

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	13th April 2017	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2016/17	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Plan Position Statement		

1 THE ISSUE

- 1.1 This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2016/17 and formal opinion on the internal control framework.

3 FINANCIAL IMPLICATIONS

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

4 THE REPORT

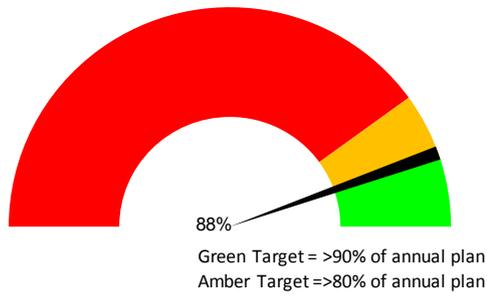
- 4.1 The Annual Internal Audit Plan for 2016/17 was presented to the Corporate Audit Committee on the 24th March 2016. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan on the 8th December 2016. This report builds upon that update and the chart overleaf records the position as at 31st March 2017.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

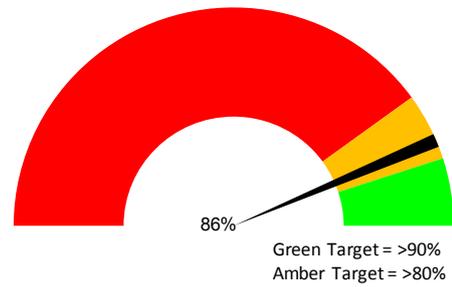
Client - Bath & North East Somerset

Period - April 2016 - March 2017

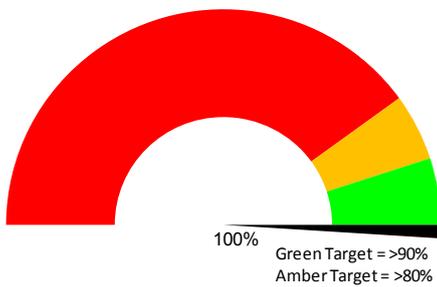
1. AUDIT PLAN COMPLETED



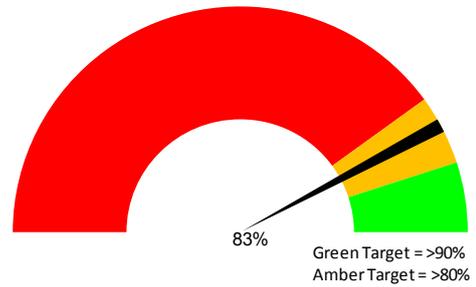
2. AUDITS COMPLETED IN PLANNED TIME



3. CUSTOMER SATISFACTION

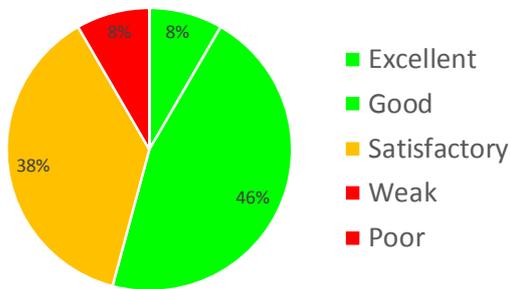


4. IMPLEMENTATION OF RECOMMENDATIONS

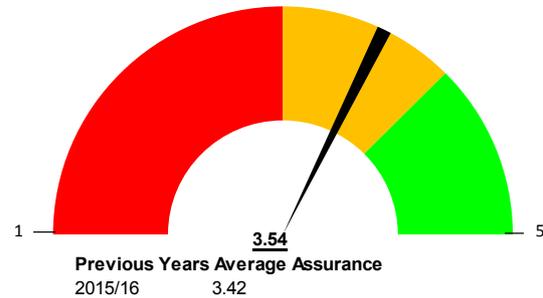


5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



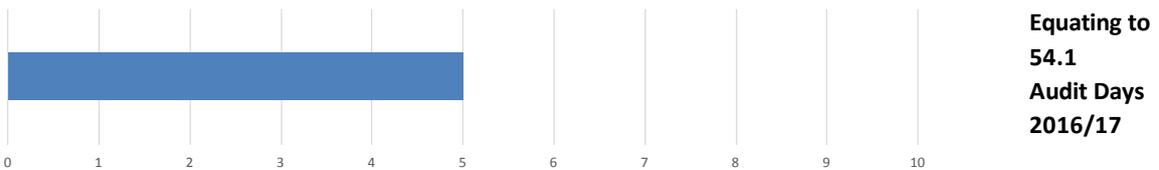
Current Average Assurance Level



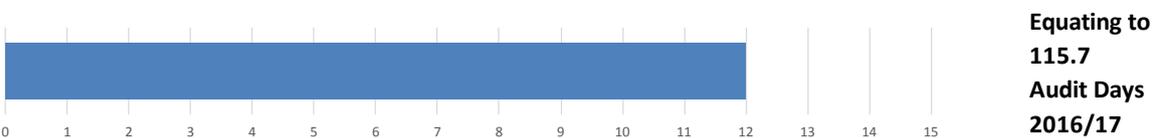
6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 88% of the plan is 'substantially completed'. This includes work that is either finalised or at reporting stage.
- 4.3.2 When the half year position was reported in December we recorded that Audit West had 'substantially completed' 40% of the Audit Plan.
- 4.3.3 The improved position as at the year-end has been achieved through amongst other things effective joint working and being able to utilise a newly recruited (November 2016) experienced Associate Auditor to carry out a number of planned audits. This resource replaced the previous contract with the South West Audit Partnership which had not been as effective as originally planned.
- 4.3.4 Appendix 1 records the status of each audit review within the 2016/17 Audit Plan at the end of March 2017.
- 4.3.6 This records that 24 Audits have been finalised / completed; 13 reviews are in 'draft' report format or 'substantially completed'; three reviews (ICT Change Management, ICT Third Party Access & Home to School Transport) had commenced but will be completed in 2017/18; and two reviews (Adult Care Contract Re-provision and Destination Management) were replaced by other 'unplanned' audit reviews.
- 4.3.6 The two audits which were replaced will be subject to internal audit review in 2017/18 (these are recorded in the 2017/18 Audit Plan – 'Your Care Your Way' reviews and 'Council Companies – Governance' audit).

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 86%. This figure was calculated at the end of March and was based on audits recorded at that time as being at 'Final / Draft' Report stage.
- 4.4.2 For the four audits exceeding the allocated time, the reasons for going over time was considered reasonable by Audit Management. The importance of completing work within assigned number of days is monitored closely by the management team and discussed with clients based on the risks relevant in each audit review.

4.5 CUSTOMER SERVICE

