

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	29 <sup>th</sup> April 2021	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2020/21	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2020/21)		

## **1 THE ISSUE**

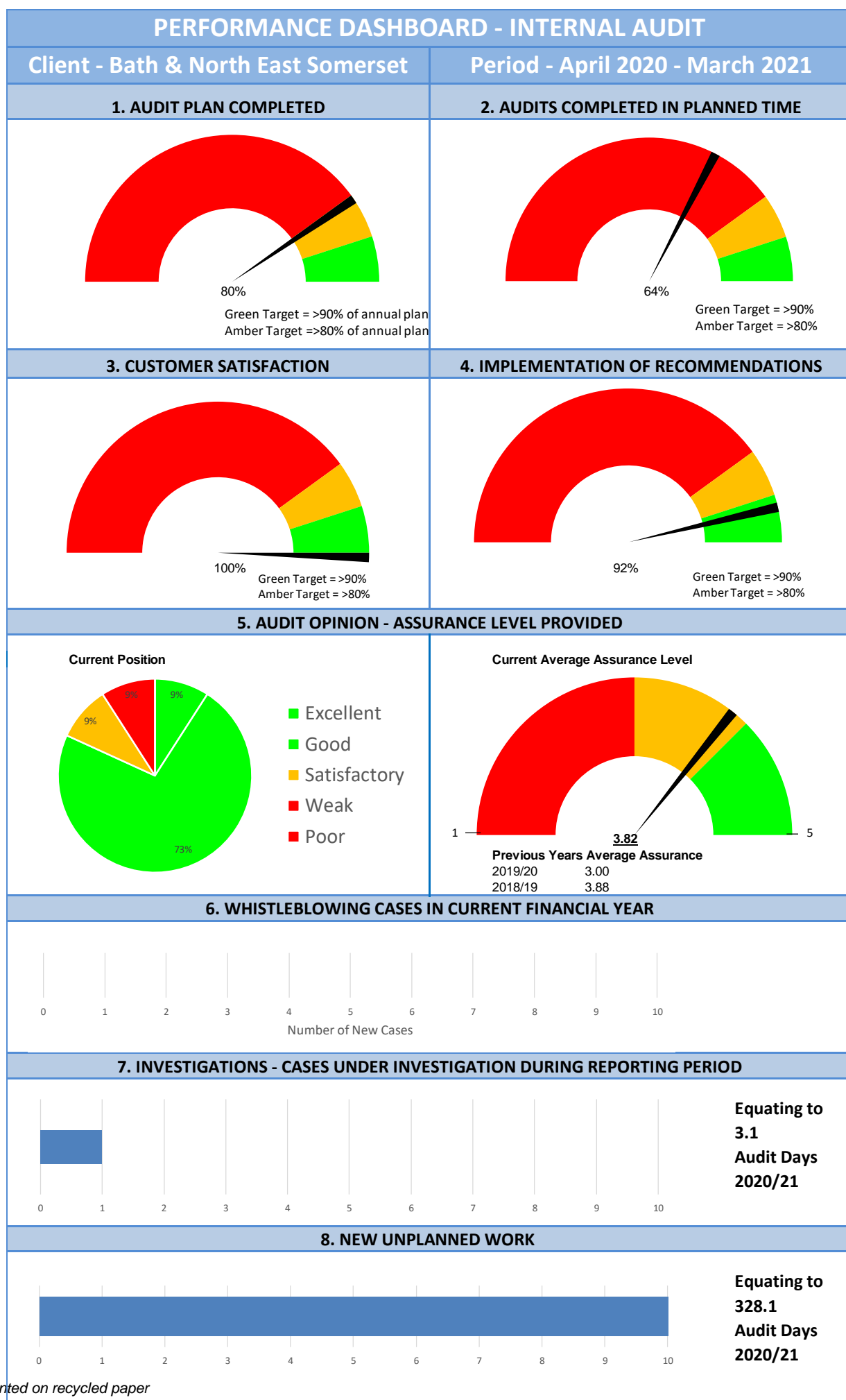
- 1.1 This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

## **2 RECOMMENDATION**

- 2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2020/21 and formal opinion on the internal control framework.

