

APPENDIX A

Audit & Assurance Plan 2018/19

Delivering Independent Assurance to Local Government



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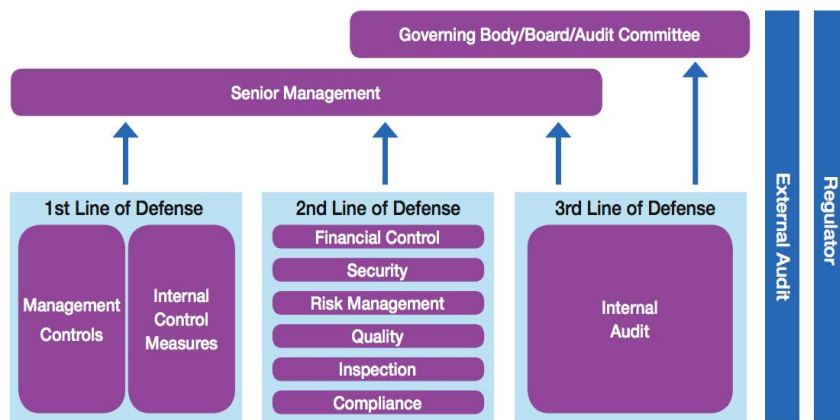
1. Our Role

Introduction

Bath & North East Somerset Council strives to deliver excellent services to local people and make its area *the* place to live, invest, and visit in the UK. 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.

Audit West 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.

Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working 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.

We also aim to offer continued value to all our clients based on the following key priorities –

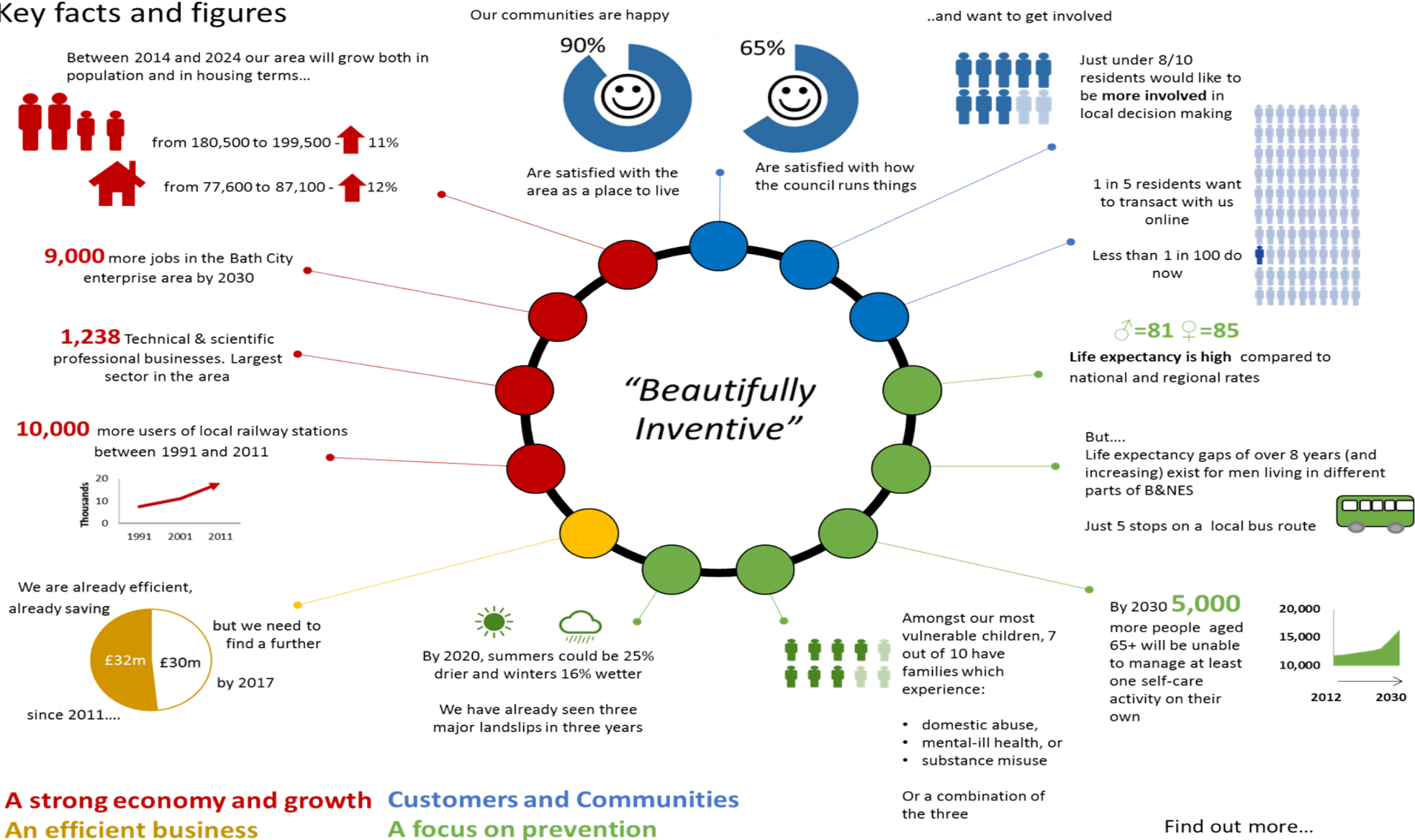
- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2018/19.