- 4.5.1 Customer service and providing value to clients remains at the heart of the Partnership. We are pleased to report that all questionnaires receive record good / excellent responses and this matches feedback received about individual auditors work when speaking with clients. Positive feedback is communicated to the auditor(s) involved and is also raised at appraisal sessions. A number of comments received from clients are recorded below:

“He’s able to ask the right questions and has a keen eye for gaps in process”.
Independent Living Scheme Audit

“Thank you for a very professional audit”. *Heritage Audit*

“A very positive experience, with some good learning for our service and constructive ideas about moving forward.” *Safeguarding Children - LADO*

“Auditor was professional during our visits to the care homes and clear instructions were given to the home managers of what information was required.”
Independent Living Scheme

“This is the first time that street works have been audited and it was good to identify Strengths and weakness to that we can improve and knowing that the team provides a good service.” *Street Works*

“I was happy with the overall service and value of the audit process.” *Liquid Logic – Children Services*

“Very thorough and realistic expectations and recommendations.” *Council Tax – Support, Exemptions & Discounts*

“This report was very helpful as we were in the process of changing/ improving the TRO process, so it acted as an independent endorsement of the proposal. Overall, I was very happy with this audit and the way it was conducted.” *Traffic Regulation Orders*

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.6.1 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was ‘Followed-Up’ at 83%. Of the 16 audits ‘Followed-Up’ during the financial year, 15 had critical / high risk rated weaknesses / recommendations. For 9 of the 15 audits all critical / high recommendations were implemented.

4.6.2 A summary of the six audit reviews where high risk recommendations were not implemented is as follows –

4.6.3 Pension – IT Systems – At the date of the follow up two recommendations had been ‘partially’ implemented and management agreed revised implementation dates for the full implementation of these recommendations.

4.6.4 Deprivation of Liberty Safeguards – Although the February 2016 recommendation to recruit assessors had not been implemented, management had responded positively by scheduling the training of 4 more staff to enable the backlog of DOLs applications to be reduced. The Head of Safeguarding & Quality Assurance in the People Directorate received a copy of the ‘Follow-Up’ findings and was formally asked to monitor the action proposed and the effectiveness of action taken to reduce the backlog.

4.6.5 CCTV – Two recommendations were still to be implemented at the time of the Follow-Up exercise which was completed in March 2017. The first was in respect of the CCTV maintenance programme and monitoring and reporting on the

performance of the contractor (ADT). The second recommendation was related to a record being maintained of management checks being completed to ensure the accurate completion of the Disclosure of Images Logs as per agreed procedures. These two outstanding recommended actions were formally reported to the Head of Customer Services (Resources) for him to monitor action being taken.

