

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	5th December 2017	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 2017)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2017/18 was presented to the Corporate Audit Committee on the 13th April 2017. 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 2017/18.

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:

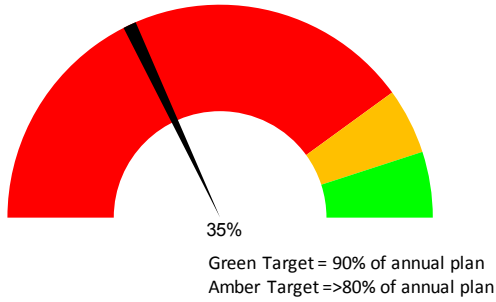
- Delivery of the plan in terms of 'Audit Plan Completed' is below target as at 30th September 2017;
- Audit Reviews are being completed within their allocated days;
- Customers continue to rate the service provided as either 'good' or 'excellent';
- There has been a decline in the percentage of Critical and High level recommendations implemented within the timescale agreed by management;
- Based on reviews completed the Average Assurance Level has reduced;
- Unplanned work is currently over the planned contingency.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

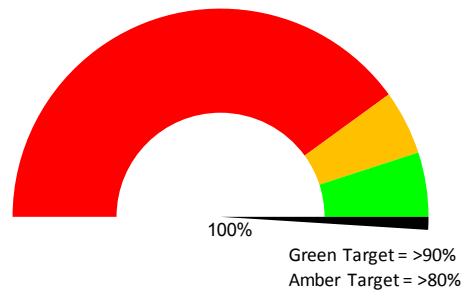
Client - Bath & North East Somerset

Period - April 2017 - September 2017

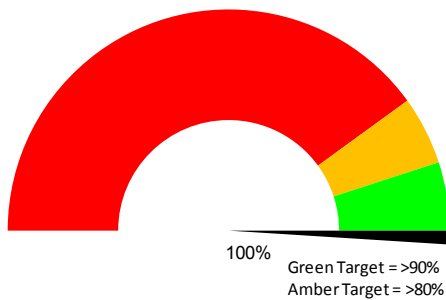
1. AUDIT PLAN COMPLETED



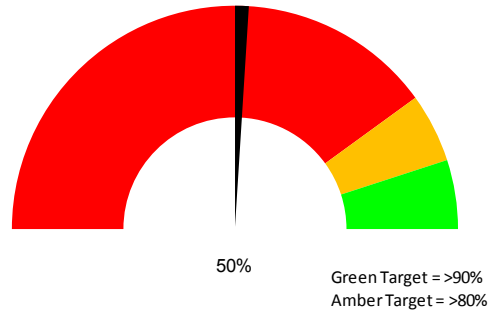
2. AUDITS COMPLETED IN PLANNED TIME



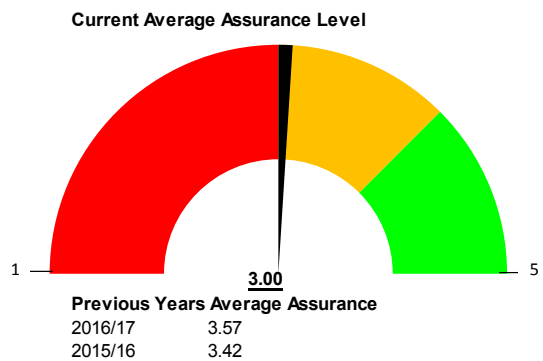
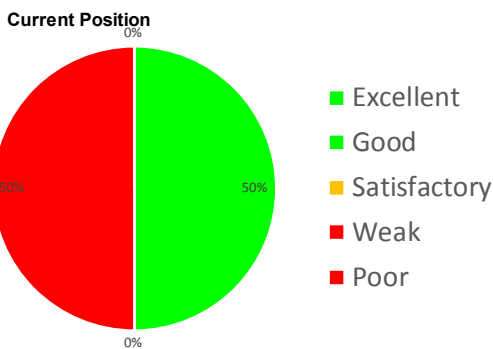
3. CUSTOMER SATISFACTION



4. IMPLEMENTATION OF RECOMMENDATIONS



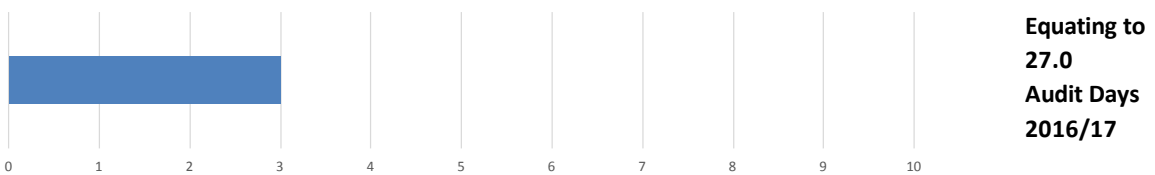
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



4.2 COMPLETION OF THE INTERNAL AUDIT PLAN

4.2.1 The performance dashboard shows that at the half-way point of the year, 35% 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). Five audits had been completed ('Draft' or 'Final' report issued), and another twelve were 'in progress'.

