

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	30 th July 2020	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2019/20	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Plan Position Statement – Performance Dashboard		

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 2019/20 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

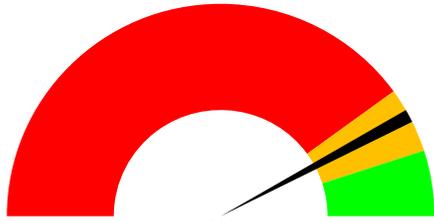
- 4.1 The Annual Internal Audit Plan for 2019/20 was presented to the Corporate Audit Committee on the 30th July 2019, later than normal based on the Council elections. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 4.2 The Committee received a formal update on delivery against the plan on the 21st November 2019 and an informal update to Committee members in April 2020. This report builds upon that update and the chart overleaf records the position as at 31st March 2020.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

Client - Bath & North East Somerset

Period - April 2019 - March 2020

1. AUDIT PLAN COMPLETED



83%

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

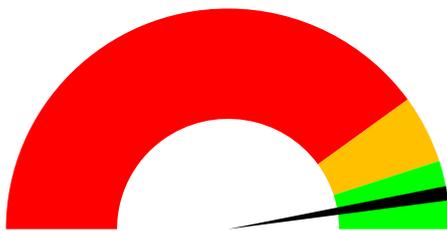
2. AUDITS COMPLETED IN PLANNED TIME



73%

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

3. CUSTOMER SATISFACTION



90%

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

4. IMPLEMENTATION OF RECOMMENDATIONS

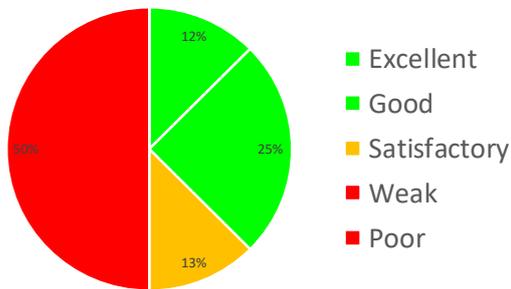


60%

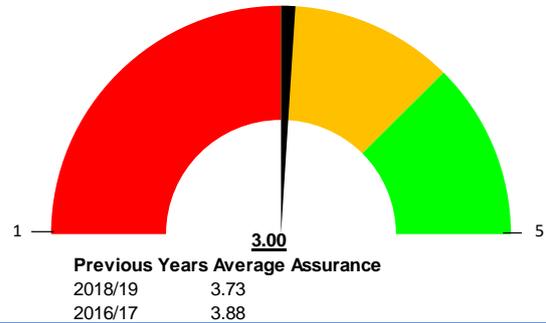
Green Target = >90%
Amber Target = >80%

5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



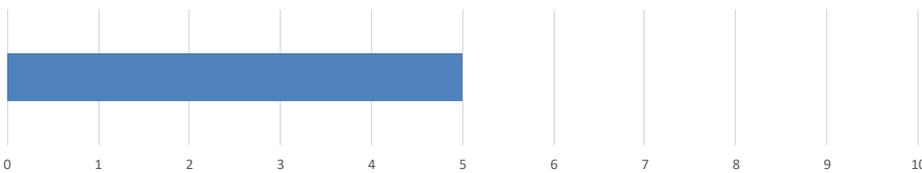
Current Average Assurance Level



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
57.0
Audit Days
2019/20

8. NEW UNPLANNED WORK



Equating to
10.1
Audit Days
2019/20

PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 83% 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 (as at 30th September 2019) was reported in November, 31% of the Audit Plan had been 'substantially completed' and a number of reasons were given including 2018/19 Work Carried Forward and the need to recruit staff following a number of leaving to take up new positions outside the Council. New staff started before and after Christmas 2019 and this has enabled us to complete a reasonable proportion of the planned work in order to offer an opinion on the internal control framework.
- 4.3.3 Appendix 1 records the status of each audit review within the 2019/20 Audit Plan (36 audit reviews) at the end of March 2020.
- 4.3.4 The shortfall in completion of the plan has resulted in 5 audits not being started in 2019/20 – 2 are to be included in the 2020/21 Audit Plan and 3 will now not be carried out based on a reassessment of the risks related to these areas of activity compared to other areas considered during the planning process for the 2020/21 Audit Plan.
- 4.3.5 The review of Avon Pension Fund – Brunel Governance had commenced in March 2020 but has had to be temporarily put on hold because of Covid19 and the availability of the Pension Fund Investment Manager. We hope to complete the review and issue a short briefing paper during the summer.

