

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	8th December 2016	AGENDA ITEM NUMBER
TITLE:	Internal Audit Annual Plan – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit Reviews Position Statement (as at 30th September 2016)		

1 THE ISSUE

- 1.1 The Annual Internal Audit Plan for 2016/17 was presented to the Corporate Audit Committee on the 24th March 2016. 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 2016/17.

3 FINANCIAL IMPLICATIONS

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

4 THE REPORT

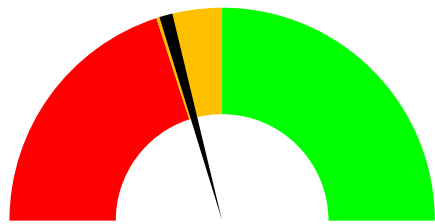
- 4.1 The chart overleaf shows that as at halfway through the year:
- Overall delivery of the plan is on the lower end of the target for Q2;
 - Audit Reviews are broadly being completed within their allocated days;
 - Customers have rated the service as either 'good' or 'excellent';
 - The majority of 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.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

Client - Bath & North East Somerset

Period - April 2016 - September 2016

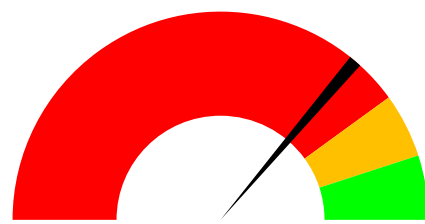
1. AUDIT PLAN COMPLETED



40%

Green Target = >50% of annual plan
Amber Target = >40% of annual plan

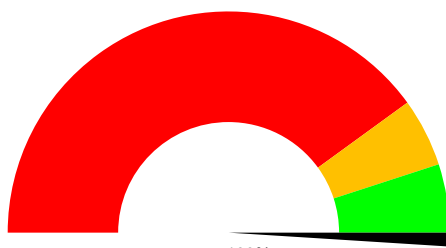
2. AUDITS COMPLETED IN PLANNED TIME



71%

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

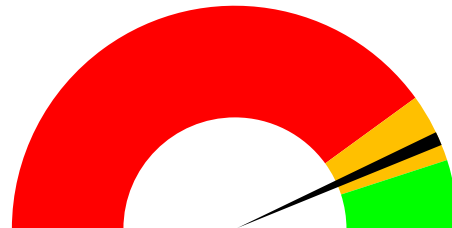
3. CUSTOMER SATISFACTION



100%

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

4. IMPLEMENTATION OF RECOMMENDATIONS

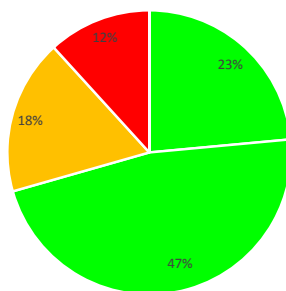


86%

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

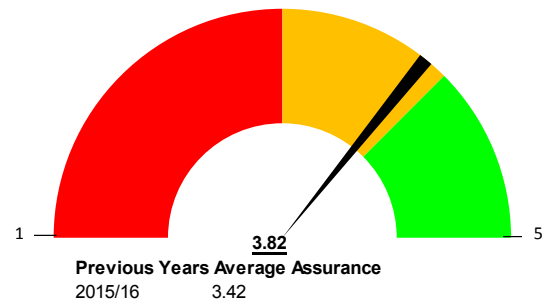
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



■ Excellent
■ Good
■ Satisfactory
■ Weak
■ Poor

Current Average Assurance Level

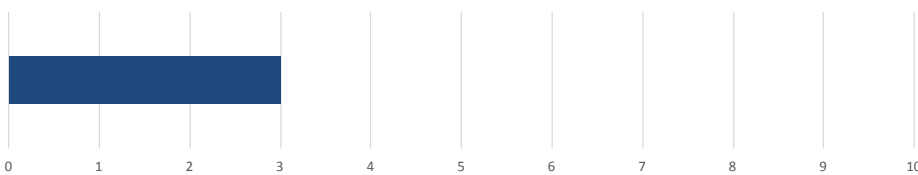


Previous Years Average Assurance
2015/16 3.42

6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
29.7
Audit Days
2016/17

8. NEW UNPLANNED WORK



Equating to
47.5
Audit Days
2016/17

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 (see Appendix 1).

