

# Bath & North East Somerset Council

MEETING:	Corporate Audit Committee	
MEETING DATE:	1st November 2023	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report (Planned Work 2023/24)	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
Appendix 1 - Audit Reviews Position Statement (2023/24)		
Appendix 2 – Follow-Up Reviews		

## 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 2023/24 which was presented and approved by the Committee on 15<sup>th</sup> March 2023.

## 2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the 2023/24 Annual Audit Assurance Plan and approves the proposed amendment to the Audit Plan 2023/24.

## 3 THE REPORT

- 3.1 The Annual Internal Audit Plan for 2023/24 was presented to the Corporate Audit Committee on the 15<sup>th</sup> March 2023.

### 3.2 INTERNAL AUDIT WORK UPDATE

#### 3.2.1 Internal Audit Plan – Half Year Review

- 3.2.2 This report summarises the work of the Internal Audit team during 2023/24, this includes planned and unplanned reviews from the 2023/24 audit plan along with carried forward work from 2022/23 and associated work to support the internal control framework.

- 3.2.3 The 2023/24 Internal Audit Plan approved in March 2023 recorded 35 areas to audit and provide assurance to management, the Audit Committee and Council. Appendix 1 records progress to 30<sup>th</sup> September 2023.

3.2.4 Having personnel resource in place to fulfil work plans has been an issue in recent years. We have lost two experienced Audit Managers within the last 19 months and despite going out to recruit we were unable to attract suitable candidates. Our focus has therefore to retain team members. Based on three Auditors gaining experience and /or qualifications we were able to promote them to Senior Auditor positions at the beginning of the financial year. Unfortunately, despite getting promotion, we were still unable to retain one of the three and they left our employment at the end of July. Another Senior Auditor has recently resigned, and they are due to leave the team at the end of November. The good news is that we have appointed two Auditors, one joined us at the start of October and the other will join us in late November.

3.2.5 The reduction of staff resources has been considered during the half yearly review of the Internal Audit Plan. The review process not only takes into account any changes in resources but also changes in the Council's operations, risks and systems of internal control. This review has resulted in a decision to amend the Internal Audit Plan 2023/24 as follows:

1) Postpone three audits to 2024/25:

i) Climate & Ecological Emergency Response - Performance Monitoring / Reporting. This is based on two separate audit reviews being carried out over the previous two financial years. 2021/22 - Climate Emergency – Response {Final Report dated September 2022 – Assurance Level 3 (Reasonable Assurance)}. 2022/23 - Ecological Emergency – Response {Final Report dated July 2023 – Assurance Level 3}. The objective of the 'Performance Monitoring / Reporting' review was to consider implementation of planned actions and the performance of other services such as Planning re the Bio Diversity Net Gains planning condition requirements which was incorporated into the Local Plan.

ii) Corporate Estate - Planned Maintenance. There were two separate audits of planned maintenance based on the separation of Corporate & Commercial Estates. Based on the on-going work of the Business Change Hub team review of maintenance within the Corporate Landlord Model Programme we will rationalise our audit review and we will reduce the allocated time and carry out a single Property Maintenance Audit Review.

iii) Corporate Estate - Energy Management. Based on recent procurement activity with the objective of entering a new contract wef 1st April 2024 it is appropriate to delay our review until 2024/25.

2) Monitor the completion of planned and unplanned audit work, and if necessary, postpone two further audit reviews:

i) Housing Services - Management of Housing Rent & Charges

ii) Payroll (Variations - including mileage & expenses)

These five audit reviews have been highlighted in red in Appendix 1 and Committee is being asked to formally approve an amendment to the Internal Audit Plan 2023/24.

**3.2.6 Audit Reviews in the 2022/23 Internal Audit Plan carry forward into 2023/24 (Audit Reports Published in 2023/24)** - As at the date of reporting to the last Audit Committee (5<sup>th</sup> July 2023), three 2022/23 Audit Reviews were still work in progress or at/or near report writing stage. The work on these reviews has now been fully completed and the Assurance Levels assigned are as recorded below:

