

Audit Plan 2017/18

Delivering Independent Assurance to Local Government



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1. Our Strategy

Introduction

Bath & North East Somerset Council strives to deliver excellent services to local people and make our area internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities. This will require significant transformation to be a modern, innovative and accessible organisation.

The Audit & Assurance function fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

In seeking innovation and effectiveness, Bath & North East Somerset Council has partnered with North Somerset Council to provide a more resilient and better skilled audit and assurance function. This service – Audit West – is a fully integrated function able to serve not just its core partners but also provide a wider range of assurance based services to other clients such as Academies and the wider public sector.

This is not without challenges as resources have reduced significantly and this therefore necessitates a different approach to the way we work, approach and view risk and how we deliver i

independent assurance. This strategy is an example of this new approach as we have now replaced our traditional and often outdated methodologies with new risk based approaches to our planning and review of Council Services.

Our strategy to deliver this is based on the following key priorities –

- **Providing Reasonable Assurance**
- **Providing Value for Money**
- **Maximising Technology**
- **Investment in Skills**
- **Commercial Growth**

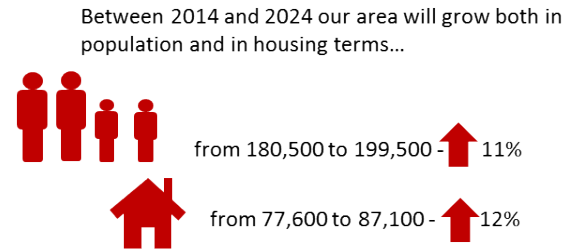
We will continue to work with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2017/18.



Life in Bath and North East Somerset

Key facts and figures



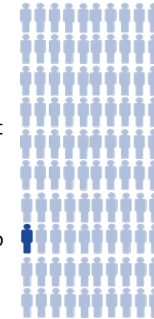
Our communities are happy



..and want to get involved



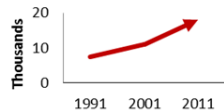
Just under 8/10 residents would like to be **more involved** in local decision making



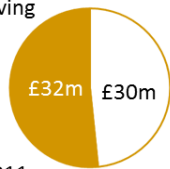
9,000 more jobs in the Bath City enterprise area by 2030

1,238 Technical & scientific professional businesses. Largest sector in the area

10,000 more users of local railway stations between 1991 and 2011



We are already efficient, already saving



but we need to find a further **£30m** by 2017

since 2011....



By 2020, summers could be 25% drier and winters 16% wetter

We have already seen three major landslips in three years

"Beautifully Inventive"

♂=81 ♀=85
 Life expectancy is high compared to national and regional rates

But... Life expectancy gaps of over 8 years (and increasing) exist for men living in different parts of B&NES

Just 5 stops on a local bus route

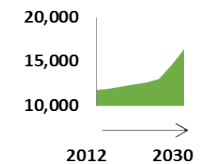


Amongst our most vulnerable children, 7 out of 10 have families which experience:

- domestic abuse,
- mental-ill health, or
- substance misuse

Or a combination of the three

By 2030 **5,000** more people aged 65+ will be unable to manage at least one self-care activity on their own



A strong economy and growth **Customers and Communities**
An efficient business **A focus on prevention**

