

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	5 th July 2023	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2022/23	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2022/23)		
Appendix 2 - Internal Audit Reports Issued (Dec 2022 to June 2023) with Limited Assurance Rating		

1 THE ISSUE

1.1 This is the Annual Report (2022/23) of the Internal Audit function including a summary of Internal Audit performance, key findings / 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 2022/23 and formal opinion on the internal control framework.

3 THE REPORT

3.1 The Annual Internal Audit Plan for 2022/23 was presented to the Corporate Audit Committee on the 22nd April 2022. 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 An Audit Reviews Position Statement 2022/23 (Appendix 1) provides an up-to-date position of the planned internal audit reviews as at 30th June 2023.

3.2 The Committee last received a formal update on delivery against the plan on the 24th November 2022.

3.3 At the November meeting, ten of the planned 2022/23 audits had got to report stage of which six were 'Assurance Reports' and had therefore been assigned assurance ratings – four were Level 3 'Reasonable Assurance' and the remaining two (S106 – Use of Funding within Timescales & Community Equipment Store)

were rated as Level 2 'Limited Assurance'. The high-risk weaknesses and agreed management actions for these two were detailed as an Appendix to the report and explained to the Committee.

3.4 HEADLINES FOR FINANCIAL YEAR 2022/23

The summary position as of 30th June 2023 is as follows:

- 27 out of the 34 (80%) of the core planned audit reviews were 'complete'. Of the 7 planned audit reviews not carried out, 5 are included in the Internal Audit Plan for 2023/24, a decision was taken to re-prioritise the remaining 2 (Direct Payments Adults; Revenue Estate – Asset Utilisation) based on the audit needs assessment process, and they were not included in the 2023/24 planned core audit review listing.
- There was a total of 5 finalised audit reports where it was assessed that the overall system of internal control provided Level 2 'Limited Assurance'. As stated in 3.3. the detail of the S106 – Use of Funding within Timescales & Community Equipment Store was reported to the November 2022 Committee meeting. Detail of the audit findings and recommendations related to the 3 audit reports which has not been previously reported to Audit Committee is recorded in Appendix 2.

Internal Audit Review	Report	Reported to Committee
Travel Perk - Travel Management System	Draft	Appendix 2
Payroll (Service Based Review)- Timesheet generated payments	Final	Appendix 2
S106 - Use of funding within timescales	Final	24 th Nov 2022
Community Equipment Store (Asset Management)	Final	24 th Nov 2022
APF - System Access Controls (TR)	Final	Appendix 2

- Assurance work was carried out and Audit Report Letters despatched to the relevant funding body (e.g. WECA) for 25 grant funded projects / activities to provide independent assurance that B&NES Council had complied with grant expenditure terms and conditions – e.g. eligibility of spend.
- The Internal Audit service was not directly involved in carrying out any investigations into financial irregularities during the financial year 2022/23.
- Anti-Fraud and corruption training / guidance provided to B&NES employees through the September 2022 Anti-Fraud Bulletin.
- The Internal Audit service has continued its role as the Council's Key Co-ordinator for the Cabinet Office National Fraud Initiative (NFI). The NFI is a data matching exercise that helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers. NFI 2022 and matches datasets including: blue badges, Council Tax, Covid19 grants, electoral registration, housing waiting lists, payroll, pensions, and resident parking permits.

- Took a leading role in the annual governance review of the Council enabling the Annual Governance Statement 2021/22 to be compiled and included in the Council's Statement of Accounts.

3.4 2022/23 ASSURANCE RATINGS (Core Planned Audit Reviews)

3.4.1 From the audit reviews completed in the 2022/23 financial year, all but five of the audits completed had an overall audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5'). There were not any significant control issues identified based on internal audit's consultancy, advice, and guidance work provided. An analysis of the 'core' audit reviews carried out and issued as 'Final' Reports in 2022/23 identified that:

- 1) 39% were providing Full or Substantial Assurance – i.e. Excellent (Level 5) or Good (Level 4)
- 2) 33% were providing Reasonable Assurance – i.e. Satisfactory (Level 3)
- 3) 28% were providing Limited Assurance – i.e. Weak (Level 2).

The average Assurance Rating for 2021/22 was calculated at Level 3.2 compared to 3.5 in 2021/22.

3.5 COUNTER FRAUD & CORRUPTION

3.5.1 Work was carried out to update the Council's Counter Fraud Strategy and associated policies (Whistleblowing Policy, Anti-Bribery & Corruption, Anti-Money Laundering Policy and Guidance).

