

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	30 th July 2019	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2018/19	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Plan Reviews 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 2018/19 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

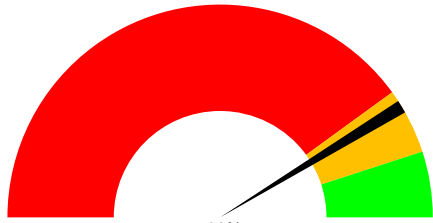
- 4.1 The Annual Internal Audit Plan for 2018/19 was presented to the Corporate Audit Committee on the 24th April 2018. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan on the 4th December 2018. This report builds upon that update and the chart overleaf records the position as at 31st March 2019.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

Client - Bath & North East Somerset

Period - April 2018 - March 2019

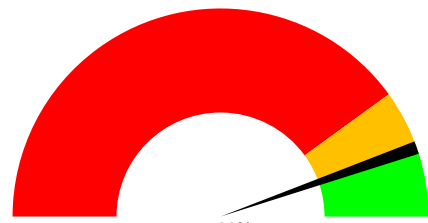
1. AUDIT PLAN COMPLETED



82%

Green Target = >80% of annual plan
Amber Target = >90% of annual plan

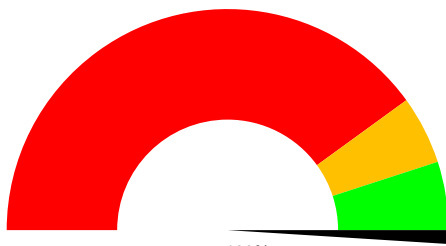
2. AUDITS COMPLETED IN PLANNED TIME



88%

Green Target = >90%
Amber Target = >80%

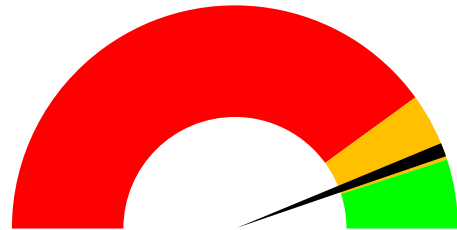
3. CUSTOMER SATISFACTION



100%

Green Target = >90%
Amber Target = >80%

4. IMPLEMENTATION OF RECOMMENDATIONS

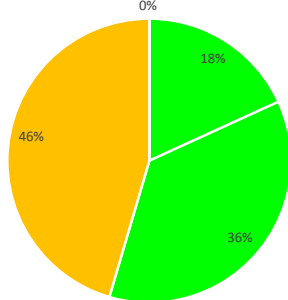


88%

Green Target = >90%
Amber Target = >80%

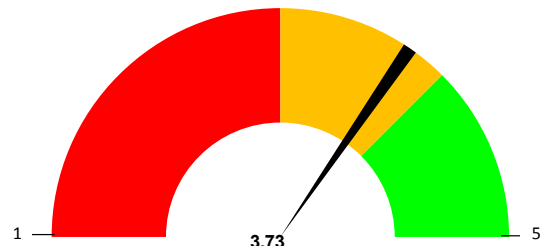
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