Find out more...
www.bathnes.gov.uk/jsna

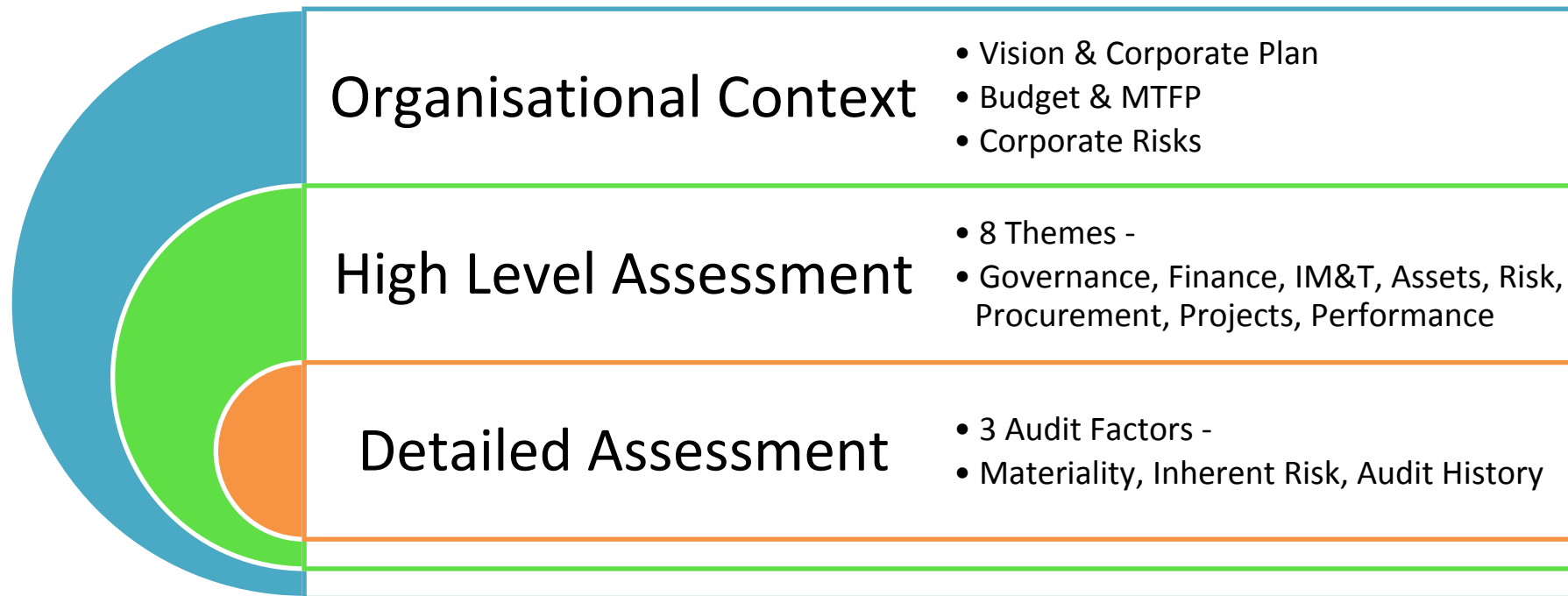
3. Key Priorities for Bath & North East Somerset

Corporate Strategy priorities	'Putting Residents First' manifesto commitments
A strong economy and growth	Improve transport New homes and jobs Cleaner, greener and healthier communities
A focus on prevention	Invest in our young people Greater choice and independence for older people Cleaner, greener and healthier communities
A new relationship with customers and communities	Cleaner, greener and healthier communities
An efficient business	Tackling wasteful spending

4. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

This involves considering current context of the Council, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



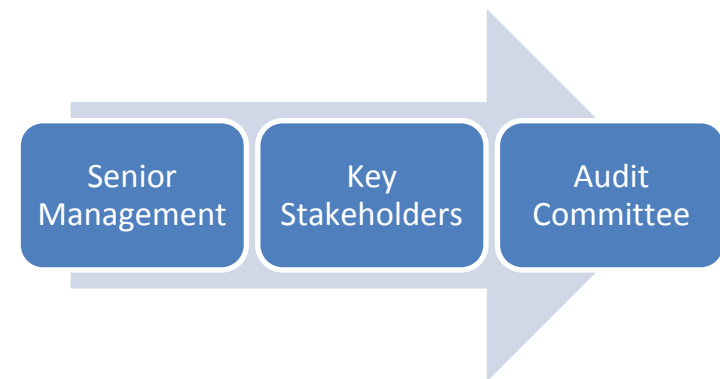
HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



DETAILED CRITERIA – AUDIT PLAN LISTING



CONSULTATION & APPROVAL



5. Methodology, Approach & Standards

Introduction:

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment. Scope of Internal Audit activity is not limited to the Council's financial systems and records, but extends to all functions of the Council.

Internal Audit is required to compile each year a Plan of its intended activity for approval by the Council's Audit Committee.

Internal Audit is required to be compliant with the Public Sector Internal Audit Standards and designs its methodologies to ensure it meets these standards and considers all available best practice.

Independence:

A critical element of the performance of Internal Audit is independence from the activities audited. This enables the function to form impartial and effective judgment for the opinions and recommendations made.

To help ensure independence, Internal Audit is part of a partnership arrangement with North Somerset Council and so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Leader of the Council, Chair of the Audit Committee, the Chief Executive, Strategic Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Audit West (responsible for the partnership arrangements) reports in his own name and acts as Chief Internal Auditor for each Council.

Internal Audit forms part of the core governance structure of the organisation and its input is required as part of the Council's Annual Governance review which results in the publication of the Council's Annual Governance Statement.

