

# Audit & Assurance Plan 2019/20

Delivering Independent Assurance to Local Government



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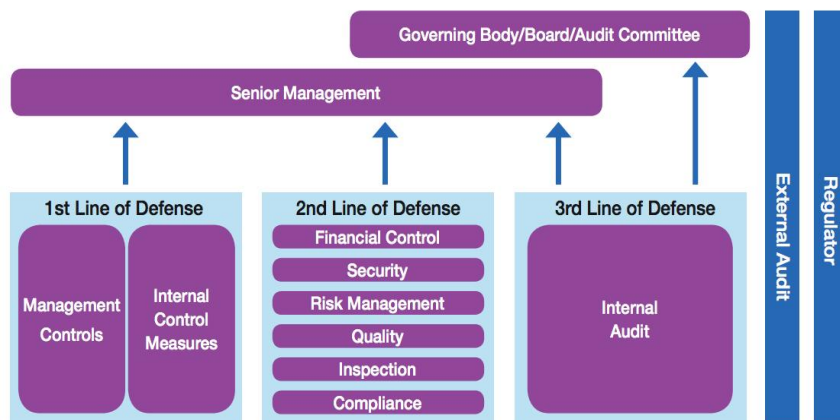
# 1. Our Role

## 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.

One 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 One 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 –

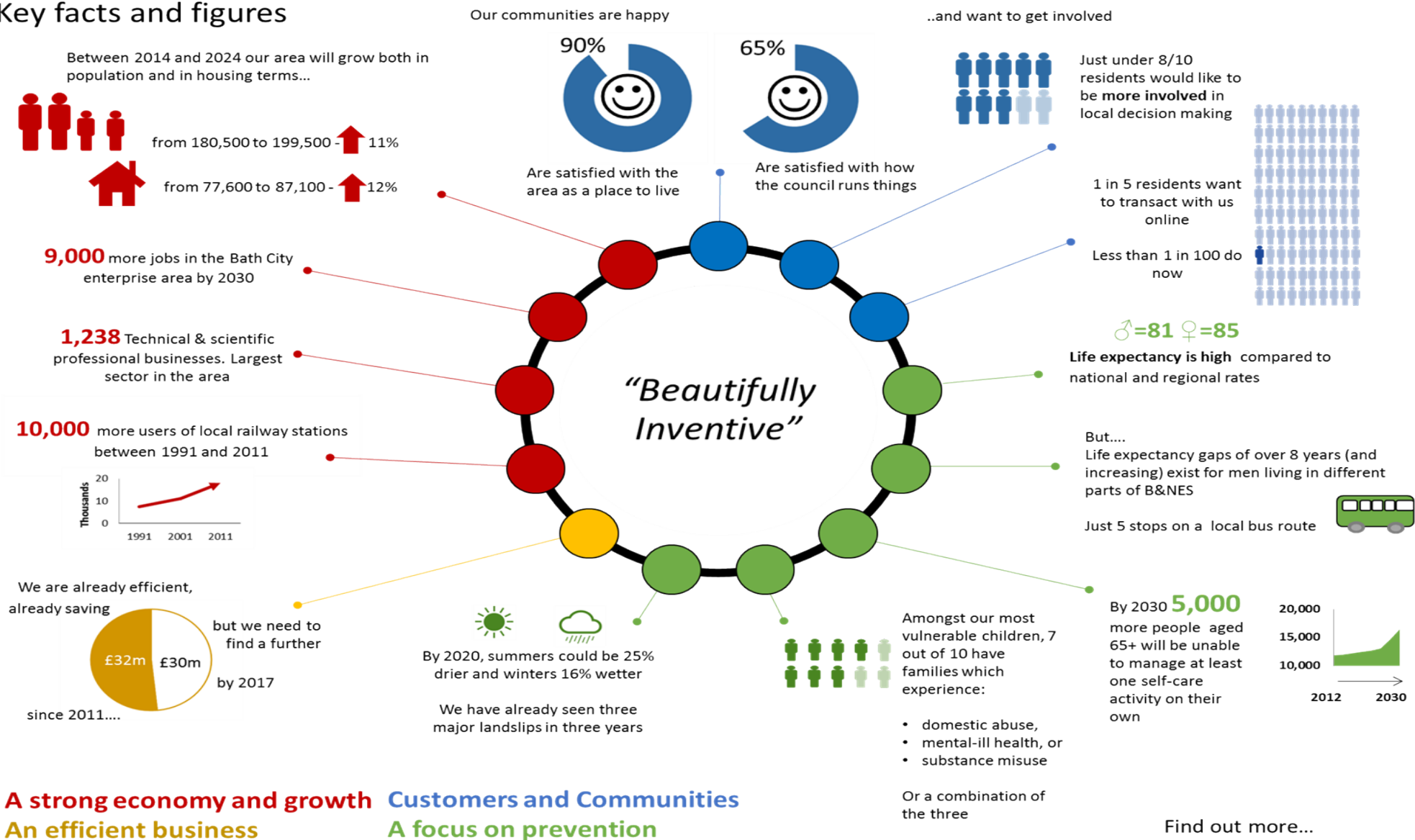
- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2019/20.



