Audit Brief Template;
- Single Quality Assurance Questionnaire;
- Single bids for Government transformation funding
- Sharing of Audit Programmes;
- Sharing of staff in trial areas including Business Continuity, Data Protection, Information Security and Business Rates.

4.11 Different models of service delivery have been assessed as a result of this work and recommendations made to move into a formal partnership under contract. The key benefits of the local authority partnership model are –

- Improves opportunity for Cost Savings
- Improves Capacity & Resilience
- Improves Productivity & Skills Mix
- Improves Flexibility of Resource Allocation
- Improves Independence & Profile
- Improves opportunities for Growth & Income Generation
- Improves opportunities for Innovation
- Improves career progression and personal development

- Retains local authority and organisational knowledge
- Retains an 'in-house' presence and jobs within the public sector
- Ensures Professional Standards are complied with
- Saves on procurement and related client/contract management costs
- Groups related services whilst allowing future flexibility and choice

4.12 As detailed above to assist in the development of the shared service, officer time has had to be spent to develop shared audit methodologies and systems. North Somerset are now using the same audit software and audit documentation (e.g. Audit Brief & Audit Report templates). Time spent on this work has exceeded that originally planned but the long-term benefits will significantly outweigh the short-term impacts on audit coverage.

4.13 The contractual arrangement with the South West Audit Partnership continues and this will be reviewed in light of the formation of the new partnership. To be able to source internal audit resources through such an agreement provides flexibility and also enables us to source specialist skills at a reasonable cost, i.e. IT Auditors, where it is difficult to recruit and retain.

4.14 It is proposed that at the next meeting a fuller briefing of how the arrangements will work will be given once all the approvals are in place.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

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Background papers	<i>Report to Corporate Audit Committee – 13th May 2014 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	