Relationship with the Council's External Auditor:

As part of their audit of the Council's financial statements, the Council's external auditor has a dedicated plan from which they carry out specific reviews of the Council's activities. To facilitate this work they have issued a plan for the audit of the 2015/16 accounts.

The External Auditors carry out their own risk assessment methodology to assist in agreeing their workplan.

The working relationship between Internal Audit and the External Auditors carrying out their respective functions is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst the Internal Audit function is responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.

The External Auditors whilst not formally required to seek reliance on the work of Internal Audit take into account the outcomes of all audit activity and consider their approach and plans to maximise their effectiveness and there is regular contact between the two parties.

Performance Management

The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A quarterly dashboard is produced and reported to each key stakeholders, including the Audit Committee.

Performance Indicators and Measures are set in the following areas –

Completion of the Plan
Audit Recommendations Implemented
Assurance Levels Provided
Productivity
Customer Satisfaction
Numbers of Investigations
Unplanned Work

Preparation of the Annual Plan: Reasonable Assurance Model

Internal Audit has adopted a risk based approach in determining its Annual Plan using the reasonable assurance model.

Stage 1 - Assess levels of Assurance & Risk over 8 key themes

- Corporate Governance
- Financial Management
- Performance Management
- Risk Management
- Asset Management
- Procurement (& Commissioning)
- Programme & Project Management
- Information Management & Technology

Stage 2 – Risk Assessment using 3 key factors

- Materiality
- Inherent Risk
- Audit History

Stage 3 – Consult & Approve the Plan

- Senior Management
- Audit Committee

Unplanned Work

The plan also allows for a contingency for any unplanned work. Unplanned work consists of the investigation of irregularities and prioritised 'consultancy' work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.

In view of the ever changing environment in which Local Government exists the Plan will be reconsidered at regular intervals to confirm that the remaining work planned is still appropriate. This process will be carried out in consultation with Senior Management and in particular the S151 Officer who acts as the principal client for the function.

Methodology:

Individual Audit Reviews:

At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Head of Service/Director and responsible Manager. This Brief will identify the objectives of the review and areas to be covered. This Brief will be subject to agreement between the client (Council Service) and the auditor.

At the conclusion of each review, an end of review meeting will be held with the client (usually Service Manager) to discuss the matters arising. The Head of Service/Director may be involved at this stage. Wherever possible this meeting will occur before a 'draft' audit report is produced.

Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses and recommendations.

The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation.

The management comments and implementation plan are compiled into a 'final' version of the report. This is issued to the recipients of the 'draft' version and the Head of Service/Director. It should be noted that the relevant Strategic Director and Audit Committee will be informed of the outcome of any work which falls into a level 1 rating.

Audit Review 'Follow-Ups':

Internal Audit reports / recommendations are subject to "follow-up". The objective of this process is to ensure actions are implemented within the agreed timescales.

All recommendations are subject to 'follow-up'. The process is dependent on the risk classification of the weaknesses / recommendations. For all 'Low' and 'Medium' risk recommendations, management are required to confirm implementation of actions. For all 'Critical' and 'High' risk recommendations Internal Audit will carry out testing to confirm implementation.

The findings of Audit Review 'Follow-Up' will be reported to the relevant manager(s) and Head of Service/Director. As stated above the relevant Strategic Director will be informed of the outcome of this work where there is a level 1 rating.

Investigation of Fraud & Corruption:

Senior Management have the primary responsibility for the prevention and detection of fraud and other financial irregularities. Internal Audit will however ensure it provides a lead in supporting management in this area, including design of appropriate strategies, policies and levels of control and will be alert in all their work to the possibility of theft, fraud, corruption and bribery.

Members of staff working within the Council are required to report any possible wrongdoing. Internal Audit will provide a professional response to any such reports received. In this respect, attention is drawn to the Council's own Anti-fraud & Corruption and Whistle blowing policies.

Internal Audit will conduct all investigations relating to fraud and corruption and do so according to professional standards, all applicable legislation and internal policies and procedures relating to staff conduct and the disciplinary process.

ANNEX A - AUDIT BRIEF

• Title	{Title}	
• Purpose of Review	To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.	
• Scope of Review	The audit will review the following key risks/control objectives: <ul style="list-style-type: none"> • Ensure..... • Ensure..... • Ensure..... 	
• Key Stages of Review Process		
• Timeframe	Fieldwork Starts: {Date}	Draft Report: {Date}
• Key Contacts	Lead Auditor: {Name}	Lead Client: {Name}
• Service Charter & Professional Standards	Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.	