4.6.6 Contract Budget Management (Children with Complex Needs) – At the time of the ‘follow-up’ two recommendations had not been implemented. The recommendations were related to the frequency and high level budgetary reporting to the LSCB. The Section 10 Partnership Agreement stated the timing of budget preparation and the need to report quarterly. The need to comply with these requirements was highlighted through the audit recommendations. The Divisional Director of Specialist Services was informed of the failure to comply with these requirements (as highlighted by the follow-up) and his response was immediate – a report was to be submitted to the LSCB Sub Group and the Section 10 requirements were to be discussed at a meeting of the Joint Advisory Panel.

4.6.7 Member Allowances – The 2016/17 Audit had identified a number of under and overpayments. Action was taken to reimburse underpayments and recover overpayment sums, and to carry out periodic verification of amounts paid to members. However, the ‘Follow-Up’ identified that although the Head of Legal & Democratic Services had understood that action had been taken to amend the electronic payroll input form to avoid similar errors being repeated, the action had not been taken prior to a member of staff retiring. I am pleased to report that following the ‘Follow-Up’ exercise the recommended action has been implemented.

4.6.8 Purchase Card Key Controls – A single recommendation related to manager’s use of the Barclaycard Spend Management system to verify card expenditure had not been implemented by the time of the ‘Follow-Up’. The intended action was to liaise with Barclaycard and agree / implement a revised system authorisation process. The Head of Business Support was informed of the outstanding action. Audit West will be carrying further planned work in relation to the use of Council purchasing cards during 2017/18.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During the year 2016/17 the service has been involved in four formal investigations. Three of these were reported to Corporate Audit Committee on the 8th December 2016 within the Fraud & Corruption Update paper.

4.7.1 In terms of these, two investigations had been completed at the time of reporting. The third investigation - inappropriate deputyship payment to a 3rd party - a letter was despatched to the Office of the Public Guardian (Court of Protection) on the 16th December 2016. An acknowledgement was received on the 23rd December 2016. No further contact has been received or made.

4.7.2. The fourth investigation was in relation to an allegation related to the receipt of Council Tax single person discount.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Of those audit reports carried out in 2016/17 (planned and unplanned) 92% of 'Final' and 'Draft' Audit Reports issued have recorded an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5). Two audits recorded an Assurance Level 2 'Weak Control Framework' - one planned audit ('Use of Council Vehicles') and one unplanned audit (Independent Living Scheme).

4.8.2 'Use of Council Vehicles' was discussed at the December meeting of the Committee. Internal Audit have continued to liaise with management to ensure that the Fleet Management Vehicle Use Policy is updated and formally adopted and that an annual report on compliance with the Policy is submitted to senior management. Internal Audit will continue to monitor implementation of the recommendations.

4.8.3 A request was received from management to carry out a review of the administration of the Independent Living Scheme. This is a contracted out service with Curo providing a range of support services for older people. The scope of the review was to verify that a robust internal control framework was in place to ensure payments were accurate.

Weaknesses identified by the review included:

a) Lack of a formal process for checking that all charges were legitimate, i.e. the service was being received by the client. Evidence was held that the contractor had claimed service payments for deceased clients.

b) Limited checks carried out on contractor client records by contract / commissioning staff.

c) Failing to monitor the receipt of timely (quarterly) and accurate Curo returns.

Management agreed to implement all of the audit recommendations and this audit will be followed-up in the 2nd quarter of 2017/18.

4.9 UNPLANNED AUDITS / WORK

4.9.1 Fourteen pieces of unplanned work have required Internal Audit time over the year to date. This included the four investigations, referred to in para 4.7.1, and two 'unplanned' audits which replaced two 2016/17 planned audits (Destination Management and Adult Social Care Contract Re-provision). Independent Living Scheme (see para 4.8.3 above) and Contract Management – Extra Care Housing were the replacement audits.

4.9.2 One of the 'consultancy' pieces of work carried out by Audit West resulted from the audit of 'Public Protection'. This audit identified specific weaknesses in terms of Pest Control Service income budgeting & monitoring and fees and charges decision making. Based on the skills and expertise of Audit West staff it was agreed that we would provide assistance to help the Service introduce robust systems and processes. This is an example of where Audit West can assist clients and provide 'added value'.

4.9.3 The total amount of time spent on unplanned work was 169 days. The partnership recognises the importance and value to management of being able to respond to these types of requests and therefore we ensure that contingency is built into our planned use of resources.