- Excellent
- Good
- Satisfactory
- Weak
- Poor

Current Average Assurance Level



3.73

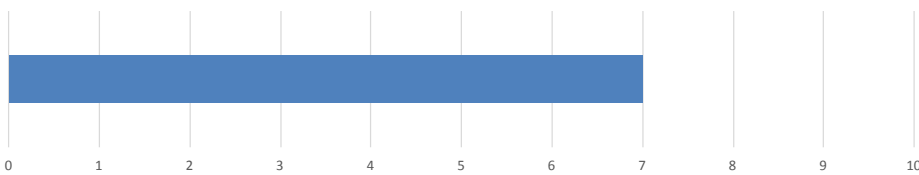
Previous Years Average Assurance

2017/18	3.88
2016/17	3.57

6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
30.1
Audit Days
2018/19

8. NEW UNPLANNED WORK



Equating to
61.3
Audit Days
2018/19

PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 82% 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 had 'substantially completed' 32% of the Audit Plan and were predicting 80% of the plan would be completed subject to no further unplanned work or vacancies.
- 4.3.3 The primary reason for the under-performance against the plan was availability of resources and unplanned work. The team had vacancies through the year until January 2019 when new staff started and following a restructure more vacancies have resulted in 2019/20. A plan is in place to resolve this but recruitment of suitably skilled staff within current resources is challenging and so we have called in resource from our alliance with the Devon Audit Partnership to assist.
- 4.3.4 Another reason was that one of the planned audits 'Virgin Care - Contract Management' was replaced by an unplanned audit review of contract management of Adult Care contracts (Older Persons Care Homes, Home Care and Learning Disabilities) being managed directly by the Council. This audit was made at the request of senior management and the findings / conclusions of this review were reported to management in February 2019. The report concluded that improvements were required in the management and monitoring of payments to service providers. An action plan is being developed by Commissioning / Contract Management to deal with the issues highlighted by the report.
- 4.3.5 Appendix 1 records the estimated status of each audit review within the 2018/19 Audit Plan (38 audit reviews) at the end of March 2019. It also records the outcome of audits which were 'unplanned' or outside of the agreed audit plan.
- 4.3.6 The loss of productive auditor days through the delay in appointing a Senior Auditor accounted for the 7 audits in the Audit Plan which were deferred to 2019/20.

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 88%. This figure was calculated based on audits recorded as being at 'Final' Report stage.
- 4.4.2 There was a single audit review (Data Analytics – Payment Cards) at report stage which exceeded the allocated time. In addition, there was another audit (GDPR – Phase 2) near completion which exceeded the planned time allocation.
- 4.4.3 For these 2 audits, the reason(s) 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.

4.5 CUSTOMER SERVICE

4.5.1 The relevance / importance of the 'Customer Service' performance measure, (based on completion of Audit Quality Questionnaires), has been subject of discussion at previous Committee meetings. At the April 2018 meeting, management of the Internal Audit function responded to comments made about the relevance of this performance indicator by stating that it was crucial that management views were sought and monitored as One West rely on good relationships with auditees / clients to ensure prompt action is taken when control weaknesses or other concerns are highlighted.

4.5.2 In addition to audit clients completing electronic audit questionnaires (used to inform the Performance Dashboard) it is important that Committee Members are aware that feedback is also obtained from face to face discussions with Council Statutory Officers, Directors and other senior Officers (in relation to past, current and future audit work). Those completing questionnaires have the opportunity to score performance and to provide comments. Examples of comments received during this reporting period include:

- "kept me informed throughout the process and myself and team were able to provide feedback on any queries as they arose"
- "Very helpful for Service improvement"
- "always looking to help rather than criticise and always working within the best interests of all parties"
- "Excellent professional service - can't recommend highly enough".

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.6.1 The dashboard records the implementation of high risk rated recommendations at the time the audit was 'Followed-Up' at 88%. Of the 7 audits 'Followed-Up' during the financial year, 4 had high risk rated recommendations. For 3 of the 4 audits all high recommendations were implemented.

4.6.2 The single 'High' Risk recommendation recorded in the Audit system as not implemented was in relation to the IT Data Back-Up Audit.

The recommendation was recorded as - Review the DR provision against the critical services' applications identified by the recent business continuity review (2017).

The response against the high risk recommendation was "We have not carried out a full blown test with all systems. Pensions and a couple of other systems have been tested. A full blown test with all systems at the same time would require all service areas to buy in to the exercise corporately".

The response to the recommendation was more related to testing rather than undertaking a review of DR provision against those applications identified as 'critical'. Detailed testing was above and beyond what was expected by the audit recommendation. Addition clarification is being sought from management to confirm that the actual audit recommended action was implemented.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During the year 2018/19 the service has been involved in seven formal investigations.

4.7.2 Only one of the seven 'investigations' (unplanned work) had resulted from an internal 'whistleblowing'. This case was fully investigated and no wrong doing was identified. The findings and outcome of the investigation was reported back to the whistleblower.

4.7.3 One investigation was focussed on reviewing the internal control breakdowns which resulted in a financial loss linked to a phishing email. One West continue to send out communications to Council and other clients to highlight potential scams. During 2019/20 further work will be carried out to review and update Anti-Fraud and Corruption Policies and guidance and to provide further training and communications to increase fraud awareness.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Of those audit reports carried out in 2018/19 (planned and unplanned) 54% of 'Final' Audit Reports issued have recorded an audit opinion of good or excellent (Assurance Levels 4 and 5).

4.8.2 The remaining 46% of Final version Audit Reports provided a 'Satisfactory' Assurance Level 3 assessment. There is therefore nothing to report to Audit Committee in terms of audits recording a 'Poor' or 'Weak' Assurance Level.

4.9 UNPLANNED AUDITS / WORK

4.9.1 The total amount of time spent on unplanned work was 91.4 days which approximately equalled the contingency allowance.

4.9.2 This included the seven investigations (referred to in section 4.7.1); three items of 'unplanned' audit work - the review of Adult Care Contract Management, Parade Gardens Income Collection and Banking, and Anti-Fraud related work.