Audit Opinions***Assurance Level 5 (Excellent)***

The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary.

• *Assurance Level 4 (Good)*

The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary.

• *Assurance Level 3 – (Satisfactory)*

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

• *Assurance Level 2 – (Weak)*

The systems of internal control are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce risk exposure.

• *Assurance Level 1 – (Poor)*

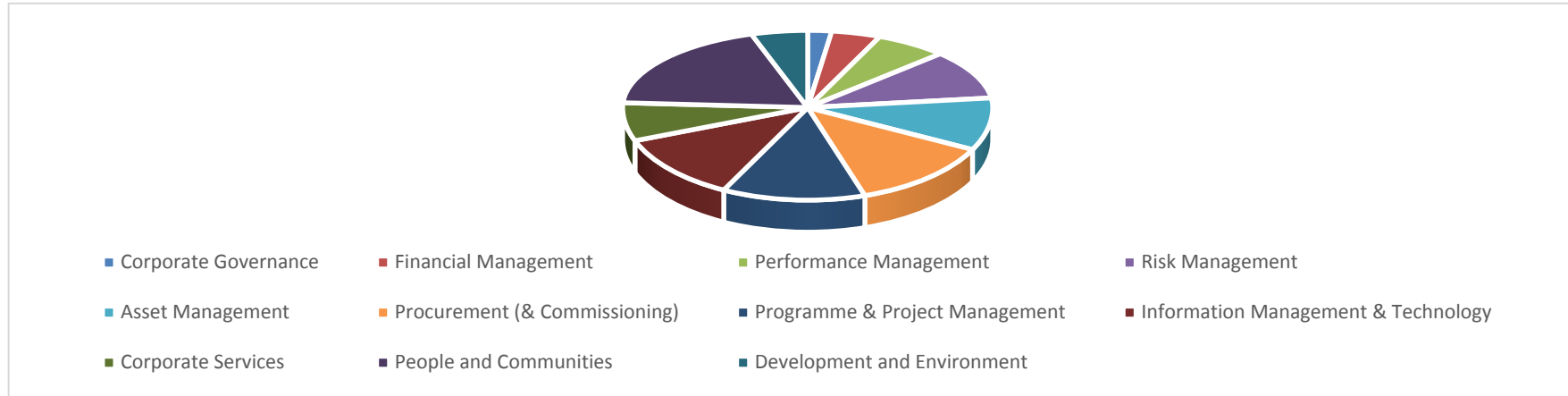
The systems of internal control are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee.

Contact Details

Head of Audit West –	Jeff Wring 01225 477323 jeff_wring@bathnes.gov.uk 01275 884459 jeff.wring@n-somerset.gov.uk
Audit Manager (B&NES)	Andy Cox 01225 477316 andy_cox@bathnes.gov.uk
Audit Manager (North Somerset)	Peter Cann 01275 884750 Peter.cann@n-somerset.gov.uk
Business Development Manager	Steve DeBruin 01225 477043 Steve.debruin@n-somerset.gov.uk
Address	Audit West Resources The Guildhall High Street BATH, BA1 5AW

6. Audit Plan – 2017/18

Reasonable Assurance Model Assessment –



HIGH					
	FINANCIAL MANAGEMENT	ASSET MANAGEMENT	PROGRAMME & PROJECT MANAGEMENT		
	CORPORATE GOVERNANCE	INFORMATION MANAGEMENT & TECHNOLOGY	PROCUREMENT (& Commissioning)		
		RISK MANAGEMENT			
		PERFORMANCE MANAGEMENT			
	LEVEL OF ASSURANCE				
	HIGH				LOW