2. Scope & Scale of Council

Life in Bath and North East Somerset Key facts and figures

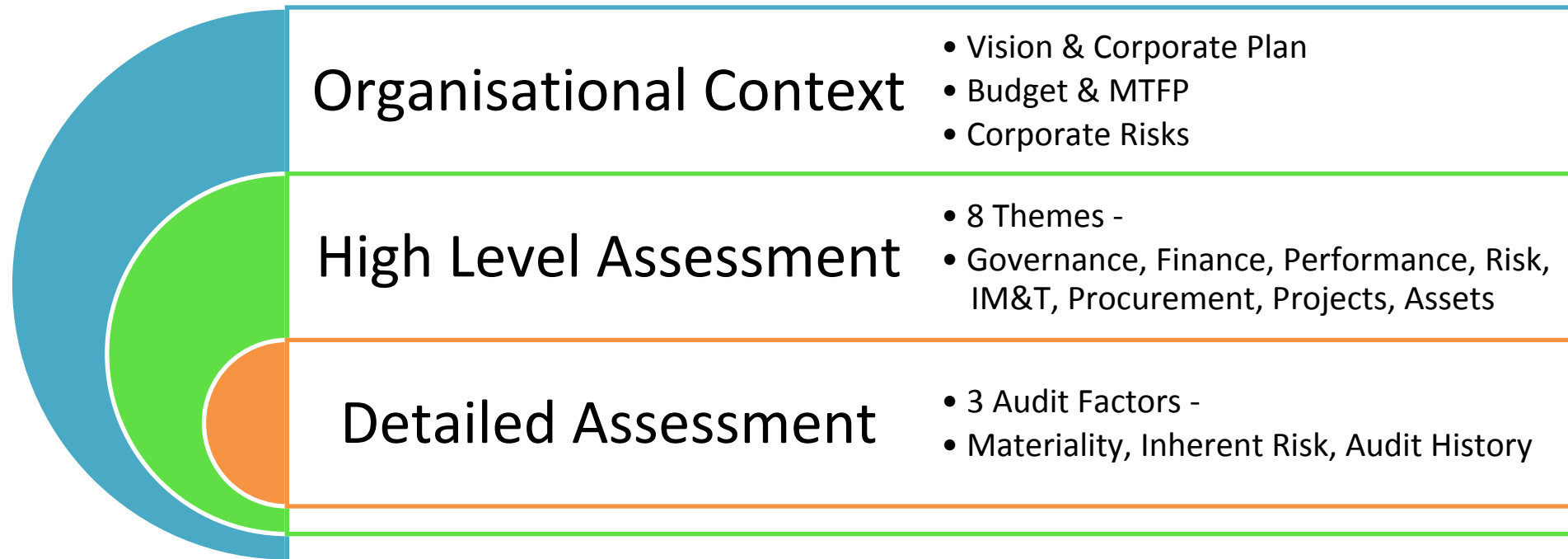


3. Key Priorities for Bath & North East Somerset

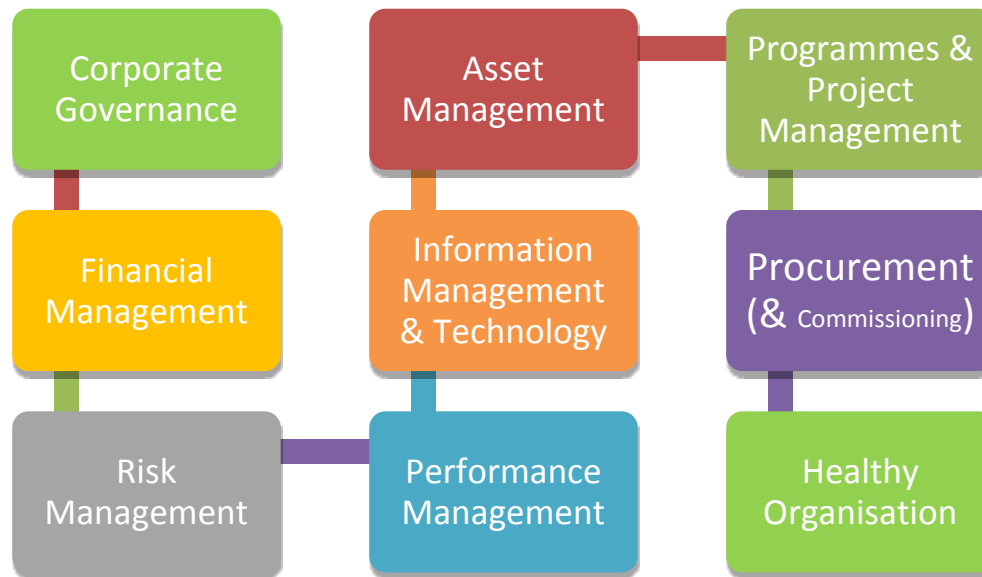
Corporate Strategy priorities	'Putting Residents First' manifesto commitments
A strong economy and growth	Improve transport New homes and jobs Cleaner, greener and healthier communities
A focus on prevention	Invest in our young people Greater choice and independence for older people
A new relationship with customers and communities	Putting residents first in everything we do
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 –



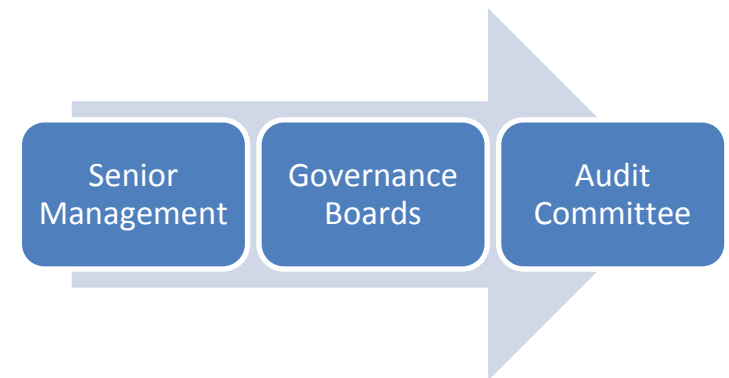
HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