## 2. Scope & Scale of Council

### Life in Bath and North East Somerset Key facts and figures

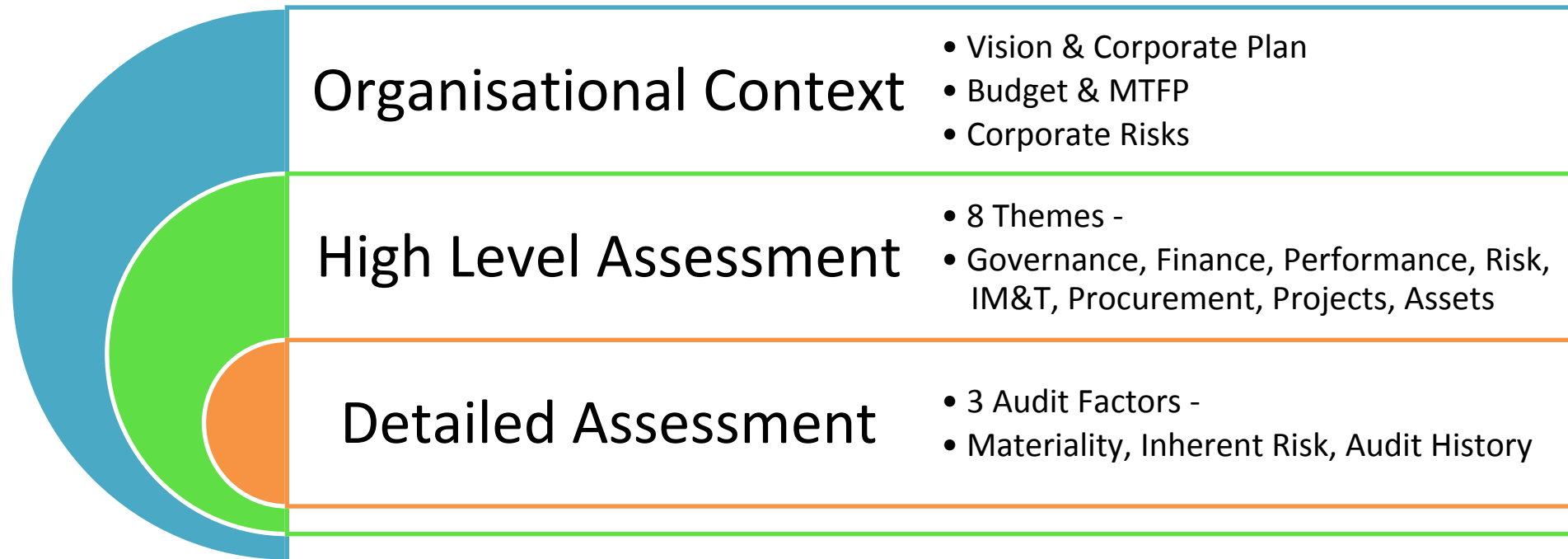


### 3. Key Priorities for Bath & North East Somerset

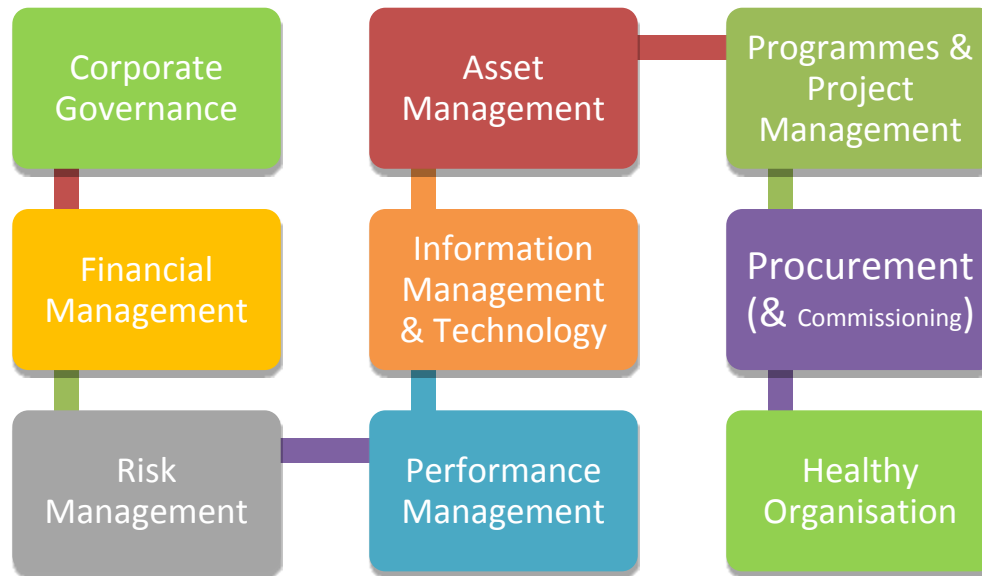
Corporate Strategy priorities	'Putting Residents First' manifesto commitments
A strong economy and growth	Improve transport New homes and jobs Cleaner, greener and healthier communities
A focus on prevention	Invest in our young people Greater choice and independence for older people
A new relationship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

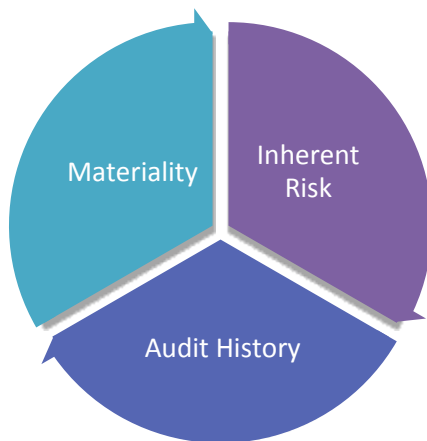
The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year. This involves considering current context of the Council, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



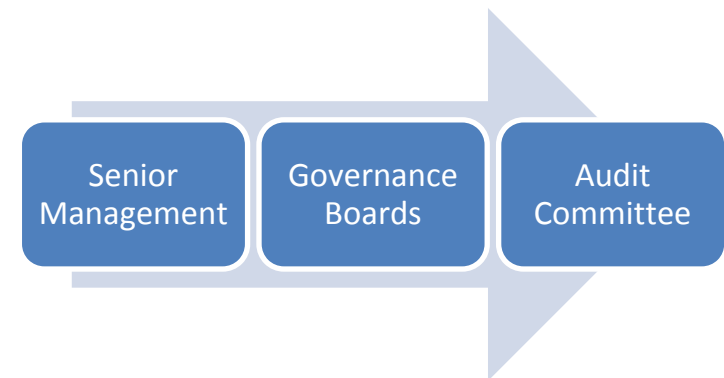
## HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



## DETAILED ASSESSMENT CRITERIA



## CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

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



## 5. Internal Audit Plan 2019/20 Areas for Review

Audit Area	Reasonable Assurance Theme
Property Disposals	Asset Management
Safer Recruitment	Asset Management
Corporate Planned Maintenance Budget	Asset Management
Avon Pension Fund – Governance/Code of Practice 14	Corporate Governance
Avon Pension Fund – Brunel Governance/Investments	Corporate Governance
Avon Pension Fund – Scheme of Delegations	Financial Management
Avon Pension Fund - iConnect	Information Management
Financial Ledger - Interface Systems Reconciliation	Financial Management
Mental Health - Section 117 Funding (CCG)	Financial Management
Car Parking Income	Financial Management
Direct Payments (Adults)	Financial Management
CIL - Allocation, Recording and Reporting	Financial Management
Acquisitions - Achieving Corporate Objectives	Financial Management
Care Assessments & Funding Responsibility	Financial Management
Car Parking Income - Permits	Financial Management
Pooled Budgets - Recharges to CCG	Financial Management
Sundry Debtor & Debt Recovery	Financial Management
Parks - Traded Services	Financial Management
Early Years Grants	Financial Management
Licensing Income	Financial Management
Passenger Transport	Financial Management / Asset Management
SEND - School use of SEND Funding	Financial Management / Corporate Governance
Governance - Management & Control of Delegated Budgets	Financial Management / Procurement (Commissioning)
Street Lighting Procurement	Financial Management / Procurement (Commissioning)
Community Care - Data Management	Information Management & Technology