4.2.2 The reason for not achieving 50% of the plan at the financial year half way point:

Level of Unplanned Work. The Performance Dashboard records that a total of 77.2 days has been used on 'Unplanned Work / Investigations'. This is already in excess of the contingency allocated for 2016/17. Audit West in B&NES have been required to carry out 3 investigations and 9 pieces of unplanned work:

4 - Grant Claim Certifications;

3 – in response to Senior Management requests;

1 – agreed by Audit Management to ensure audit report recommended actions were implemented (Public Protection).

1 – audit of 'Contract Management - Extra Care Housing' replacing 'Adult Social Care Contract Re-provision' audit recorded in the Audit Plan 2016/17.

4.2.3 Work to complete the Annual Audit Plan is continuing and we have recruited an Audit Associate to carry out income generating work and a number of planned audits.

4.3 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

4.3.1 The percentage of audits (included in 2016/17 Plan) completed within the initial allocated days is recorded at 71%. 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 Providing quality and adding value is particularly important to Audit West. Receiving customer feedback is useful in being able to improve the service provided. We have encountered continuing problems with obtaining feedback through the use of Quality Assurance Feedback Forms and we have successfully moved to a fully electronic version using our Internal Audit Software. This has significantly improved the feedback received. It's important to note that the on-going dialogue with clients through the audit process helps to ensure that our feedback results continue to be very good.

A number of comments made are recorded below:

"This Audit was carried out with very little disruption to our Service and in a professional manner."

"Timescales were adhered to which was appreciated. Feedback to initial recommendations was taken on-board. The auditor worked hard to grasp and understand a complex but also unique process"

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 86%. Of the 7 audits 'Followed-Up' during the first half of the financial year, 3 had critical / high risk rated weaknesses / recommendations. For 2 of the 3 audits all critical / high recommendations were implemented.

4.5.2 There was therefore a single audit (Purchasing Card Key Controls Review) where the 'Follow-Up' identified that only 1 of the 7 high risk recommendations had not been implemented. The outstanding recommendation was in relation to developing an improved system to ensure that managers adequately monitored purchase card transactions issued to their staff.

4.5.3 Based on the finding of the Audit Follow-Up the matter was flagged to the Divisional Director Business Support and the Head of Strategic Procurement & Commissioning agreed to keep Internal Audit updated on progress.

4.6 INVESTIGATIONS/ WHISTLEBLOWING

4.6.1 As stated in 4.2.2 during the first half of 2016/17 the service has been involved in three investigations. The subject matter will be covered in the Fraud Review Agenda Item of this meeting.

4.7 ASSURANCE LEVEL PROVIDED

4.7.1 In 2016/17 (to the end of September) 88% of 'Final' Audit Reports issued have an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5). Two audits, 'Member Allowances' and 'Use of Council Vehicles', accounted for the balancing 12%, and these were allocated assessments of Assurance Level 2 'Weak Control Framework'.

4.7.2 The Members Allowances audit had three key control objectives which were assessed as part of the audit review:

1. The Council has in place an approved and established scheme for the payment of Members Allowances as required by legislation. (Assessed as 'Good').
2. Claims for expenses (including travel and subsistence) are in accordance with the approved scheme and are properly authorised. (Assessed as 'Good').
3. Allowances paid to B&NES Members are in accordance with the Council approved scheme. (Assessed as 'Weak').

Weaknesses identified included:

- Payroll Input errors (Mis-interpretation of forms submitted)
- Lack of adequate reconciliation processes
- Overpayments of £7K and underpayments of £3K affecting seven members

The Head of Legal and Democratic Services took immediate action to correct the periodic payments and commence recovery action.

Additional work was then undertaken by Internal Audit to confirm the accuracy of all payments processed following the changes requested post May 2015.

In addition to recommending improved reconciliation procedures changes to the payroll variation input forms were recommended.

All recommendations were agreed to be implemented and the audit follow-up should be completed before the end of 2016.

4.7.3 The Use of Council Vehicles audit had two key control objectives within the scope of the audit review and both were assessed as 'Weak':

1. Driver standards are maintained to provide good service and to protect staff, the public and property.
2. Use of vehicles is monitored to ensure effective, efficient and safe use of resources.