## **3 THE REPORT**

- 3.1 The Annual Internal Audit Plan for 2020/21 was presented to the Corporate Audit Committee on the 30th July 2020, later than normal based on Covid19, the national lockdown and the transition to virtual Council meetings. 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.
- 3.2 The Committee received a formal update on delivery against the plan on the 30th November 2020. At this meeting a revised 2020/21 Audit Plan consisting of 26 audit reviews was agreed and it was highlighted that further unplanned work for the audit team may impact further revised Audit Plan. This report builds upon that update and the chart overleaf records the position as at 31st March 2021 based on the November 2020 revised Audit Plan.



## **PERFORMANCE SUMMARY**

### **3.3 COMPLETION OF THE INTERNAL AUDIT PLAN**

- 3.3.1 The performance dashboard shows that 80% of the revised plan (26 audit reviews) is 'substantially completed', i.e. 21 audit reviews can be considered as completed. Of the remaining 5, 3 were not started in the 2020/21 financial year and 2 will be reporting in May 2021.
- 3.3.2 Appendix 1 records the status of each audit review within the original 2020/21 Audit Plan (35 audit reviews) at the end of March 2021. The 9 audit reviews to be taken off the plan as agreed by Committee in November 2020 are highlighted in grey.
- 3.3.4 A review of Highways Intervention & Drainage will be included in the 2021/22 Audit Plan and the Data Migration Audit will now not be carried out based on a reassessment of the risks compared to other areas considered during the planning process for the 2021/22 Audit Plan.

### **3.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS**

- 3.4.1 The percentage of audits completed within the initial allocated days is recorded at 64% (calculated based on audits recorded as being at 'Final' Report stage). It was reported to Committee Members in November 2020 that remote working had impacted on both the efficiency and effectiveness of the audit work carried out by the Internal Audit team.
- 3.4.2 Due to the pandemic and working from home Audit reviews have taken more time to complete the necessary work and there have been obvious limitations to the audit testing carried out based on not being able to access offices / records. This will impact on the level of assurance that can be provided for the areas reviewed during the year.
- 3.4.2 Five of the fourteen 'finalised' audits exceeded the assigned number of days – 1) Property Compliance; 2) Grant Funded Projects, 3) Accounts Payable, 4) Car Parking Enforcement, and 5) Heritage – Purchasing & Stock Control.

### **3.5 CUSTOMER SERVICE**

- 3.5.1 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.
- 3.5.2 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.

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

- “{The Auditor’s Name} is always professional and knowledgeable” (IT Helpdesk – Incident & Problem Management)
- “{The Auditor’s Name} was really helpful and communicative, she took on board all our comments and was timely with all feedback.” (Grant Funded Projects)
- “I felt we worked well together on this audit in difficult circumstances due to Covid restrictions” (Heritage – Purchasing & Stock Control)
- “Yes, always had opportunity to discuss and provide further explanation or evidence as Pensions very complex area.” (APF – Risk Management)
- “Very professional, approachable and really showed an interest in our area. Very good at listening and would always keep me updated” (Accounts Payable)
- “The usual very professional service from the Audit team and this time under more difficult circumstances due to lockdown, thank you”. (Building Control)

### 3.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

3.6.1 The dashboard records the implementation of high risk rated recommendations at the time the audit was ‘Followed-Up’ at 92%. There were 4 audits followed-up during the year that had high risk recommendations included in the report action plan. For 3 of these audits (Music Traded Service, Financial Ledger Journals / Virements, and Financial Ledger Key Systems Interface) it is pleasing to report all the recommendations had been fully implemented at the time of follow-up. The fourth audit - Finance Applications User ID and Authentication – had a single recommendation related to system password configuration settings (alignment to the Council’s Password for Life Policy) which could not be implemented based on individual computer system constraints linked to password configuration. These computer systems still had reasonably secure password formats and are therefore considered adequate - although not in line with Council adopted policy.

3.6.2 The audit team have a number of ‘Follow-Ups’ scheduled to be carried out in the early part of the financial year and those audit review reports recording ‘limited or no assurance’ (Levels 1 & 2) will be prioritised. It should be noted that in the previous year (2019/20) there were four audits completed which reported ‘limited assurance’ (Level 2) audit opinions (Music Traded Service, Parks Traded Services, Safer Recruitment, and CCTV Business Operations). The pandemic and its impact on service provision has delayed the implementation of agreed actions and therefore the Audit Report ‘Follow-Ups’ have not been carried out. Despite the delay in carrying out the ‘Follow-Up’ it should be noted by the Committee that the Internal Audit team have continued to liaise with the respective managers on progress and they are aware the formal ‘Follow-Up’ process will be carried out.

