

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	8th December 2015	AGENDA ITEM NUMBER
TITLE:	Internal Audit Annual Plan (2015/16) – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit Plan Position Statement (as at 30th September 2015)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2015/16 was presented to the Corporate Audit Committee on the 26th March 2015. 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 2015/16.

3 FINANCIAL IMPLICATIONS

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

4 THE REPORT

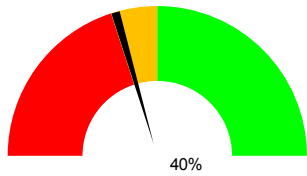
4.1 The chart overleaf shows that as at halfway through the year:

- Overall delivery of the plan is on the lower end of the target for Q2;
- Audit Reviews are broadly being completed within their allocated days;
- Customers have rated the service as either 'good' or 'excellent';
- The majority of Critical and High level recommendations have been implemented within the timescale agreed by management;
- State of the Internal Control framework is positive based on our audit opinions;
- Unplanned work is currently over the planned contingency.

B&NES Audit & Risk Dashboard April 1st - 30th September 2015/16

Internal Audit

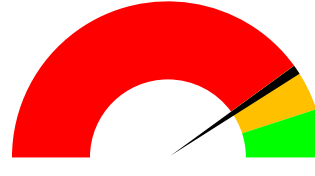
Annual Audit Plan Completed



40%

Green Target => 90% of pro rata plan
Amber Target => 80% of pro rata plan

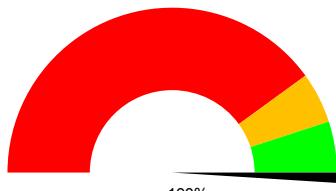
Audit Reviews Completed in Assigned Days



80%

Green Target = >90%
Amber Target = >80%

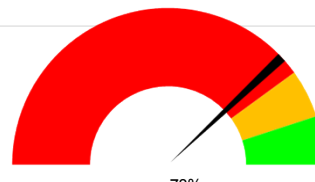
Customer Satisfaction - Good or Excellent



100%

Green Target = >90%
Amber Target = >80%

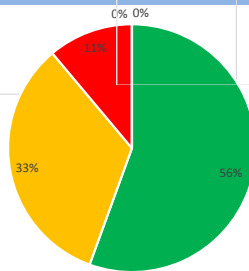
Recommendations (Critical / High) Implemented by Follow Up



78%

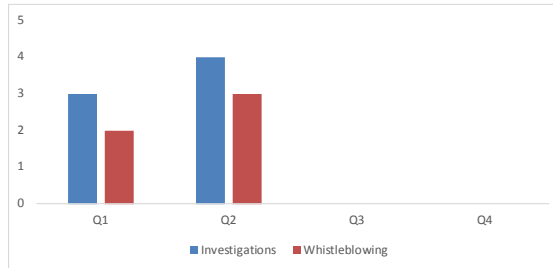
Green Target = >90%
Amber Target = >80%

Assurance Level Provided

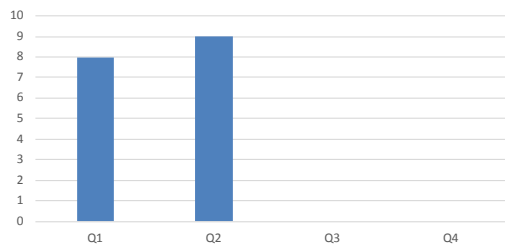


- Excellent
- Good
- Adequate
- Weak
- Poor

Investigations & Whistleblowing



Unplanned Audits



Equating to 72 Audit Days

4.2 COMPLETION OF THE INTERNAL AUDIT PLAN

4.2.1 The performance dashboard shows that at the half-way point of the year, 40% of the plan is substantially completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork.

4.2.2 The adoption of standard working processes across the partnership and completing single reviews where possible has helped to achieve this position.

4.2.3 There are a number of reasons for not achieving 50% of the plan at the financial year half way point:

Level of Unplanned Work. The Internal Audit Partnership with North Somerset Council formally commenced on 1st August 2015. More time than expected had to be spent by members of the Internal Audit Team to manage the integration of the North Somerset team to Audit West. In addition, work had to be carried out on preparing for a new 'Financial Assessments' service. Audit West will be carrying out financial assessments for new contracts to be awarded and continuing contracts of significant value.

Resources. South West Audit Partnership (SWAP) have experienced a number of staffing issues, e.g. long term sick leave, that has meant they have not been able to provide the resources necessary to complete a number of IT audits. We are currently looking at alternative options to complete the outstanding IT Audits and we have re-allocated non-IT audit reviews to SWAP for them to carry out during the final two quarters of the year.