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 73%. This figure was calculated based on audits recorded as being at 'Final' Report stage.
- 4.4.2 Three of the eleven 'finalised' audits exceeded the assigned number of days – 1) Community Infrastructure Levy; 2) Council Recharges to CCG and 3) Parks Traded Services. The first two of the audits only exceeded the allocated time by 1.2 and 1.8 days respectively. The over-run on the Parks Traded Services Audit was more significant and was related to an investigation completed during the year in relation to income collected at the Parade Gardens kiosk which was discussed during the Corporate Audit Committee held on 21st November 2019 and an update was provided during the 6th February meeting.

4.5 CUSTOMER SERVICE

4.5.1 It is considered very important that the Internal Audit team receives feedback from clients linked to the customer experience of being audited. The service has a number of roles to fulfil of which the key one is to provide assurance to the Council through the S151 Officer (Chief Financial Officer) and the Corporate Audit Committee that good systems of internal control are in place to manage risks. It's also important that the service we provide is 'professional' and in line with the Public Sector Internal Audit Standards.

4.5.2 We gauge the quality of our work from talking to lead client officers and also through the clients completing electronic audit questionnaires. Speed dial 3 is a representation of the 'Overall' score provided in questionnaires completed.

4.5.3 Those completing questionnaires also have the opportunity to provide comments. Examples of comments received during this reporting period include:

- "A really helpful audit with positive system improvements actioned as they were identified" (Parks Traded Services)
- "The additional input that the auditor has given in relation to improving cash handling and reconciliation processes was invaluable" (Parks Traded Services)
- "{The Auditor's Name} was helpful, polite and professional throughout!" (CCTV – Operational Management)
- "I have no doubt that the service will be significantly improved as we implement the recommendations." (Music Service)
- "Fully involved" (Early Years)

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 60%. There were 5 audits followed-up during the year that had high risk recommendations included in the report action plan. For 3 audits (Child Referrals, Child Direct Payments and Bereavement Services) they had audit recommendations which had not been fully implemented at the time of follow-up.

4.6.2 In terms of the Child Referrals review, a single recommendation had not been implemented linked to the need to develop a more detailed dashboard report and as part of this allocate performance measures for each stage of the referral process from initial triage to authorisation of assessment. At the time of the follow-up, work to develop the reporting was still on-going. This was reported to the Director of Children and Young People.

4.6.3 The Child Direct Payments Audit had two recommendations still to be fully implemented – one linked to re-basing of the budget and the second being linked to actions to verify the accuracy of the financial system payments to the central tracker record of direct payments payable. The need to fully implement these recommendations was reiterated and the Director of Children and Young People

was required to monitor implementation of the recommendations. The Director of Children and Young People provided an update in June 2020 and it was confirmed that the two outstanding recommendations had now been implemented and therefore the percentage implemented would increase from 60% to 80%.

4.6.4 The single outstanding recommendation linked to the Bereavement audit review was related to reporting on income generating and / or cost saving initiatives to provide information on financial position and achievement of agreed outcomes - enabling the Director of Environmental Services to challenge / scrutinise progress and to share reports with Finance colleagues to monitor budgetary impacts. It was identified the regular reviews with finance were not on-going as recommended and this was reported to the Director through the Follow-Up paper.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During the year 2019/20 the service has been involved in five investigations and two resulted from 'whistleblowing' action. We spent 57 days on carrying out this work.

4.7.2 Two investigations required only limited work and did not require a formal investigation to be completed.

4.7.3 One investigation led by the Head of Audit & Assurance but carried out mainly by a manager in the service area resulted in an officer under suspicion of theft being cleared. However, the individual was found to have been negligent in maintaining financial administrative records and the individual resigned from the Council. Action was taken to verify appropriate guidance was available to staff to instruct them on proper practices to be carried out.

4.7.4 Work was required to identify the reasons for a salary overpayment and agreeing a process with management on the recovery of the overpayment.

4.7.5 The fifth investigation was related to loss of income at Parade Gardens and the need to refer the case to the Police. Unfortunately, a decision was taken by the CPS not to prosecute the individual identified by the investigation as being responsible for the losses.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Of those audits completed at year end, eleven had 'Final' version reports and of these three did not record an assurance level because they are Briefing Reports rather than reports providing a formal Audit Opinion and Assurance Level.

4.8.2 Of the eight that had assurance levels assigned, three (37%) recorded an audit opinion of good or excellent (Assurance Levels 4 and 5) and one single audit was rated as satisfactory.

4.8.3 Four audit reports had an Assurance Level of weak (Level 2) – Parks Traded Service, Safer Recruitment, Music Service and CCTV – Operational Management.

The Head of Audit and Assurance is satisfied with the response by management and has confidence that the framework of internal controls for these service areas has been significantly improved following the audit review.