### 3.7 INVESTIGATIONS/ WHISTLEBLOWING

3.7.1 During the year 2020/21, the service has only been involved in a single investigation which is unusual. The one investigation was linked to a complaint against a Council Officer by a contractor that was alleging that the officer was unreasonable blocking their access to Council property to carry out works instructed by other services / third parties. The complaint was resolved based on the work carried out by Internal Audit.

3.7.2 The dashboard records that there were zero whistleblowing cases during 2021/22 against Council Officers / Members requiring Internal Audit input. However, it should be noted by the Committee that there was significant use of the external 'Report a Whistleblowing Concern' submission form accessible through the Council's website. This reporting facility was first made available with effect from August 2019 and only a limited number of submissions were received during the 6 months to 31<sup>st</sup> March 2020.

3.7.3 For the year commencing April 2020 (Covid19 lockdown) we experienced a big increase based on the reliance of online service provision. We received about 40 completed reports during the financial year through the online reporting tool. The vast majority of these reports were not related to potential wrongdoing by Council Officers, Members, contractors, partners or other stakeholders of interest to Internal Audit but were reports related to the work of other Council Services or other public sector organisations. This included reports related to:

- 1) Covid19 – breach of rules / regulations
- 2) Safeguarding (Adults / Children)
- 3) Public / Environmental Protection – air / noise pollution
- 4) Planning Enforcement / Tree Preservation

This significant increase of reports submitted and the type of reports has provided evidence that the Council's online communications with residents needs to be improved and this has been highlighted to Council Connect and individual services such as the Public Protection team.

3.7.4 Although the vast majority of external whistleblowing reports received were just passported onwards to other teams to investigate etc there were a number which were of particular interest to Internal Audit and we liaised with the relevant Council teams or external bodies to investigate the reported matter. For example, we received submissions related to businesses applying for small business grants (where the whistleblower did not think individuals were entitled). An unusual report form submitted in the summer of 2020 was related to information on an 'urban explorer' trespassing on Council property / land. In this case we were able to liaise with Property Services (who had already been made aware of an attempted break-in) to ensure security to the Roman Baths Archway building site was reviewed / improved.

### 3.8 ASSURANCE LEVEL PROVIDED

3.8.1 Of those audits completed at year end, fourteen had 'Final' version reports (Fifteen are recorded in Appendix 1 – the additional one recorded as 'Final' was Property Compliance which was finalised in April 2020 – see 3.8.4) 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.

3.8.2 Of the fourteen audits fully completed by end of March 2021, eleven had assurance levels assigned as follows:

- 1) One (9%) recorded an audit opinion of excellent (Assurance Level 5 - Heritage – Purchasing & Stock Control)
- 2) Eight (73%) were good (Assurance Level 4)
- 3) One was rated as satisfactory (Assurance Level 3)
- 4) One was assessed as weak (Assurance Level 2 – IT Application – IDOX Contract Management)

3.8.3 In terms of weaknesses related to the IDOX Application Contract Management review the following weaknesses were recorded:

- Key Performance Indicators (KPIs) had not been implemented to enable monitoring of vendor performance.
- There were no dispute handling processes or formal meetings in place to address poor vendor performance.
- An update to the GDPR module had been introduced into the live environment without being fully tested.
- Key risks had not been identified and documented within a risk register.
- Although an 'issues log' was maintained, this had not been fully completed, e.g. completion dates not entered.
- A copy of the vendor's Business Continuity Plan had not been obtained and evaluated.
- System updates were not applied in a reasonable time, increasing the possibility of the software failing to meet service requirements.

Management agreed to implement all the recommendations and the audit will be followed up in the first 6 months of 2021/22

3.8.4 As stated in 4.8.1, Appendix 1 records the Property Compliance audit as finalised - although this was only finalised in April 2021. The reason for highlighting this review is that a 'Weak' - Limited Assurance Audit Review was assigned to it.

3.8.5 Previously weaknesses around processes within Property had been reported to the Committee and that this area of Council activity was previously reviewed in 2015/16 and it was assessed then as 'Poor' (No Assurance). At the time, this was

considered significant and the then Divisional Director of Property & Project Delivery, and Council's Property Manager were asked to attend the March 2016 meeting of the Committee.

3.8.6 At this meeting, Property Management delivered a presentation of actions that had been completed and activities which were planned based on the findings of the audit. This provided the Committee with assurance that the weaknesses identified by Internal Audit would be corrected ensuring a more robust framework of internal control over the property compliance risks. It was highlighted during the 2016 Committee meeting that the then Strategic Director of Resources was taking an active role in overseeing the Property Service and therefore there was a level of confidence that action planned would be monitored to ensure risks were managed.