4.2.4 Work to complete the Annual Audit Plan is continuing and we have commenced a recruitment process so sufficient resources are available to carry out the planned audit reviews. This recruitment process will be used to fill a vacancy left by an experienced member of the team who left the Council's employment to join the Nationwide Bank at the end of November. Although we started the recruitment process promptly it is likely that the start date for any new member of staff will be February at the earliest.

4.2.5 Appendix 1 records reviews finalised, drafted or 'Work-In-Progress' in this financial year to the end of September 2015. This records that 12 Audit Reports have been finalised / completed, another 5 were in 'draft' form and another 10 audits were 'Work-In-Progress'.

4.3 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

4.3.1 The percentage of audits (included in 2015/16 Plan) completed within the initial allocated days is recorded at 80%. The 2 audits which exceeded days assigned required more time to complete the agreed scope and Audit Management agreed the additional days required to complete the necessary work.

4.4 CUSTOMER SERVICE

4.4.1 The ethos of the partnership is around providing quality and adding value, therefore the 'Customer Satisfaction' Performance Indicator is particularly important. The completed and returned Quality Assurance Feedback Forms evidence high levels of satisfaction in the work being carried out. The Feedback Form provides the option of providing general comments about the work carried out. Audit Management do discuss the results and any comments with the relevant member of staff. A number of comments made are recorded below:

"All the Drainage & Flooding Team involved in the audit process, felt the auditor was engaged and suitably informed, giving a welcome new perspective on their work. A very worthwhile exercise."

"A very productive and helpful audit in terms of

a) the actual work carried out

b) the learning from it which both influenced and supported new developments

c) the follow-up contact and review of recommendations as a QA mechanism."

4.5 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.5.1 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 78%. Of the 7 audits 'Followed-Up' during the first half of the financial year, 5 had critical / high risk rated weaknesses / recommendations. For 3 of the 5 audits all critical / high recommendations were implemented.

4.5.2 There were therefore two audits (IT Procurement & Property Decision Making) where the 'Follow-Up' identified that a single high risk recommendation had not been implemented. The management response, agreeing to a revised implementation date was acceptable and the relevant Divisional Director was informed so implementation could be monitored.

4.5.3 It should also be noted that 100% of audit recommendations proposed within our reviews during the year to date have been accepted and agreed by the respective service managers.

4.6 INVESTIGATIONS/ WHISTLEBLOWING

4.6.1 During the first half of 2015/16 the service has been involved in four investigations. Two of these were longstanding police referral cases and this has involved providing support as and when necessary. The two other cases required different levels of support. One went to a formal disciplinary hearing.

4.6.2 The investigations have identified a breakdown of the system of internal control for certain specific areas however there are not any systemic issues affecting the Council's framework of internal controls and governance. Action has been taken to correct any control weaknesses identified during our work.

4.7 ASSURANCE LEVEL PROVIDED

4.7.1 In 2015/16 (to the end of September) 89% of 'Final' Audit Reports issued have an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5). A single audit, Heritage Income & Ticketing System, accounted for the balancing 11%, and this was allocated Assurance Level 2 'Weak Control Framework'.

4.7.2 The Heritage audit focussed on project management (implementation) and security of the Galaxy IT System. The focus on system implementation was informed by the knowledge of delays in implementation and the objective of improving practices for the next phase of the system implementation. The significant weaknesses were recorded as:

- a) The Business Continuity Plan (including the till system) had not been updated.
- b) The terms and conditions of the contract with the software supplier were not sufficiently detailed to provide assurance that the system would be recovered sufficiently quickly in the event of a business critical disaster
- c) Evidence was not maintained to verify that the system was being backed up by the software supplier.
- d) Too many users had full system access.
- e) Reports on the effectiveness of network security including the firewall were not being received.
- f) Monitoring of the project timetable and review of risks was not on-going.
- g) The latest version of antivirus software was on all terminals on the network.

Senior management agreed to implement all the recommendations by 31 December 2015. The Audit and its recommendations will be followed up in the final quarter of 2015/16.

4.8 UNPLANNED AUDITS / WORK

4.8.1 Nine pieces of unplanned work have required Internal Audit time over the 6 month period. This included the four investigations referred to in para 4.6.1. We have also responded to requests for help and assistance – e.g. 8 days were spent working on cases referred by colleagues supporting the West of England Local Enterprise Partnership Growth Fund. B&NES Council is the lead Authority and the Audit Team provided independent advice on claims submitted by those awarded Growth Fund monies.

4.8.2 The total amount of time spent on unplanned work was 72 days. The partnership recognises the importance and value to management of being able to respond to these types of requests and thus ensures that contingency is built into resources so that we can be flexible to needs.