AUDIT PLAN AREAS –

Audit Area	Reasonable Assurance Theme	Directorate	Joint Work with NSC
Asset Planning	Asset Management	Resources	Yes
Council Companies - Governance	Corporate Governance	Resources	
Your Care Your Way - Transition of Service Provision - Governance / Systems (Liquid Logic)	Corporate Governance	People	
Pension Investments (Project Brunel)	Corporate Governance	Resources	
IR35 Compliance	Financial Management	Resources	
Bath Quays (North) - Expenditure	Financial Management	Place	
Salary Sacrifice (certification)	Financial Management	Resources	
Heritage - Financial Reporting & Monitoring	Financial Management	Place	
Liquid Logic - Client Charges	Financial Management	Resources	Yes
Liquid Logic - Payments to Providers	Financial Management	Resources	
Pension Administration - Benefit Calculations	Financial Management	Resources	
Libraries - Consortium Contract Management	Financial Management	Resources	
iTrent / Payroll - Casual and overtime claims / mileage and expenses / sickness	Financial Management	Resources	
GLL Contract Management	Financial Management	Place	
Data Analytics	Financial Management	Resources	Yes
NNDR Debt Recovery	Financial Management	Resources	
iTrent / Payroll - Payroll Reconciliation	Financial Management	Resources	
Allocation of Funding and Expenditure Certification & Reporting	Financial Management	People	
Housing Services - Disabled Facilities Grants	Financial Management	Place	
Registrars - Income Reconciliation	Financial Management	Resources	
Section 106 - Expenditure Records	Financial Management	Place	
Your Care Your Way - Data Management	IM&T	People	
IT - Physical Security	IM&T	Resources	Yes
Business Continuity & Disaster Recovery	IM&T	Resources	Yes
Information Governance - General Data Protection Regulation - Readiness Assessment	IM&T	Resources	
Asset Management - Hardware (Maintenance)	IM&T	Resources	Yes
School Theme - Procurement / Purchasing Arrangements	Procurement	People	
Purchasing Cards - Policy / Data Analytics	Procurement	Resources	Yes
Waste Service	Procurement	Place	
Your Care Your Way - Project Plan Implementation	Programme & Project Management	People	
Bath Quays (South) - Governance	Programme & Project Management	Place	
Project Initiation Document Process	Programme & Project Management	Resources	
Your Care Your Way - Contract Management	Risk & Performance Management	People	

Audit Area	Service or Reasonable Assurance Theme		Joint Work with NSC
School Transport - Special Education Need Disability Pupils	Risk & Performance Management	People	Yes
Bus Gate Enforcement	Risk & Performance Management	Place	
Fleet Management Traded Service	Risk & Performance Management	Place	
Foster Care	Risk & Performance Management	People	
Energy - Governance / Structure of Service Provision	Risk & Performance Management	Resources	
Children Safeguarding - Child Referrals	Risk & Performance Management	People	
Delivery of Council Savings Programme	Risk Management	Resources	
Pensions Payroll (System Upgrade)	Financial Management	Resources	
Pensions - Code of Practice 14	Corporate Governance	Resources	
Pension Administration - Employer Contributions	Financial Management	Resources	
Grant Certification - Connecting Families	Financial Management	People	
Independent Examiner - Alice Park Trust	Financial Management	Place	
Annual Governance Statement Review	Corporate Governance	Resources	
Counter Fraud	Corporate Governance	Resources	Yes
Schools Financial Value Standards Certification	Corporate Governance	Resources	
Follow- Ups, including:			
<i>Community Transport</i>	Financial Management	Place	
<i>Property Repairs & Maintenance</i>	Financial Management	Resources	
<i>Traffic Regulation Orders</i>	Financial Management	Place	
<i>Pro-Contract</i>	Procurement	Resources	
<i>Accountable Body – Funding Claims & Achievement of Deliverables</i>	Financial Management	Resources	
<i>Accountable Body – One Front Door & Expenditure Scheduling</i>	Financial Management	Resources	
<i>Economic Growth</i>	Financial Management	Place	
<i>Heritage - Contract Management</i>	Risk & Performance Management	Place	
<i>Pension Fund - Governance</i>	Corporate Governance	Resources	
<i>Leisure Provision</i>	Financial Management	Place	
<i>Direct Payments</i>	Financial Management	Resources / People	
<i>Digital B&NES</i>	Programme & Project Management	Place	
<i>Street Works</i>	Financial Management	Place	
<i>IT - Remote & Mobile Working</i>	IM&T	Resources	
<i>Care at Home – Contract Management</i>	Risk & Performance Management	People	
<i>Housing Allocations (Home Search)</i>	Risk Management	Place	
<i>Independent Living Scheme</i>	Financial Management	People	
<i>Pension Fund – Administration (Benefits & Lump Sum Payments)</i>	Financial Management	Resources	
<i>S106 / Community Infrastructure Levy</i>	Financial Management	Place	
<i>Bus Gate Enforcement</i>	Financial Management	Place	