3.8.7 There were a number of changes in personnel and management during the subsequent years and the current Head of Construction, Maintenance & Facilities Management was made responsible for the management of compliance in June 2018.

3.8.8 The audit review carried out in 2020/21 highlighted similar weakness to the 2015 audit report but also reported concerns related to the 'governance' and scrutiny of the property compliance function and management of associated risks. The weaknesses reported in the 2020/21 audit report included:

- The membership, role, and responsibility of governance groups with a remit to monitor property compliance (Property Board / Health, Safety and Wellbeing Steering Committee) is not clearly recorded and adopted to provide an effective framework of governance.
- Property compliance reporting to management / governance groups is ad hoc, is not a standing agenda item on any executive governance group and does not provide an assessment of the current risk rating for all property compliance areas enabling focus activity by management / governance groups.
- Timely maintenance of compliance records and monitoring of compliance activity is being adversely impacted based on the fact that exception reporting is not readily available for all types of maintenance due to limited use of technology by some contractors and thus continuing reliance on manual input. However, a significant improvement was noted from position identified by the original audit in 2015.
- Leaseholders with repairs and maintenance responsibilities (as per the lease agreement) are not being periodically reminded of their property compliance responsibilities. For example, through the requirement to provide compliance certification and / or evidence of servicing etc.
- Key Property Compliance responsibilities had not been formally assigned and the relevant responsible officer (Chief Executive) is not being provided with assurance that the Officer assigned was professionally qualified as required by industry adopted best practice.
- The Property Intelligence Team Manager confirmed that audit testing had highlighted that there wasn't a robust process in place to update Property System (Planet FM) when assets were removed from Council properties.

- Not all contractors were using handheld technology which assists systems to be updated accurately and timely.
- Resourcing levels for the management and delivery of Compliance responsibilities are inadequate. There was only one Senior Building Officer assigned to the management of Compliance on a full-time basis with limited assistance from other engineers and surveyors. In the event of absence there is only limited assistance available in relation to Compliance matters from colleagues who are assigned to other areas of business.
- Sample testing of the maintenance of assets identified an example of a property asset not being serviced. An inspection regime for this type of asset had not yet been introduced and there was a lack of clarity as to responsibility.,

3.8.9 Following the recent (2021) Senior Management restructuring the newly appointed Chief Operating Officer has taken the lead in carrying out a Property Service Review which included considering the finding of the 2020/21 Internal Audit Review of Property Compliance. The Chief Operating Officer has agreed to attend the Committee Meeting to brief the Committee on action being taken based on the findings & recommendations of the Property Compliance Internal Audit Report.

### **3.9 UNPLANNED INTERNAL AUDIT WORK**

3.9.1 It was reported at the 26th November 2020 meeting of the Committee, that a significant level of unplanned work had been completed during the first half of 2020/21, this continued during the second half of the year and you'll note from the Performance Dashboard that 330 days has been coded to unplanned work.

3.9.2 One of the Internal Audit team has been seconded since October 2020 to assist with the administration / management of grant funding to Adult Social Care Providers (Infection Control). It is planned that they will return to full time Internal Audit duties in June 2021. However, this is not guaranteed, and Internal Audit management will respond positively / pragmatically to any management requests for assistance based on the changing situation.

3.9.3 The other pieces of unplanned work taking significant time included:

- 1) Covid19 – Small Business / Retail Hospitality Leisure Grants
- 2) Covid19 – PPE Stock Control
- 3) IT Cyber Security (Society of Information Technology Managers Review)
- 4) Children Service – In Year Budget Management & Forecasting

### **3.10 COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

3.10.1 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.



3.10.2 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 this 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 it can be confirmed that the document only required minor amendments based on changes to job titles following the recent Senior Management restructure.

### **3.11 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK**

3.11.1 The Internal Audit Charter states that the Chief Audit Executive is required to give an opinion on the internal control framework.

#### **3.11.2 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.

As highlighted during our mid-year report to this Committee in November 2020, it was reported that the Council's internal control framework was satisfactory, however, it was also highlighted that the opinion provided was tempered by enforced remote working due to Covid-19.