4.10 JOINT WORKING WITH NORTH SOMERSET COUNCIL

4.10.1 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.

4.10.2 The partnership is now badged as 'Audit West' and has been highly successfully in delivering over £300,000 of savings to both councils since the start of the arrangements in September 2013 and plans to deliver a further £100,000 savings in the next three years. Many of these savings have been achieved positively through new Income growth with several highly successful new strands of business being developed and sold into the public sector marketplace

4.10.2 As described previously in this report, partnership working has also proved to be very successful from a delivery perspective and the two Audit Managers have produced and distributed to team members a Combined Audit Plan for 2017/18. In addition to planned reviews joint working has also extended into investigations and non-core services.

4.10.3 Partnership meetings continue to take place on a regular basis to share best practice and opportunities for new income growth.

4.11 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.11.1 As part of their statutory requirements the Head of Audit & Assurance is required to give an opinion on the internal control framework. In forming this view I have considered the work of the Audit & Assurance function as well as consideration of the wider governance framework and performance of the council.

It is my opinion that at the current time the council's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the council are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business critical functions;

The continued reduction on council budgets places further pressure on all services to respond and manage risk in a proportionate way as identified within the Annual Governance Statement.

The Audit Committee's support in ensuring this balance and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.

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>Reports to Corporate Audit Committee – 24th March 2016 Internal Audit Plan - 2016/17 & 8th December 2016 Internal Audit Annual Plan (2016/17) – Six Month Performance Update</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 31st March 2017)
Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
16-001B	Highways - Project Governance	Substantially Completed			
16-002B	ICT - Network Management	Draft Report	4	6	Awaited
16-003B	Better Care Fund - Reablement	Final Report	3	4	4
16-004B	Domicillary Care - Contract Management & Performance	Final Report	3	4	4
16-005B	Pensions Governance	Final Report	4	2	2
16-006B	Accountable Body - West of England LEP - One Front Door and Expenditure Scheduling	Final Report	4	2	2
16-007B	Accountable Body - West of England LEP – Funding Claims and Achievement of Deliverables	Final Report	4	1	1
16-008B	iTrent - System Administration & Information Security	Final Report	3	15	15
16-009B	ICT - Data Back Up	Draft Report	4	7	Awaited
16-010B	Recycling	Substantially Completed			
16-011B	Traffic Regulation Orders	Final Report	4	6	6
16-012B	Creditor Payments - Late Payment of Invoices	Substantially Completed			
16-013B	Pro-Contract	Final Report	3	9	9
16-014B	Procurement Governance	Substantially Completed			
16-015B	Liquidlogic - Children's	Final Report	3	2	2
16-016B	Economic Growth	Final Report	3	4	4
16-017B	Street Works	Final Report	4	4	4
16-018B	ICT Change Management	Started			
16-019B	ICT Third Party Access	Started			
16-020B	Pensions Admin	Final Report	5	1	1
16-021B	Heritage Contract Management	Final Report	4	4	4
16-022B	Destination Management	Postponed	N/A	N/A	N/A
16-023B	Personalised Budgets	Final Report	3	7	7
16-024B	School Theme Review - Personnel & Payroll	Final Report	4	0	0
16-025B	Home to School Transport	Started			
16-026B	Revenue Estate - Rent Reviews & Lease Renewals	Final Report	4	0	0
16-027B	Digital B&NES - Connecting Devon & Somerset Programme	Final Report	3	2	2
16-028B	Public Protection Service Overview	Final Report	3	7	7
16-029B	Creditor / Debtor - Data Analytics Review	Substantially Completed			Awaited
16-030B	Cash Collection Contracted Service	Briefing Paper	N/A	N/A	N/A
16-031B	Passenger Transport	Substantially Completed			
16-032B	School Theme Review - Payments	Final Report	4	0	0
16-033B	Safeguarding - L A Designated Officer	Final Report	4	4	4
16-034B	Revenue Estate - Income collection, Debt Recovery & Write Offs	Draft Report	4	2	Awaited
16-035B	Revenue Estate - Void Properties	Draft Report	4	1	Awaited
16-036B	Employment Procedures - Redundancies	Draft Report	4	4	Awaited
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	Final Report	4	1	1
16-040B	Debt Management - NNDR & CT	Substantially Completed			
16-041B	Catering Trading Account	Substantially Completed			
16-042B	Adult Social Care Contract Re-provision	Postponed	N/A	N/A	N/A
16-204B	Independent Living Scheme	Final Report	2	5	5
16-208B	Contract Management - Extra Care Housing	Draft Report	3	5	Awaited