4.9 JOINT WORKING WITH NORTH SOMERSET COUNCIL

4.9.1 The Committee has been regularly updated on the joint working arrangements between Bath and North East Somerset Council and North Somerset Council Internal Audit Services.

4.9.2 A formal proposal was made to the Executive of each council to create a formal partnership for the provision of its Audit & Assurance function and this was endorsed in December 2014.

4.9.3 The new arrangements formally commenced on the 1st August 2015 under a five year contract, with Bath & North East Somerset acting as host authority for the new 'Audit West' and all officers employed by B&NES in a single integrated structure.

4.9.4 As part of a formal process the seven existing employees from the North Somerset Internal Audit Team were transferred under TUPE to B&NES on the 1st August 2015.

4.9.5 In October 2015, the transferred staff from North Somerset were combined into a new structure encompassing the existing Bath & North East Somerset team as well as setting up the new 'Audit West' operating model to meet future expectations and demands under its contractual obligations.

4.9.6 This process has been challenging for all staff as everyone's role has effectively changed, with new expectations and demands placed upon everyone. The response has however been very positive with limited impact on performance and seven members of staff have been formally appointed to key roles within the new structure.

4.10 NON-CORE SERVICES

4.10.1 In addition to delivering the Audit and Assurance Plan, the partnership continues to provide a range of other functions which are not part of the core delivery of services to North Somerset Council.

4.10.2 This also means there has been an increased focus on chargeable work as this delivers the additional revenue to support our own savings plans, this includes selling services for:

- Business Continuity in Schools/Academies
- Internal Audit / Responsible Officer Support Service in Academies
- Business Rates Reviews for other Councils
- Financial Assessments

4.10.3 During the first six months we have expanded in all of these areas and these will be summarised in our Annual Report.

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.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 26th March 2015 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 30th September 2015)

Appendix 1

Audit Review Title	Status	Assurance Level	Recommendations	
			Made	Agreed
NNDR	Final	3	12	12
Lead Local Flood Authority - Flood & Drainage Programme Management	Final	3	8	8
Traffic & Safety (Traffic Signals & Intelligent Transport Systems)	Final	4	7	7
Adult Care - Debt Management	Final	3	8	8
Council Website (Internet Payments & Business Continuity)	Final	4	4	4
Deputyships	Final	4	5	5
Cleansing Enforcement	Final	N/A		
Bereavement Services	Final	4	7	7
Heritage - Replacement income / ticketing System	Final	2	20	20
Section 106 / Community Infrastructure Levy	Final	4	2	2
School Financial Value Standards – Assessment of Certificates and Assurance to Chief Finance Officer to sign SFVS Annual Assurance Statement	Complete	N/A		
Liquid Logic - System Administration / Information Security	Final	N/A		
School Theme - Info Gov	Draft			
Property Compliance	Draft			
CCTV - compliance with Surveillance Camera / RIPA regulations.	Draft			
Somerset Business Rates Pool	Draft			
Car Parking Enforcement- Penalty Charge Notices	Draft			
HB Processing Claims & Subsidy Claim	WIP			
HB Overpayments	WIP			
Payment Card Data Security	WIP			
Purchasing Card Key Controls Review	WIP			
Care Packages / Placements – Under the threshold	WIP			
Appointees - Duty of Care Client finances	WIP			
Care Act Implementation (New Liquid Logic IT System – System Development – Deferred Payment Agreements / client expenditure cap; state support asset levels)	WIP			
School Theme Review - Governance (Incl Salford).	WIP			
Sexual Health Services Commissioning & Contract Management	WIP			
Community Transport	WIP			
Pension Fund - IT Systems				
Pensions Administration (Contributions / Membership Records)				
Revenue Estates - Asset Management Planning including Acquisitions & Disposals - M. Grainger				
Repairs & Maintenance - Identification / Scheduling of Works				
Project Delivery				
Revenue / Small Capital - Miles Barnes. Revenue £1.3m				
Payroll - Itrent - System administration & Information Security				
Procurement - Pro-Contract				
IT Audit Review(s) - ID & Access Controls				
IT Audit Review(s) - Mobile & Remote Working				
IT Audit Review(s) - Social Media				
Care – Contract Payments & Performance Monitoring				
Deprivation of Liberty Safeguards				
Better Care Fund				
Chew Valley Secondary School				
St.Marks Secondary School				
St. Gregorys				
School Theme Self-Assessment Reviews - Financial Planning				
School Theme Self-Assessment Reviews - Safeguarding				
Specialist Services - Contract Management (processing payments accurately / timely; pooled budgets - accurate / timely receipt of funding)				
Recycling				
Leisure Provision				
Heritage - Cash Collection & Banking Operation				
Housing Allocations				
Regeneration - Enterprise Area - Process Review				
Planning Fees				
Election Bank Account				
Members Allowances				