

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	23rd September 2021	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2021/22)		

1 THE ISSUE

- 1.1 This report is to provide an update on the work of the Internal Audit team and progress made in delivering the Annual Audit Assurance Plan 2021/22 which was presented and approved by the Committee on 29th April 2021.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the 2021/22 Annual Audit Assurance Plan.

3 THE REPORT

- 3.1 The Annual Internal Audit Plan for 2021/22 was presented to the Corporate Audit Committee on the 29th April 2021. Previously we have provided a half year report in October / November, however based on the meeting dates of the Committee and the potential significant list of agenda items for the December 2021 scheduled meeting it was thought that it would be beneficial for an interim update report to be presented.

3.2 INTERNAL AUDIT WORK UPDATE

2020/21 Internal Audit Plan Work Carried Forward

3.2.1 It is important to report to the Committee on audits in the 2020/21 Audit Plan which still had to be finalised in the early months of the new financial year (2021/22). There were seven 2020/21 Audit Reviews which required further work - of these six have now been issued as Final Reports and one is currently awaiting management comments to enable the report to be finalised.

Audit Heading	Status	Assurance Level	Recommendations	
			Made	Agreed
Waste Collections - Income	Final	3	8	8
Revenue Estate - Service Charges and Tenant Management Relations	Final	2	6	6
Waste - Transfer Station - Weighbridge	Final	3	1	1
IT Audit - Laptop Secure Configuration Management	Draft	3	5	N/A
IT Audit - Electronic Service Delivery - Revenue & Benefits	Final	4	6	6
IT Audit - Helpdesk – Incident and Problem Management	Final	4	5	3
Housing Benefits Processing Claims (& Overpayments)	Final	4	2	2

3.2.2 The Revenue Estate Service Charges and Tenant Management Relations review identified several areas for improvement - the key areas of concern were debt management (assessed as poor) and the lack of documented policies and procedures to guide staff increasing the likelihood of inconsistent processing of service charges, loss of income and non-compliance with legislation. The lack of documentation to provide guidance to staff was considered even more important as there was a reliance on one member of staff who had developed knowledge over a period of time (potential service continuity risk). In terms of debt management as at the date of the audit the outstanding debt attributed to Service Charges was £380,943 a significant increase from £112,014 in 2018.

3.2.3 A Property Services Review (being overseen by the Property Services Steering Group) is underway and debt management is a particular area being reviewed by one of the Commercial (Revenue) Estate Workstreams. The Interim Head of Property Transformation recently advised Internal Audit that a Property Income Recovery/Debt Management Strategy is to be presented to the Property Review Project Board on the 28th October 2021. If this is agreed by the Board it will need to be reported to Cabinet and formally approved for implementation.

2021/22 Internal Audit Plan Work

3.2.4 In terms of the 2021/22 Internal Audit Plan it recorded 36 areas to audit and provide assurance to the Audit Committee and Council. Appendix 1 records progress to the 1st September 2021.

3.2.5 Three of the areas for audit have got to report stage and another 10 audits are recorded as 'Work-In Progress'. In addition to that we have contacted management and agreed scope and start dates for another 7 reviews.

3.2.6 For the three reported audits they were all assigned a Level '4' Good Assurance Level:

- 1) Adult Social Care Grant Funding Management – Covid 19 Funding
- 2) Avon Pension Fund – Pension Payroll
- 3) Traffic Signals & Intelligent Network

3.2.7 Five of the ten audits recorded as 'Work-In-Progress' is related to the Covid-19 Funding being managed by the Council. We will be reporting on our finding during September and early October. In terms of the review on Adult Social Care Grant Funding as stated in 3.2.6 a Good / Substantial Assurance rating was provided. Grant funding, in excess of £7M was received and distributed between 13th May and 30th September 2021. Strengths recorded in the audit report included:

- Grant funding deposits have been received by the Council from the DHSC in full in line with published grant allocations across all funds.
- The Council has calculated direct funding to providers accurately based on the conditions of each of the grant awards.
- Grant funding had been passed to the providers in line with the timescales prescribed in the grant funding conditions.
- Discretionary funding allocations have been used to support the purpose and measures in compliance with grant conditions.
- The Council has implemented robust systems in terms of ensuring care providers are clear in terms of the purpose of each of the grants, the conditions attached to the funding, and measures that can be supported.
- The Council have implemented robust processes to ensure that assurances are obtained from the care providers that conditions of funding are met and continue to be met for the duration of the grant period.
- The Council has submitted information and financial returns to the DHSC in line with prescribed timescales set out in the conditions of the grant.
- Regular Project Programme Reports are provided to the SLT outlining the funding that has been received by B&NES along with how each grant has been administered. In addition, these reports are supported with details of the amount of funding that has been committed and paid to either individual providers or projects run directly by the Council.

There were 4 Medium Risk Weakness reported and management agreed to implement these by the end of September 2021.

3.2.8 In addition to audit reviews recorded in the approved Internal Audit Plan the Internal Audit Team has carried out other work:

a) Grant Certification Work – During April to June the Internal Audit team is required to carry out a significant amount of grant certification work. Twenty-one grant certification reviews taking up in excess of 41 audit days. This generally related to funding received from WECA and government departments.

b) Co-ordinating the work related to the National Fraud Initiative. This consists of directly reviewing matched data records and also liaising with Officers within services who have been tasked with reviewing data matching reports provided by the Cabinet Office.

c) Follow-Up of previous years Audit Report recommendations (see 3.3 below)

d) Responding to reports of financial irregularity which require advice/ investigation (see 3.4 below).

d) Continuing to support Adult Social Care Grant Funding – secondment of a member of the team to manage the receipt and payment of grant funding to care providers and the completion of associated government returns.

3.3 Implementation and Follow-Up of Audit Report Recommendations

3.3.1 Since the beginning of the year the Internal Audit team have carried out 10 Audit 'Follow-Ups' (see table below). It is pleasing to be able to report to Audit Committee that the 'Follow-Up' reviews have confirmed that management have largely implemented all audit recommendations. There were a limited number of recommendations that had not been implemented but where this was identified management provided assurance that the recommendations would be implemented based on revised implementation dates.

Audit Report	Reported Assurance Level
19-001B Avon Pension Fund – Scheme of Delegations	4 Substantial Assurance
19-002B Avon Pension Fund – COP14 (Data Protection)	4 Substantial Assurance
19-017B Street Lighting Procurement	3 Reasonable Assurance
19-026B Parks Traded Services	2 Limited Assurance
19-029B Safer Recruitment	2 Limited Assurance
19-031B Taxi Licensing	4 Substantial Assurance
19-035B CCTV – Operational Management	2 Limited Assurance

19-036B Avon Pension Fund - iConnect	4 Substantial Assurance
20-021B Heritage Retail – Purchasing & Stock Control	5 Full Assurance
20-030B Building Control	4 Substantial Assurance

3.3.2 The findings and conclusions of the three audit reports ‘followed-up’ which had an Assurance Level 2 ‘Limited Assurance’ rating, were reported to this Committee on the 30th July 2020 - as it had previously been agreed that all Level 1 and 2 Assurance Rated reports should be brought to the attention of the Committee.

3.3.3 In terms of these three reports the ‘Follow-Up’ reviews concluded as follows:

1. CCTV – Operational Management – All 5 High & 5 Medium Risk Weakness Recommendations had been implemented.
2. Safer Recruitment - All 2 High & 4 Medium Risk Weakness Recommendations had been implemented.
3. Parks Traded Services – 4 out of 5 High Risk Weakness Recommendations and all Medium Risk Weakness Recommendations implemented. In terms of the single High-Risk recommendation which was not implemented this is being raised with the Director of Place and Assistant Director Environmental Services. This was related to the maintenance, dissemination and operation of documented procedures and a specific query related to the reconciliation of income (reconciliation of kiosk till records to income banked by the Cash Collectors).