3.5.2A report was presented to the 14th July 2022 meeting of this Committee to present the revised Council Anti-Fraud & Corruption Strategy and related Policies (Whistleblowing, Anti-Money Laundering, Anti Bribery & Corruption).

3.6 UNPLANNED WORK

3.6.1 The Internal Audit team has completed unplanned work during the year which has included:

- 1) A review of income collection procedures at the One Stop Shops based on a reported loss / theft of £1,034 at the Bath office in Manvers Street. The Cash Control Procedures were updated and visits to the three offices confirmed compliance with the new procedures.
- 2) Internal Audit used Spotlight, the government's online automated due-diligence tool, to review a total of 8,924 Council Tax Energy Rebate applicants, and 1,925 Household Support Fund payment recipients. Checks were conducted between July and September 2022 using the bank verification function of Spotlight. It was used to highlight applications that required closer review. In order to assist with the interpretation of the Spotlight output files and ratings, Internal Audit held

initial meetings with the Council Tax and Housing teams and provided ongoing assistance.

Both services concluded that there weren't any fraudulent applications identified.

3.7. CORE INTERNAL AUDIT REVIEWS – POSITION STATEMENT

3.7.1 As stated in the Section 3.4, 27 out of the 34 (80%) of the core planned audit reviews were 'completed'. Of the 7 planned audit reviews not carried out, 5 are included in the Internal Audit Plan for 2023/24 and following discussions with management a decision was taken to re-prioritise the remaining 2 based on a re-assessment of risk and they were not included in the 2023/24 Internal Audit Plan.

3.7.2 Appendix 1 below records the position as at 30th June 2023. To summarise the position:

- 15 Final Audit Reports
- 3 Draft Audit Reports
- 6 Briefing / Position Statement Reports
- 3 Audits still at Work-In Progress (at or near report writing stage)

3.8 IMPLEMENTATION OF RECOMMENDATIONS

3.8.1 During 2022/23, 14 Audit Reports were followed up to verify the implementation of recommendations.

3.8.2 The Follow-Up process requires management to provide their feedback on implementation of recommendations. If the recommendation is linked to 'High' risk weakness, then the Auditor carrying out the Follow-Up will seek evidence of implementation. It is pleasing to report that the findings were good in that recommendations for 9 of the 14 Reports had made significant progress in implementing the agreed recommendations.

3.8.3 There were 5 Audit Reports (summarised in the table below) where it was identified during the 'Follow-Up' work that recommendations had been implemented in part or the planned date of implementation had been revised. Further 'follow-up' work of 4 of the audits were carried out in May and June 2023 and it was pleasing to note that additional progress had been made with implementing agreed actions.

Follow-Up Work identifying delays in implementation of agreed actions

Audit Name	Recommendations Raised				Recommendation Status
	High	Medium	Low	Total	
Avon Pension Fund – Code of Practice 14 Data Protection		5		5	Initial Follow-Up: 1 recommendation implemented. 1 recommendation not implemented and agreed revised implementation date 4 recommendations partially implemented with agreed revised implementation date agreed. An additional follow-up in May 2023 confirmed all recommendations had been implemented.
Avon Pension Fund – Risk Management		2	1	3	Initial Follow-Up: 2 ‘M’ – agreed revised implementation date. 1 ‘L’ - agreed revised implementation date. An additional follow-up in May 2023 confirmed all recommendations had been implemented.
Community Resource Centres / Extra Care Housing	2	8		10	1 ‘H’ & 4 ‘M’ implemented 1 ‘H’ & 4 ‘M’ partially implemented with revised dates
IT Asset Management Laptops	3	3		6	Initial Follow-Up: 1 ‘H’ implemented 1 ‘H’ not implemented 1 ‘H’ revised implementation date 1 ‘M’ NFA 1 ‘M’ revised implementation date 1 ‘M’ implemented An additional follow-up in June 2023 confirmed all recommendations had been implemented.
IT Cyber Incident Response (CIRP)	6	3		9	June 2023 update: Good progress has been made in implementing the recommendations which were a high priority for the CYSOG and a consultant was employed to implement improvements. There were 9 audit recommendations, and it was identified that 6 had been fully implemented, one partially implemented (CIRP presentation to IT Steering Group) and two related to gap analysis (resources skills) and completion of staff training are still to be implemented (revised implementation date Dec 2023).
Total	11	21	1	33	

3.9 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.