DETAILED ASSESSMENT CRITERIA



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

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

5. Internal Audit Plan 2018/19 Areas for Review

Audit Area	Reasonable Assurance Theme	Directorate
Property Disposals (links to Asset Planning 2017/18 planned audit review)	Asset Management	Resources
Property - Capital Maintenance Budget Allocations and Property 'Compliance' responsibilities (Focus on Depots)	Asset Management	Resources
Code of Practice 14	Corporate Governance	Resources
Companies Governance	Corporate Governance	Corporate
Annual Governance Statement Review	Corporate Governance	Corporate
Counter Fraud	Corporate Governance	Corporate
Schools Financial Value Standards Certification	Corporate Governance	Corporate
Virgin Care - Contract Management	Financial Management / Procurement (Commissioning)	People
HB Subsidy / Benefits Claim Process	Financial Management	Resources
Payroll Self Service - Starters / Leavers / Payment requests	Financial Management	Resources
Children's Direct Payments	Financial Management	People
Investments - Residual	Financial Management	Resources
Payroll	Financial Management	Resources
Payroll Reporting - Variance Analysis controls	Financial Management	Resources
Mental Health - Section 117 Funding (CCG)	Financial Management	People
Reablement Contract Management	Financial Management / Procurement (Commissioning)	People
Waste / Recycling Service	Financial Management	Place
Highways - Contract Management	Financial Management / Procurement (Commissioning)	Place
Bank A/C Management	Financial Management	Resources
Financial Ledger – Reconciliations	Financial Management	Resources
Financial Ledger - Control A/C's	Financial Management	Resources
Payroll Compliance - Statutory Returns	Financial Management	Resources
Council Tax - Collection Fund - Collection Rates and Return Completion	Financial Management	Resources
Allocation of Funding and Expenditure Certification & Reporting	Financial Management	People
Homelessness	Financial Management	Place
Financial Ledger – Journals / Virements	Financial Management	Resources
Apprenticeship Levy	Financial Management	Resources

Audit Area	Service or Reasonable Assurance Theme	Directorate
Financial Ledger – Suspense A/C's	Financial Management	Resources
Data Analytics	Financial Management	Resources
Council Tax Support Scheme	Financial Management	Resources
Haycombe Cemetary & Crem (Bereavement Services)	Financial Management	Place
Grant Certification - including Connecting Families	Financial Management	Corporate
Independent Examiner - Alice Park Trust	Financial Management	Corporate
Bath Tourism Plus	Financial Management	Place
IT - Service Level Management	IM&T	Resources
IT - Patch Management	IM&T	Resources
YCYW Data Management	IM&T	People
IT - User ID and Access Management	IM&T	Resources
IT - Applications - User ID and authentication	IM&T	Resources
IT - Supplier Management	IM&T	Resources
IT- GDPR - Phase 2 - Implementation & Compliance	IM&T	Resources
Data Integrity - Admin	Programme & Project Management	Resources
IT - Cyber Security	Risk Management	Resources
Risk Management Strategy	Risk Management	Corporate
Follow- Ups, including:	IM&T	Resources
<i>IT Data Backup</i>	IM&T	Resources
<i>IT Network Management</i>	IM&T	Resources
<i>IT – Inventory & Insurance</i>	IM&T	Resources
<i>IT – Change Management</i>	IM&T	Resources
<i>Pro-Contract</i>	Procurement (Commissioning)	Resources
<i>Better Care Fund Reablement</i>	Financial Management / Procurement (Commissioning)	People
<i>Creditor Payments – Late Payments</i>	Financial Management	Resources
<i>Safeguarding Children – LA Designated Officer</i>	Risk Management	People
<i>Contract Management – Extra Care Housing</i>	Financial Management / Procurement (Commissioning)	People
<i>Debt Management – Council Tax & Housing Benefit</i>	Financial Management	Resources
<i>Fleet Management – External Commercial Activity</i>	Financial Management	Place
<i>School Transport - Special Education Need Disability Pupils</i>	Risk & Performance Management	People
<i>Housing Services - Disabled Facilities Grants</i>	Financial Management	Place
<i>Foster Care</i>	Risk & Performance Management	People

NB – Shaded rows indicate potential for joint working across BANES & North Somerset Councils

6. 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 and 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 delivered through a shared service arrangement and sits independently within the Council's structures 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 overall arrangements) reports in his own name and acts as Chief Audit Executive for the Council.