4.9.3 The Audit Team have also carried out grant claims which required 'independent' certification work.

4.10 COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

4.10.1 In December 2017 a report was presented to the Committee on the Public Sector Internal Audit Standards and based on this report the Committee approved a revised Internal Audit Charter.

4.10.2 The Internal Audit Charter states that the Chief Audit Executive will report periodically to the Corporate Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards and is being separately reported in the Audit Plan report for information to the Committee.

4.11 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.11.1 The Chief Audit Executive is required to give an opinion on the internal control framework.

4.11.2 Statement of the Chief Audit Executive –

In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of the wider governance framework, other assurances we can place reliance on 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 have not altered significantly from last year and 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 – including Internal Audit - and the Council's financial position remains very challenging. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

The Audit Committee's support in ensuring their support of our work 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 –5th December 2017 Public Sector Internal Audit Standards; 4th December 2018 Internal Audit Annual Plan – 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 2019)

Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
18-001B	Virgin Care - Contract Management	See Unplanned Audit	N/A	N/A	N/A
18-002B	HB Subsidy / Benefits Claim Process	Position Statement	N/A	N/A	N/A
18-003B	Payroll: Starters / Leavers / Permanent Variation Payment Requests	Final	4	7	7
18-004B	IT - Service Level Management	Final	3	6	6
18-005B	Children's Direct Payments	Final	3	10	9
18-006B	IT - Supplier Management	Draft	3	9	Awaiting
18-007B	Pension Fund - Investments (Governance)	Postponed	N/A	N/A	N/A
18-008B	Pension Fund - Payroll	Final	4	3	3
18-009B	IT - Patch Management	In - Progress	N/A	N/A	N/A
18-010B	Payroll: Net Pay Variance Analysis Controls	Final	4	2	2
18-011B	Mental Health - Section 117 Funding (CCG)	Position Statement	N/A	N/A	N/A
18-012B	Reablement Contract Management	Position Statement	N/A	N/A	N/A
18-013B	Waste / Recycling Service	Position Statement	N/A	1	1
18-014B	IT - Cyber Security Risk Management	Draft	3	8	Awaiting
18-015B	Pension Fund - Data Integrity - Admin	Final	4	4	4
18-016B	Highways Contract Management	Final	3	4	4
18-017B	Visit Bath HR and Payroll	Postponed	N/A	N/A	N/A
18-018B	YCYW - Data Management	Postponed	N/A	N/A	N/A
18-019B	Bank A/C Management	In - Progress	N/A	N/A	N/A
18-020B	Financial Ledger - Reconciliations	Postponed	N/A	N/A	N/A
18-021B	Financial Ledger - Controls Accounts	In - Progress	N/A	N/A	N/A
18-022B	Property Disposals	In - Progress	N/A	N/A	N/A
18-023B	Payroll Compliance - Statutory Returns	Draft	5	0	0
18-024B	Property - Capital Maintenance Budget Allocations and Property 'Compliance'	See Unplanned Audit	N/A	N/A	N/A
18-025B	Pension Fund - Code of Practice 14	Final	4	2	2
18-026B	Council Tax - Collection Fund - Collection Rates and Return Completion	In - Progress	N/A	N/A	N/A
18-027B	Public Health - Allocation of Funding and Expenditure Certification & Reporting	Final	4	1	1
18-028B	Homelessness	Final	5	4	4
18-029B	IT - User ID and Access Management	Postponed	N/A	N/A	N/A
18-030B	IT - Applications - User ID and authentication	Draft - 4 reports	3	26	Awaiting
18-031B	Financial Ledger - Journals/Virements	Draft	4	5	Awaiting
18-032B	Apprenticeship Levy	Final	3	5	5
18-033B	Financial Ledger - Suspense Account	Final	4	2	2
18-034B	Data Analytics - Payment Cards	Position Statement	N/A	11	Awaiting
18-035B	Council Tax Support Scheme	Final	5	1	1
18-036B	Haycombe Cemetery & Crematorium (Bereavement Services)	Final	3	8	8
18-037B	Companies Governance	In - Progress	N/A	N/A	N/A
18-038B	GDPR Phase 2 - Implementation & Compliance	In - Progress	N/A	N/A	N/A
18-201B	Adult Care Contract Management	Position Statement	N/A	N/A	N/A
18-202B	Property Services - Voids Management	In - Progress	N/A	N/A	N/A
18-203B	Parade Gardens Café Income Reconciliation	Completed	N/A	N/A	N/A
18-204B	Anti Fraud Bulletin	Completed	N/A	N/A	N/A