Audit Review	Scope / Objective of Review	Assurance Level
IT – User Education & Awareness	1) User awareness and understanding of cyber risks and security procedures are maintained at acceptable levels. 2) Users accept that cyber security policies and procedures are closely aligned to their primary delivery objectives.	2 (Limited)
IT – Software Asset Management	1) software assets support a business need and comply with relevant policies, rules, and legislation. 2) software is used in compliance with the specific vendor license agreements to avoid legal sanctions or financial penalties. 3) comprehensive visibility, optimisation, and proactive monitoring of all software assets across the Council to enable effective IT-related risk identification. 4) software assets are decommissioned securely, with all confidential and sensitive enterprise data removed.	2 (Limited)
Income Management – Collection & Reconciliation	1) income received from ‘Cash Locations’ is processed, banked, and accurately accounted for within the Council’s financial systems in a timely manner.	4 (Substantial)

3.2.7 Two of the audit reviews resulted in Level 2 ‘limited’ assurance ratings being assigned. Further information about agreed actions to improve the internal control environment are recorded below.

3.2.8 IT Software Asset Management actions included:

- 1) Create and implement an ITAM policy incorporating software asset management.
- 2) A completion date for the implementation and optimisation of Service Now as the central inventory for licensed software assets should be adopted.
- 3) Implement a periodic reporting process that highlights key software asset information to management.
- 4) Implement periodic spot-checks of service areas to detect Shadow IT / unauthorised web-based software used.
- 5) The IT service risk register to be updated to include risks and mitigating actions related to Software Asset Management.

It should be noted that management have formally agreed to implement audit recommendations by 1st April 2024

### 3.2.9 IT – User Education & Awareness actions included:

- 1) Update the Security Policy to require users to refresh cyber security training annually. Best practice (10 Steps) is to deliver cyber security training in small, frequent chunks and the Council should consider investing in a training solution that is designed to work in this way.
- 2) Review and update the Information Security Policy and guidance to ensure a consistent message with the cyber security e-learning "Stay Safe Online" re password format to be used.
- 3) Create a security incident reporting policy to direct users to report incidents and guide them to how to report those incidents.
- 4) Periodically update the cyber security training so that users do not see the same e-learning package or video each time they refresh their training.
- 5) Measure user security awareness levels over the medium and long term – use of survey and / or monitor trends, e.g. incident numbers / types.

It should be noted that management have formally agreed to implement audit recommendations by November 2023.

3.2.10 **Internal Audit Plan Work 2023/24** - In relation to the 2023/24 planned work, 6 audit reviews are at report stage and another 11 are 'Work-In Progress'.

3.2.11 All of the 'Assurance Reports' issued, provided an Assurance Rating of Level 3 ('Reasonable Assurance') or above.

3.2.12 In addition to the formal reviews carried out as part of the 2023/24 Audit Plan, other work carried out by the team includes:

**Grant Certification Work** – The bulk of the grant expenditure review and certification is carried out during the month of April. Twenty-nine grant certification reviews had been completed up to the end of September. This generally relates to external funding received from the West of England Combined Authority, some are related to the direct award of grants from government departments.

**National Fraud Initiative (NFI)** - The Internal Audit Team co-ordinate the work required to submit data to the Cabinet Office and the subsequent investigation work and reporting back on findings. The Cabinet Office data matching reports for NFI 2022 were made available at the start of 2023 and have been subject to review by officers in the relevant service areas. An Anti-Fraud and Corruption report / briefing will be provided to this Committee in early 2024.

**Investigations, Whistleblowing & Unplanned Work** – Internal Audit have responded to two reports of 'financial irregularity' requiring advice/ investigation. One reported case of potential misappropriation of assets was referred by the Internal Audit team to the One West Investigations Team. Initial enquiries were

carried out in relation to the second reported case, following these enquiries it was concluded that 'No further Action' was required and the case was closed.

3.2.13 For the first 6 months of 2023/24, there have not been any whistleblowing cases reported to Internal Audit which have highlighted dangerous, illegal or unethical activity by Council Officers or Members that required investigation.

3.2.14 **Follow-Up Reviews** - The Internal Audit team have carried out 7 Audit 'Follow-Up' reviews to ensure sufficient action has been taken to manage the internal control risks identified and reported. The 'Follow-Ups' are recorded in the table at Appendix 2 – a simple RAG rating has been used to indicate Internal Audit's assessment as at the date of the 'Follow-Up' activity.