3.4 Investigations / Whistleblowing

3.4.1 During the first 5 months of 2021/22, the service has only had two reports of financial irregularities or financial loss where the Internal Audit team have been required to provide input to ensure that the matter is fully investigated and that any improvements to the systems of internal control are implemented. One of the cases is still under investigation, so it is not appropriate at this time to report on this case. The second case was related to an email scam which resulted in a payroll fraud and a financial loss. The crime was reported to Action Fraud and anti-fraud training was provided by a member of the Internal Audit team to HR and Payroll team members. We are satisfied that the internal control framework has been enhanced based on the provision of this training.

3.4.2 . There have not been any Whistleblowing Cases to investigate during the year to date.

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 CIFPA 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.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Reports to Corporate Audit Committee –30th July 2020 - Audit & Assurance Annual Report 2019/20; 29th April 2021 - Internal Audit Plan - 2021/2022.</i>
Please contact the report author if you need to access this report in an alternative format	

Ref	Audit Review	Status	Assurance Level	Recommendations	
				Made	Agreed
21-001B	Covid19 - Restrictions - Business Grants	WIP			
21-002B	Covid19 - Adult Social Care Grant Funding Management	Final	4	4	4
21-003B	Covid19 - Supplier Relief - Adult Social Care Providers	WIP			
21-004B	Covid19 - Contain Outbreak Funding	Not Started			
21-005B	Covid19 - Next Steps Accommodation Short & Long Term	WIP			
21-006B	Clean Air Zone (Income & Interfaces)	WIP			
21-007B	Covid19 - DWP Winter Support Grants (incl Free School Meal Vouchers)	WIP			
21-008B	Covid19 - Emergency Assistance Grant for Food and Essential Supplies	WIP			
21-009B	In-Year Budget Management & Forecasting	Not Started			
21-010B	Property - Revenue Estate - Debt Recovery & Write Offs	Not Started			
21-011B	IT Audit - Secure Configuration (New laptops)	Not Started			
21-012B	IT Audit - Cloud and Hosted Systems Management (Identity and Access Management)	WIP			
21-013B	Highways Interventions & Drainage	Not Started			
21-014B	Joint Agency Panel (JAP)	Not Started			
21-015B	Climate & Nature Emergency - Response	Not Started			
21-016B	IT Audit - Patch Management (Laptops)	Not Started			
21-017B	Community Resource Centre & Extra Care Housing - (CRC Phase 2)	WIP			
21-018B	Avon Pension Fund - Business Continuity	Not Started			
21-019B	Property - Revenue Estate - Asset Utilisation	Not Started			
21-020B	Tenancy Fraud	WIP			
21-021B	Property - Revenue Estate - Management of Tenant Responsibilities (maintenance & structural alterations)	Not Started			
21-022B	Health Safety & Wellbeing - Managing the Risks	Not Started			
21-023B	Property - Revenue Estate - Property Acquisitions	Not Started			
21-024B	Avon Pension Fund - Pensions Governance COP 14	Not Started			
21-025B	Children Disabilities	Not Started			
21-026B	Property - Revenue Estate - Rent Reviews	Not started			
21-027B	Avon Pension Fund - Pensions Payroll	Draft	4	5	
21-028B	Avon Pension Fund - Digital Strategy Review	Not Started			
21-029B	Traffic Signals & Intelligent Network (Contract Management)	Draft	4	5	
21-030B	GLL Contract Management - Governance	Not Started			
21-031B	IT Audit - Incident Response Plan	WIP			
21-032B	IT Audit - IT Asset Management (Laptops)	Not Started			
21-033B	Governance - Decision Making	Not Started			
21-034B	IT Audit - Capacity and Availability	Not Started			
21-035B	Alternative Learning	Not Started			
21-036B	Welfare Support	Not Started			