<b>Audit Area</b>	<b>Service or Reasonable Assurance Theme</b>
IT - User & Access Management	Information Management & Technology
IT Provision - Cloud & Hosted System Security	Information Management & Technology
"Threat Management (Cyber Security) Network Security - Firewalls "	Information Management & Technology
Data Back Up & Recovery	Information Management & Technology
"Threat Management (Cyber Security) Malware Prevention"	Information Management & Technology
Virgin Care Community Care Contract Management	Procurement (Commissioning)
<b>Other Work</b> (audit activity not included in Performance dashboard)	
Annual Governance Statement	
Anti-Fraud Programme of Works	
Council Grant Certification – Internal Audit ‘sign-off’	
Risk Management Support	
Schools Financial Value Standard Certification	
Financial Assessments	
<b>Follow- Ups</b> , including:	
Foster Care	
Liquid Logic - Client Charges	
Liquid Logic - Payments to Providers	
Child Protection Referrals	
Salary Sacrifice	
GLL Contract Management	
Homelessness	
IT - Third Party	
Childrens Direct Payments	
Payroll - Variance Analysis	
Payroll - Starters, Leavers & Variations	
Bereavement Services	
IT - Business Continuity & Disaster Recovery	
Apprenticeship Levy	
NNDR Debt Recovery	
Public Health Allocation of Funding & Expenditure Cert	

**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, Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Service Director One 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

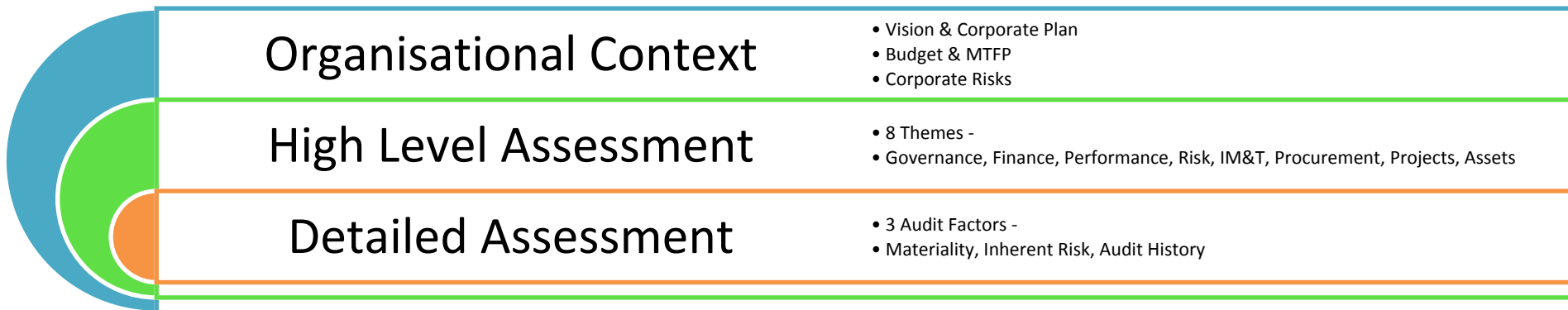
The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A performance dashboard is produced and reported to each key stakeholders, including the Audit Committee.

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.

One West / 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"><li>• Ensure.....</li><li>• Ensure.....</li><li>• Ensure.....</li></ul>	
• Key Stages of Review Process	<pre>graph LR; A((Agree Brief with Client)) --&gt; B((Compile &amp; Issue Draft Report)); B --&gt; C((Agree Opinion &amp; Final Report with Client)); C --&gt; D((Testing &amp; Field Work)); D --&gt; E((Discuss Summary Findings with Client)); E --&gt; F((Implement &amp; Follow-up)); A --&gt; D; B --&gt; E; C --&gt; F</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**

<b>Engagement Lead –</b>	Jeff Wring 01225 477323 <a href="mailto:jeff_wring@bathnes.gov.uk">jeff_wring@bathnes.gov.uk</a>
<b>Audit Manager (B&amp;NES)</b>	Andy Cox 01225 477316 <a href="mailto:Andy_cox@bathnes.gov.uk">Andy_cox@bathnes.gov.uk</a>
<b>Address</b>	One West Resources The Guildhall High Street BATH, BA1 5AW