Relationship with the Council's External Auditor:

As part of their audit of the Council's financial statements, the Council's external auditor, Grant Thornton, have a dedicated plan from which they carry out specific reviews of the Council's activities. The External Auditors carry out their own risk assessment methodology to assist in agreeing their work plan.

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 therefore regular contact between the two parties.

Performance Management

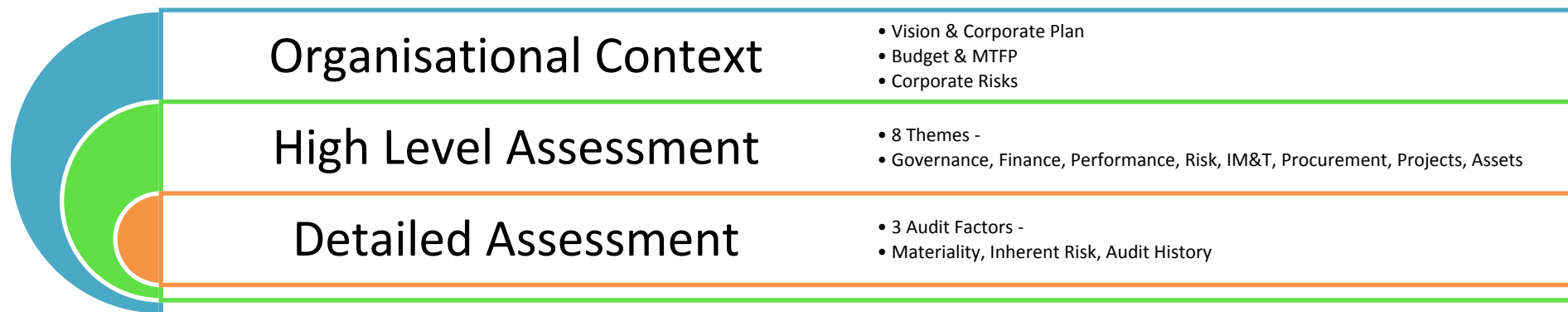
The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A performance dashboard is produced and reported to each key stakeholders, including the Audit Committee.

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.



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.

At the conclusion of each review, an end of review meeting will be held with the Client to discuss the matters arising. 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. The relevant Director, Chief Executive and the Audit Committee will be informed of the outcome of any work which receives a level 1 rating.

Audit Review 'Follow-Ups':

Internal Audit recommendations are subject to "follow-up" to ensure actions are implemented within the agreed timescales. The process is dependent on the risk classification and for all 'Critical' and 'High' risk recommendations Internal Audit will carry out testing to confirm implementation and report its back to the Client. Where an area has a level 1 rating this may be reported to the Audit Committee.

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.

Whistleblowing arrangements set out how Staff & Contractors can report concerns and Internal Audit will respond to any such reports received and conduct all investigations relating to fraud and corruption in accordance with the Council's disciplinary process.

Professional Standards

All Internal Audit functions are required to comply the professional standards set out by the Chartered Institute of Internal Auditors and endorsed by CIPFA. Evidence of this compliance is through a formal external assessment every 5 years and annual self-assessments.

Audit West received a formal external self-assessment in March 2018 and it was confirmed that it was confirming with the standards. Updates will be provided to the Audit Committee of areas for improvement on an annual basis.

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	<pre>graph LR; A((Agree Brief with Client)) --> B((Compile & Issue Draft Report)); B --> C((Agree Opinion & Final Report with Client)); C --> D((Implement & Follow-up)); D --> E((Discuss Summary Findings with Client)); E --> F((Testing & Field Work)); F --> A;</pre>	
• 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

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