Remote working has continued throughout the remainder of the year and, coupled with the level of unplanned work and subsequent necessary changes to the original schedule of planned work, there was a need to consider whether a limited or qualified opinion should be issued as a result of the changing plan. The Institute of Internal Auditors guidance in relation to this matter states that if the Audit Committee has agreed to the changed plan, then there is no need for a limited opinion; the opinion will reflect the work detailed as agreed.

It is therefore my opinion that, based on the limited planned work completed due to the circumstances of Covid-19, the Council's internal control framework and systems to manage risk 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 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;
- Senior Management - led by the Chief Executive – demonstrate a pro-active approach to the fundamental themes of good governance and risk management.

- There were no fundamental system failures or control breakdowns to business-critical functions. We remain alert however to the ongoing challenges impacted upon the Council's operations due to Covid19;

The continued reduction on Council budgets also places further pressure on all services to respond and manage risk in a proportionate way 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 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.

## **4 STATUTORY CONSIDERATIONS**

- 4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 5.1 There are no direct resource implications relevant to this report.

## **6 RISK MANAGEMENT**

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees, undetected fraud and inadequate coverage of risks arising from COVID-19. Internal Audit assists the council in identifying risks, improvement areas and recommending good practice.
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

## **7 EQUALITIES**

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## 8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

## 9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

## 10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Reports to Corporate Audit Committee – 24<sup>th</sup> March 2016 - Audit &amp; Assurance Annual Report 2015/16; 5<sup>th</sup> December 2017 - Public Sector Internal Audit Standards; 30<sup>th</sup> July 2020 - Internal Audit Plan - 2020/2021; 30<sup>th</sup> November 2020 Internal Audit Annual Plan – Six Month Performance Update.</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**Audit Reviews Position Statement (as at 31st March 2021)**
**Appendix 1**

Audit Ref	Topic	Status	Assurance Level	Recommendations		2021/22 Audit Plan
				Made	Agreed	
20-001B	Highways Interventions & Drainage	Not Started				Yes
20-002B	Governance - Council Companies	Not Started				No
20-003B	Waste Collections - Income	WIP				
20-004B	Property – Compliance (Statutory - H&S)	Final	2	11	11	
20-005B	Clean Air Zone	Final -Briefing Report	N/A			
20-006B	Grant Funded Projects	Final	4	7	7	
20-007B	Accounts Payable (Agresso FMS Authorisations)	Final	4	10	10	
20-008B	Revenue Estate - Property Acquisitions	Not Started				Yes
20-009B	Car Parking Enforcement	Final	4	1	1	
20-010B	APF - Altair - IT System Access	Final	4	8	8	
20-011B	Revenue Estate - Service Charges and Tenant Management Relations	Draft	2	6		
20-012B	16+ Accommodation (Use of Unregulated Placements)	Final	4	6	6	
20-013B	Community Care Contract Management - Integrity of Data	Draft	4	1		
20-014B	Climate Change Response	Not Started				Yes
20-015B	APF - Risk Management	Final	4	3	3	
20-016B	Waste - Transfer Station	Draft	3	1		
20-017B	IT Audit - Configuration Management – Servers and Endpoints	WIP				
20-018B	IT Audit - Electronic Service Delivery - Revenue & Benefits	WIP				
20-019B	Community Resource Centre - Establishment Review	Final- Briefing Report	N/A	9		
20-020B	APF - Business Continuity	Not Started				Yes
20-021B	Heritage – Retail Shops – Purchasing & Stock Control	Final	5	1	1	
20-022B	Council Tax - Liability, Billing & Refunds	Final	3	5	5	
20-023B	Revenue Estate - Asset Utilisation	Not Started				Yes
20-024B	IT Audit - Helpdesk – Issue and Problem Management	Final	4	5	3	
20-025B	APF - Pensions Governance COP 14	WIP				
20-026B	IT Audit - Integrated Care Children's Record Data (Migration)	Not started				No
20-027B	IT Audit - Application - IDOX Contract Management	Final	2	7	7	
20-028B	Housing Benefits Processing Claims (& Overpayments)	WIP				
20-029B	Traffic Signals & Intelligent Network	Not Started				Yes
20-030B	Building Control	Final	4	3	3	
20-031B	Governance - Decision Making	Not Started				Yes
20-032B	Schools - Income & Payments (VAT)	Final - Briefing	N/A	2	2	
20-033B	Alternative Learning	Not Started				Yes
20-034B	GLL Contract Management	Not Started				Yes
20-035B	Parks	Not Started				No