Weaknesses identified, included:

- The Fleet Management Vehicle Use Policy document not been reviewed and formally adopted by a Cabinet Member and / or senior management.
- Failure to monitor and report on compliance with the Policy.
- Record of approved drivers not being provided to service management.
- Almost 50% of drivers had not been recorded as having completed the driving assessment.
- No requirement to declare outcomes of age related health checks.
- Inconsistent approach by management to checks on driver licence's.
- Driver declaration forms not signed to show understanding and acceptance of responsibilities.
- Daily vehicle roadworthiness checks not always carried out or recorded.
- Up-to-date register of approved Council drivers is not maintained.
- Drivers not always being re-assessed within the specified time intervals.
- A number of Agency drivers had not been assessed.
- Council's Operator Licence holder does not have sufficient authority to require actions to be taken by other council officers to ensure compliance.

The Group Manager (Neighbourhood Environmental Services) and the Fleet Operations Manager agreed to implement the audit recommendations by 31/10/2016. The audit follow-up is scheduled for early in the New Year.

4.8 JOINT WORKING – AUDIT WEST PARTNERSHIP

4.8.1 The Committee has been regularly updated on the joint working arrangements between Bath & North East Somerset Council and North Somerset Council now badged as 'Audit West'.

4.8.2 As described previously in this report, partnership working has proved to be very successful and now over 25% of the audit plan involves joint reviews with North Somerset on common areas. This has improved productivity and value, and to further capitalise on these opportunities joint working has also extended into investigations and non-core services.

4.8.3 In financial terms the new arrangements have also delivered significant financial savings with over £200K delivered to date for both Councils with a further £80K planned over the next three years from delivering on new income opportunities. However budget pressures persist with both partners and a fuller update on the implications on Audit West will be given in our annual report once the long-term position becomes clearer.

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 2016)
Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
16-001B	Highways - Project Governance	Not yet Started			
16-002B	ICT - Network Management	Fieldwork<50%			
16-003B	Better Care Fund	Fieldwork>50%			
16-004B	Domicillary Care - Contract Management & Performance	Not yet Started			
16-005B	Pensions Governance	Not yet Started			
16-006B	Accountable Body - West of England LEP - One Front Door and Expenditure Scheduling	Fieldwork>50%			
16-007B	Accountable Body - West of England LEP – Funding Claims and Achievement of Deliverables	Fieldwork>50%			
16-008B	iTrent	Draft Report			
16-009B	ICT - Data Back Up	Fieldwork<50%			
16-010B	Recycling	Not yet Started			
16-011B	Traffic Regulation Orders	Final Report	4	6	6
16-012B	Creditor Payments - Late Payment of Invoices	Not yet Started			
16-013B	Pro-Contract	Final Report	3	9	9
16-014B	Procurement Governance	Not yet Started			
16-015B	Liquidlogic - Children's	Fieldwork>50%			
16-016B	Economic Growth	Fieldwork>50%			
16-017B	Street Works	Not yet Started			
16-018B	ICT Change Management	Not yet Started			
16-019B	ICT Third Party Access	Not yet Started			
16-020B	Pensions Admin	Not yet Started			
16-021B	Heritage Contract Management	Fieldwork>50%			
16-022B	Destination Management	Fieldwork>50%			
16-023B	Personalised Budgets	Fieldwork>50%			
16-024B	School Theme Review - Personnel & Payroll	Final Report	4	0	0
16-025B	Home to School Transport	Not yet Started			
16-026B	Revenue Estate - Rent Reviews & Lease Renewals	Fieldwork<50%			
16-027B	Digital B&NES - Connecting Devon & Somerset Programme	Fieldwork<50%			
16-028B	Public Protection Service Overview	Final Report	3	7	7
16-029B	Pensions Admin	Not yet Started			
16-030B	Cash Collection Contracted Service	Fieldwork>50%			
16-031B	Passenger Transport	Not yet Started			
16-032B	School Theme Review - Payments	Fieldwork>50%			
16-033B	Safeguarding	Not yet Started			
16-034B	Revenue Estate - Income collection, Debt Recovery & Write Offs	Not yet Started			
16-035B	Revenue Estate - Void Properties	Not yet Started			
16-036B	Employment Procedures - Redundancies	Not yet Started			
16-037B	Insurance	Final Report	5	0	0
16-038B	Use of Council Vehicles	Final Report	2	13	13
16-039B	Council Tax - Support, Exemptions & Discounts	Not yet Started			
16-040B	Debt Management	Not yet Started			
16-041B	Catering Trading Account	Not yet Started			
16-042B	Adult Social Care Contract Reprovision	Not yet Started			