4.9 UNPLANNED AUDITS / WORK

4.9.1 The total amount of time spent on 'new' unplanned work was 10 days. This was related to the following work: 1) Heritage Services – Payment Card Record Retention advice; 2) Registrars Spoilt Certificates Retention advice; 3) Payment Kiosk Money Laundering review; and, 4) Council Tax & NNDR Quarterly Returns advice.

4.9.2 In addition to this limited amount of 'new' unplanned work, the Audit Team also carried out other unplanned work on risk management (exceeding 60 days), grant certification work and an independent examiner role for the Alice Park Trust (totalling 23 days).

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 an Internal Audit Charter.

4.10.2 The Internal Audit Charter states that the Head of Audit West 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. It should be noted that the Internal Audit Charter has been reviewed and minor amendments have been made to update the document. This will be reported to the Audit Committee for formal adoption.

4.11 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.11.1 The Internal Audit Charter states that 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 up to March 2020 the Council's internal control framework and systems to manage risk had not altered significantly from the previous year.

- Reasonable assurance could 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 were broadly being complied with;
- Managers throughout the council were aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements were 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;

There has been continuing pressure on council budgets and services and the Covid19 outbreak and the resulting lockdown will have an unprecedented impact on the Council's finances and its ways of working. A robust Internal Audit service will continue to be a vital component of the Council's governance systems providing the third and final line of defence in relation to the internal control framework.

The Audit Committee's support of our work and maintaining effective corporate governance is appreciated and I would like to thank members of the committee for their input and guidance over the 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; 30th July 2019 - Internal Audit Plan - 2019/2020; 21st November 2019 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 2020)
Appendix 1

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
19-001B	Avon Pension Fund - Scheme of Delegations	Draft	4	1	Awaited
19-002B	Avon Pension Fund- COP14	Draft	4	5	Awaited
19-003B	Visit Bath - Payroll	Cancelled	N/A	N/A	N/A
19-004B	Community Care - Data Management	In Progress	N/A	N/A	N/A
19-005B	Financial Ledger - Key Systems Interface	Final	4	3	3
19-006B	Property Disposals	Final - Briefing	N/A	-	-
19-007B	IT - User & Access Management	Draft	4	8	Awaited
19-008B	Companies Governance	C/F 2020/21	N/A	N/A	N/A
19-009B	Mental Health - Section 117 Funding (CCG)	Final - Briefing	N/A	3	Follow-Up
19-010B	Community Care Contract Management	In Progress	3	2	N/A
19-011B	Car Parking Income	In Progress	N/A	N/A	N/A
19-012B	Avon Pension Fund - Brunel Governance - Investments	In Progress	N/A	N/A	N/A
19-013B	Community Infrastructure Levy - Allocation, Recording and Reporting	Draft	3	4	4
19-014B	Acquisitions - Achieving Corporate Objectives	C/F 2020/21	N/A	N/A	N/A
19-015B	Social Care Service QA Framework (Care Assessments)	In Progress	N/A	N/A	N/A
19-016B	Governance - Single Panel	Draft	3	7	Awaited
19-017B	Street Lighting Procurement	In Progress	N/A	N/A	N/A
19-018B	Car Parking Income - Permits	In Progress	N/A	N/A	N/A
19-019B	Council Recharges to CCG	Final	4	1	1
19-020B	Passenger Transport	In Progress	N/A	N/A	N/A
19-021B	IT Provision - Cloud & Hosted System Security	In Progress	N/A	N/A	N/A
19-022B	Special Ed Needs - High Needs Top Ups	Final - Briefing	N/A	4	Follow-Up
19-023B	Threat Management (Cyber Security) Network Security - Firewalls	Draft	4	7	Awaited
19-024B	Sundry Debtors and Debt Recovery	Draft	4	10	Awaited
19-025B	Data Back Up & Recovery	In Progress	N/A	N/A	N/A
19-026B	Parks - Traded Services	Final	2	10	10
19-027B	Threat Management (Cyber Security) Malware Prevention	In Progress	N/A	N/A	N/A
19-028B	Early Years Grants	Final	5	0	0
19-029B	Safer Recruitment	Final	2	6	6
19-030B	Music Traded Service	Final	2	15	15
19-031B	Taxi Licensing	In Progress	N/A	N/A	N/A
19-032B	Incident Management	Cancelled	N/A	N/A	N/A
19-033B	Property - Corporate Planned Maintenance Budget	Cancelled	N/A	N/A	N/A
19-034B	Payments – Data Analytics	In Progress	N/A	N/A	N/A
19-035B	CCTV - Business Operation	Final	2	10	10
19-036B	Avon Pension Fund - iConnect	Draft	4	6	Awaited