It is my opinion that up to the end of March 2023 the Council's internal control framework and systems to manage risk had not altered significantly from the previous year.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.

- There were not any significant reported breaches of Council's policies, including Financial Regulations and Contract Standing Orders.

- Managers throughout the Council were aware of the importance of maintaining adequate and effective governance arrangements.

- Appropriate arrangements were in operation to prevent and detect fraud and audit reviews and investigations did not identify any systemic failures.

- Senior Management - led by the Chief Operating Officer as risk management sponsor – 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.

Flexible / hybrid working continues and this is now an established method of working in B&NES Council. There are advantages in providing internal audit services remotely including saving time and expense to commute to client locations. There are also some disadvantages, for example auditors not being able to observe behaviours and conversations in the workplace which provide a unique insight related to the activity being audited.

It has been agreed that the Internal Audit Plan should be flexible to be able to respond to unplanned events / issues enabling internal resource to be utilised when required to respond. There have been minor amendments to the 2022/23 Plan.

The pandemic, the conflict in Ukraine and the related increase in cost of goods and services continue to place the Council under further financial pressure. The Council has responded effectively and proportionately to the challenge and a robust Internal Audit service continues to be an important component of the Council's governance systems.

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 and undetected fraud. 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, Head of Audit & Assurance (01225 477316)</i>
Background papers	<i>Reports to Corporate Audit Committee 19th May 2022 - Internal Audit Plan - 2022/2023; 24th November 2022 Internal Audit Update Report.</i>
Please contact the report author if you need to access this report in an alternative format	

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
22-001B	Travel Perk - Travel Management System	Draft	2	9	
22-002B	SEND (Input into Education Health Care Plan by DCT)	See below 22-010B			
22-003B	Highway Structures - Risk Management	Final	3	9	9
22-004B	Payroll (Service Based Review)- Timesheet generated payments	Final	2	13	13*
22-005B	S106 - Use of funding within timescales	Final	2	5	5
22-006B	Covid19 - Restrictions - Business Grants	Briefing Report	N/A	N/A	N/A
22-007B	IT - User Education and Awareness	WIP			
22-008B	Transport Projects - Cycle Schemes	Briefing Report	N/A	N/A	N/A
22-009B	Direct Payments (Adults)	NFA			
22-010B	Disabled Children's Team - CYP Direct Payments and Social Care Input into Education Health Care Plans	Briefing Report	N/A	16	*
22-011B	IT - Risk Management	Final	3	5	5
22-012B	Highways - Street Works	Final	4	2	2
22-013B	Main Accounting Systems Interfaces	Draft	4	0	0
22-014B	Covid19 - Covid19 - Adult Social Care Grant Funding Management (Part 2)	Final	4	1	1
22-015B	Heritage – Income Collection & Banking	Final	3	15	15
22-016B	IT - Software Asset Management	WIP			
22-017B	APF - Cyber Security	Briefing Report	4	N/A	N/A
22-018B	Debt Management - Corporate Policy	c/f to 2023/24 Plan			
22-019B	Brokerage Service & Block Contracts - Contract Management	c/f to 2023/24 Plan			
22-020B	Alternative Education Provision	Final	4	5	5
22-021B	IT -Service Level Management – Performance Measures	Briefing Report	N/A	N/A	N/A
22-022B	Community Equipment (Asset Management)	Final	2	6	6
22-023B	Revenue Estate - Asset Utilisation	NFA			
22-024B	Creditor Payments - External Recovery Data Analytics (Meridian), Master Supplier File, Late Payments Liability	Draft - Briefing Report	N/A	5	
22-025B	LADO (Local Authority Designated Officer) - Statutory Responsibilities	Final	5	2	2
22-026B	APF - System Access Controls (TR)	Final	2	10	10
22-027B	Income Management - Collection & Reconciliation of Service Provision Income	WIP			
22-028B	IT - Secure configuration (Servers and Systems)	c/f to 2023/24			
22-029B	Health Safety & Wellbeing - Managing the Risks	Final	3	6	6
22-030B	Ecological Emergency plan/processes	Draft	3	3	
22-031B	Council Tax - Exemptions / Discounts / Disregards	Final	4	2	2
	Business Rates (NNDR) – Exemptions & Discounts	Final	4	1	1
22-032B	APF - Pensions Governance - New Pension Regulations (TR)	c/f to 2023/24 Plan			
22-033B	GLL Contract Management - Governance	c/f to 2023/24 Plan			
22-034B	IT - Change Management	Final	3	6	6