## **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 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.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Reports to Corporate Audit Committee – 29<sup>th</sup> April 2021 ‘Audit &amp; Assurance Annual Report 2020/21’; 14<sup>th</sup> July 2022 ‘Property Compliance Internal Audit Report 2021 – Update’; 15<sup>th</sup> March 2023 ‘Internal Audit Plan - 2023/2024’.</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 30<sup>th</sup> September 2023)**

**Appendix 1**

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
23-001B	Adult Community Services - Governance - Programme Management	Final	4	4	4
23-002B	Children Services - Implementation of Management Plan	WIP			
23-003B	Workforce - Recruitment & Retention	WIP			
23-004B	WECA Funded Regeneration Schemes - Use of Funding within timescales				
23-005B	Dedicated Schools Grant Safety Valve Agreement - Delivery Plan				
23-006B	City Regions Sustainable Transport - Liveable Neighbourhood Strategy - Outcomes (Value for Money)				
23-007B	Debt Management - Corporate Policy				
23-008B	Home to School Transport - Current and future management & delivery	Final	3	13	8
23-009B	School Theme Review - Schools Financial Value Standard (Maintained Schools)	Final	4	N/A	N/A
23-010B	Planning Enforcement				
23-011B	Financial Accounting - Budget Management (Budget monitoring & implementation of savings / financial mitigations)				
23-012B	Procurement - Modern Slavery - (compliance with legislation & best practice)	WIP			
23-013B	Brokerage Service - Adult Social Care - Scheme of Delegation and Approval of Package of Care / Placements				
23-014B	Care Leavers - Extended Duties (Statutory Responsibilities)	Draft	3	7	
23-015B	Business Change Hub - Programme & Project Management				
23-016B	Procurement - Purchase Card expenditure	WIP			
23-017B	Avon Pension Fund --Pension Investments Reporting	Final	4	4	4
23-018B	Avon Pension Fund - Scheme of Delegation	WIP			
23-019B	Avon Pension Fund - Data Transfer Management				
23-020B	Avon Pension Fund - Digital Strategy				
23-021B	Housing Services - Management of Housing Rent & Charges				
23-022B	Corporate Estate - Energy Management				
23-023B	Deputyship Service	Final	3	10	10
23-024B	GLL Contract Management - Governance	WIP			
23-025B	Treasury Management - Funding and Investment Transactions (Bankline)	WIP			
23-026B	Payroll (Variations - including mileage & expenses)				
23-027B	Climate & Ecological Emergency Response -- Performance Monitoring / Reporting				
23-028B	User Access Management - Starters, Leavers (Council) and Post Changes				
23-029B	Firewalls	WIP			
23-030B	Malware and Ransomware	WIP			
23-031B	IT Services Recovery Management				
23-032B	Corporate Wi-Fi Networks and Smart Devices.	WIP			
23-033B	Property - Corporate & Commercial Estate Planned Reactive Maintenance				
23-034B	Foster Care Placement Payments (Unaccompanied asylum-seeking children)	WIP			
23-035B	Corporate Estate -- Planned Maintenance				

Audit Report	Reported Assurance Level	Summary of Follow-Up findings
<b>21-009 In-Year Budget Management &amp; Forecasting</b>	4 Substantial Assurance	<p>1 Medium Risk recommendation implemented.</p> <p>4 Medium and 1 Low Risk recommendations scheduled to be implemented</p> <p>Management have been asked to monitor implementation of outstanding actions</p>
<b>21-015B Climate Emergency Response</b>	3 Reasonable Assurance	2 of the 3 High Risk recommendations implemented. Further work to do on Climate Change Adaption Strategy
<b>21-031B Cyber Incident Response Plan</b>	2 Limited Assurance	<p>Green - 6 recommendations fully implemented, 1 partially implemented and 2 not implemented.</p> <p>Revised implementation dates were agreed for all 3 outstanding recommendations</p>
<b>21-022B Health Safety Wellbeing – Managing the Risks</b>	2 Limited Assurance	<p>Green – 5 recommendations implemented.</p> <p>1 Partial implementation based on reliance of other Directorates / Services to maintain risk registers</p>
<b>22-031B Business Rates (NNDR) Exemptions &amp; Discounts</b>	4 Substantial Assurance	Green - 1 recommendation implemented in full
<b>22-031B Council Tax Exemptions &amp; Discounts</b>	4 Substantial Assurance	Green - 2 recommendations implemented in full
<b>22-022B Community Equipment</b>	2 Limited Assurance	<p>Green</p> <p>2 High Risk and 2 Medium Risk recommendations implemented.</p> <p>1 Medium Risk partially implemented</p>