4.2.2 Reasons for completing less of the plan than expected at the financial year half way point are:

Level of Unplanned Work. The Performance Dashboard records that a total of 34 days has been used on 'Unplanned Work / Investigations'. In addition a further 15 days has been spent on investigations by Senior Management and this is almost in excess of the contingency allocated for the half year. Audit West have been involved in three investigations in the first six months of the year and since September a further two investigations have been commenced.

Level of Sickness / Compassionate / Carers Leave. The total of 65 days was significantly higher than the 16 days for the whole of 2016/17. Two members of staff accounted for 56.5 days.

Vacancy caused by a Senior Auditor leaving the Council during September. This post is currently vacant and due to the Council's vacancy freeze we are not allowed to recruit at this time. If no recruitment takes place this will cause a further loss of approximately 80 days (12.5%) on the B&NES audit plan.

4.2.3 Clearly delivering on external contracted work has to take initial priority or there would be financial consequences for the Council and therefore the impact on the B&NES plan is more severe in the short term.

4.2.4 To counter this position the scope of scheduled audits will be subject to additional review to ensure audit resources are focussed on the key risk areas and we will look to request additional support from our key partner the Devon Audit Partnership. Based on this it is possible that over 80% of the plan will be completed however the committee should be aware that any further depletion of resources or further significant unplanned work will impact on the ability of Audit West to carry out enough work to form an overall opinion on the Council's internal control framework at the year end.

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 100% which is a significant improvement of over 25% on this time last year and is a sign of the rigour attached to the delivery of the plan as a result of the issues detailed in 4.2.

4.4 CUSTOMER SERVICE

4.4.1 As previously reported providing quality and adding value is particularly important to Audit West. Receiving customer feedback is useful in being able to improve the service provided. The move to distributing Quality Assurance Feedback Forms through the Internal Audit Software has had a positive impact in terms of the number of forms completed and the speed of response. However, it has been noted that clients seem to concentrate on recording a score against each of the 5 questions rather than provide additional comments. Performance remains very positive and is a sign of a continued focus on the quality of the service and the value of sound internal audit. Examples of some of the comments received include:

“There were a lot of issues that need addressing which it was good to have brought to my attention.”

“Yes, some sound recommendations given at various stages of the process. These are clear and should help us refine the process even further to ensure accuracy and consistency”

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 50%. Of the 8 audits ‘Followed-Up’ during the first half of the financial year, 5 of them had critical / high risk rated weaknesses / recommendations. For 3 of these 5 audits all critical / high recommendations were implemented which was positive.

4.5.2 There were therefore 2 audits where the ‘Follow-Up’ work identified that critical / high risk recommendations had not been implemented by the date agreed by management – 1) Direct Payments; and 2) Use of Council Vehicles.

4.5.3 **Direct Payments** - This audit reviewed processes for adult direct payments and focused on two ‘managed’ budget providers - Phoenix and DHI. The recommendation which had not been implemented was related to the weakness that a formal contract with Phoenix was not in place which meant that the Council could not ‘formally’ monitor or enforce conditions as appropriate on any provision that is supplied by Phoenix to Direct Payment clients. The management comment obtained when following up the recommendation in July was:

“There is still no contract with Phoenix, but the contracts for DHI and WECIL are now with Virgin. The plan is for Virgin to procure the new Direct Payment support services model which will be in place from 1st April 2018, and it’s expected that Phoenix will be a part of the new structure”.

So although the recommendation had not been implemented we have been advised that Virgin will be formalising arrangements with the provider of managed budget services and can take some assurance from this position.

4.5.4 **Use of Council Vehicles** – This Audit Report recorded 2 ‘critical’ and 10 ‘high’ risk weaknesses / recommendations. As at the date of the ‘follow-up’ only 3 recommendations were evidenced as being implemented. This prompted a meeting with management at the end of April 2017 and a plan of action was

agreed, to put in place a framework of controls to manage the key weaknesses. A meeting was held on the 6th October 2017 with the Divisional Director Environmental Services and the Group Manager – Neighbourhoods to discuss the current position. It was confirmed that limited action had been taken and it was agreed that the Group Manager would provide a written formal response including a revised action plan.

4.5.5A single audit has therefore skewed the dashboard results related to the 'Implementation of Recommendations'. The Committee should note that since the end of September a further 5 audits have been 'followed-up' and all the 'High' risk recommendations had been evidenced as being implemented.

4.6 INVESTIGATIONS/ WHISTLEBLOWING

4.6.1 As stated in 4.2.2 during the first half of 2017/18 the service has been involved in three investigations.

4.6.2 Two 'whistleblowing' cases in the Place Directorate identified that the internal control framework or compliance with procedures needed to be improved. Internal Audit are satisfied that sufficient action has been taken to resolve the issues highlighted.

4.6.3 In terms of the 3rd investigation this considered a series of contracts in the People and Communities Directorate and the controls around payments made against capacity delivered. A report was submitted to senior management and the agreed actions will be 'followed-up' in January 2018.

4.7 ASSURANCE LEVEL PROVIDED

4.7.1 In terms of 2017/18 planned work, five audits had been completed ('Draft' or 'Final' report issued), and another twelve were 'in progress'. Management have responded to two audit reports which enable the report to be 'finalised'.

4.7.2 It has been agreed that any audits recording a 'Poor' or 'Weak' Assurance Level will be reported to the Committee. During the first six months of 2017/18 only one audit of Libraries West – Consortium Contract Management resulted in an overall Assurance Level 2 (Weak) being allocated.

The key control objectives reviewed were:

1. The Libraries Consortium and the Council fulfil their individual and joint obligations as part of the Libraries Consortium agreement. (Assessed as 'Weak').
2. Libraries Consortium contractual payments are in accordance with the agreement, accurate and paid timely. (Assessed as 'Poor').

Weaknesses identified included:

- The Lead Authority (Somerset County Council) was not fulfilling its contractual role in administering good governance of LibrariesWest. For example - Key Performance Indicators had not been agreed by the Board and were not being monitored; Annual Estimates were not produced 3 months in advance of the start of the financial year; invoicing was not in line

with the contract; subgroup discussions around key governance issues were not reported to the Board

- The Council was not sufficiently monitoring the performance of LibrariesWest and whether it was obtaining the required benefits from remaining part of the Consortium.

4.7.3A series of recommendations have been made and these will be formally reviewed in Quarter 4 when the audit is scheduled to be 'followed-up'.

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 – 13th April 2017 – Internal Audit Plan - 2017/18</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 2017)

Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
17-001B	Governance of Council Companies	In Progress	W	1	P
17-002B	Your Care Your Way - Transition of Service Provision - Governance / Systems (Liquid Logic)	In Progress	W	1	P
17-003B	Your Care Your Way - Contract Management	Not yet started			
17-004B	Pension Investments (Project Brunel)	Not yet started			
17-005B	Your Care Your Way - Data Management	Not yet started			
17-006B	Your Care Your Way - Project Plan Implementation	Not yet started			
17-007B	Bath Quays (South) - Governance	In Progress	W	1	P
17-008B	IT - Physical Security	In Progress	W	1	P
17-009B	Business Continuity & Disaster Recovery	In Progress	W	1	P
17-010B	IR35 Compliance	Not yet started			
17-011B	Bath Quays (North) - Expenditure	In Progress	W	1	P
17-012B	Salary Sacrifice	In Progress	W	1	P
17-013B	Heritage - Financial Reporting & Monitoring	Not yet started			
17-014B	Delivery of Council Savings Programme	In Progress	W	1	P
17-015B	Project Initiation Document Process	Not yet started			
17-016B	School Theme - Procurement / Purchasing Arrangements	Not yet started			
17-017B	Liquid Logic - Client Charges	Not yet started			
17-018B	Liquid Logic - Payments to Providers	Draft	3	8	Awaited
17-019B	Pension Administration - Benefit Calculations	Not yet started			
17-020B	LibrariesWest - Consortium Contract Management	Final	2	2	2
17-021B	iTrent / Payroll - Input & Processing	Final	4	2	2
17-022B	GLL Contract Management	Not yet started			
17-023B	Asset Planning	Not yet started			
17-024B	General Data Protection Regulation - Readiness Assessment	Not yet started			
17-025B	Purchasing Cards - Policy / Data Analytics	In Progress	W	1	P
17-026B	Data Analytics	In Progress	W	1	P
17-027B	School Transport - Special Education Need Disability Pupils	Not yet started			
17-028B	NNDR Debt Recovery	Not yet started			
17-029B	Asset Management - Inventory and Insurance	In Progress	W	1	P
17-030B	iTrent / Payroll - Payroll Reconciliation	Not yet started			
17-031B	Public Health - Allocation of Funding and Expenditure Certification & Reporting	Not yet started			
17-032B	Bus Gate Enforcement	Not yet started			
17-033B	Fleet Management External Commercial Activity	Draft	2	8	Awaited
17-034B	Housing Services - Disabled Facilities Grants	Draft	5	2	Awaited
17-035B	Registrars - Income Reconciliation	Not yet started			
17-036B	Foster Care	Not yet started			
17-037B	Waste Service	Not yet started			
17-038B	Energy - Governance / Structure of Service Provision	Not yet started			
17-039B	Children Safeguarding - Child Referrals	Not yet started			
17-040B	Section 106 - Expenditure Records	In Progress	W	1	P

