

Audit Committee Agenda



Date: Thursday, 29 March 2018

Time: 2.00 pm

Venue: The Writing Room, City Hall

Distribution:

Councillors: Barry Clark, Jos Clark, Olly Mead, Steve Pearce, Liz Radford, Afzal Shah, & Clive Stevens

Independent members: Adebola Adebayo and Simon Cookson

Issued by: Ian Hird, Democratic Services

City Hall, PO Box 3167, Bristol BS3 9FS

Tel: 0117 92 22384

E-mail: democratic.services@bristol.gov.uk

Date: 21 March 2018



Agenda

1. Welcome, apologies and safety information

2.00 pm

SAFETY INFORMATION – PLEASE NOTE:

1. There are no planned fire alarm tests or drills. If the alarm sounds, please exit the room via the main entrance lobby at the front of the building.
2. Please then exit the building via the front ramp and assemble at the fire assembly point, which is on the paved area between the side entrance of the cathedral and the roundabout at the Deanery Road end of the building.
3. Please follow the instructions of the fire wardens and security staff on hand. Please do not return to the building until instructed to do so by fire wardens.

2. Declarations of interest

To note any declarations of interest from councillors. They are asked to indicate the relevant agenda item, the nature of the interest and in particular whether it is a **disclosable pecuniary interest**.

Any declaration of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

3. Minutes of previous meeting

(Pages 4 - 13)

4. Action sheet from previous meeting

(Pages 14 - 15)

5. Public forum

Up to 30 minutes is allowed for this item. Public forum items must be about matters that fall within the remit of the Audit Committee.

Any member of the public or councillor may participate in public forum. Public forum items should be emailed to democratic.services@bristol.gov.uk

Please note that the following deadlines will apply in relation to this meeting:

Questions - Written questions must be submitted by 5.00 pm on Friday 23 March 2018 at latest.

Petitions and statements - Petitions / written statements must be submitted by 12.00 noon on Wednesday 28 March 2018 at latest.



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| 6. Work programme | (Pages 16 - 18) |
| 7. Bundred report and Annual Governance Statement tracker | 2.15 pm
(Pages 19 - 50) |
| 8. BDO's planning report to the Audit Committee 2017-18 | 2.30 pm
(Pages 51 - 73) |
| 9. Internal Audit - draft plan 2018-19 | 2.50 pm
(Pages 74 - 99) |
| 10. Whistleblowing arrangements - annual review | 3.10 pm
(Pages 100 - 104) |
| *** BREAK *** | 3.30 pm |
| 11. Results of peer review of Internal Audit | 3.40 pm
(Pages 105 - 137) |
| 12. Internal Audit activity report - 1 April 2017 - 1 March 2018 | 4.10 pm
(Pages 138 - 169) |
| 13. Update on General Data Protection Regulations (GDPR) readiness | 4.50 pm

(Pages 170 - 173) |



Bristol City Council Minutes of the Audit Committee

25 January 2018 at 2.00 pm



Committee members present:

Councillors: Barry Clark, Jos Clark, Olly Mead, Steve Pearce, Liz Radford, Clive Stevens

Independent members: Adebola Adebayo and Simon Cookson

Officers in attendance:

Denise Murray, Acting Executive Director - Resources

Chris Holme, Interim Director - Finance

Jonathan Idle, Interim Chief Internal Auditor

Alison Mullis & Melanie Henchy-McCarthy, Head of Internal Audit (job share)

Nancy Rollason, Head of Legal Service and Deputy Monitoring Officer

Ian Hird, Democratic Services

Also in attendance:

Greg Rubins, BDO, External Auditor

1. Welcome, apologies and safety information

The Chair welcomed everyone to the meeting and attendees introduced themselves. Apologies were received from Councillor Afzal Shah and Matthew Hepenstal, BDO. The Chair drew attention to the safety information as detailed on the agenda.

2. Committee membership update

Adebola Adebayo and Simon Cookson were welcomed as newly appointed independent members of the committee.

3. Declarations of interest

None.



4. Minutes of previous meeting

RESOLVED:

That the minutes of the meeting of the Audit Committee held on 23 November 2017 be confirmed as a correct record.

Matters arising (for information):

Bundred report and Annual Governance Statement tracker: Councillor Stevens advised that he had held a further meeting with officers to look in detail at business plans linked to budget savings (with reference to Action B23 from the Bundred review).

Action points arising from discussion (at the 21 September 2017 Audit Committee) of the Statement of Accounts for the year ended 31 March 2017: Councillor Stevens confirmed that he had received a briefing note from officers with further detail about how the valuation of the Council's housing stock is carried out. He would be seeking a further meeting with officers to discuss this. Councillor Pearce confirmed that he had received a briefing note with further detail about how valuation decisions on investment properties are made and assessed/kept under review.

Public forum statements from Councillor Eddy and Councillor Hopkins regarding the recruitment of the former Chief Executive: The Chair reminded members that a joint letter on this subject had been sent to BDO (the Council's external auditor) by Councillors Eddy, Hopkins and O'Rourke. Greg Rubins advised that BDO's written response regarding this matter would be sent shortly to the councillors concerned.

Public forum question from Councillor Denyer regarding the Mayor's forward plan and urgent key decisions taken at Cabinet meetings: In discussion, the committee expressed general concern about the number of occasions where, under the constitution's urgency provisions, urgent key decisions had been taken, sometimes at very short notice, at Cabinet meetings. Whilst it was acknowledged that the relevant scrutiny chair was consulted on these occasions, such circumstances did not allow any realistic opportunity for pre-scrutiny of these decisions. There was also a particular concern in relation to urgent key decisions taken about some contract renewals, where the authority must have known the contract renewal dates well in advance and it was difficult to understand why advance notice of these decisions could not have been given in the Mayor's forward plan.

Whilst noting that it was a requirement that a minimum notice period of 28 calendar days should be given in the Mayor's forward plan of all key decisions to be taken at Cabinet meetings, members were also concerned that there was insufficient detail included in the plan about anticipated key decisions beyond the minimum 28 day key decision notice period. In terms of the effective management of the authority, it would be much more satisfactory for the forward plan to give as much information as possible about anticipated key decisions for the next 12 months, and it was surprising that so little information about this was currently available. There were some decisions that are known will be required well in advance and these could be included in the plan without full detail being given at an early stage. The lack of advance



information also seriously inhibited the ability of the Overview and Scrutiny Management Board to identify, at an early stage, those key decisions that would potentially benefit from pre-scrutiny input.

At the conclusion of this discussion, it was agreed that the Chair should write to the Mayor / Mayor's Office expressing the above views on behalf of the committee, also requesting a response back to the committee. The committee also noted that these issues were being looked at as part of Internal Audit's review of the Council's decision making process.

5. Action sheet

The action sheet (tracking actions agreed at the 23 November meeting of the committee) was noted.

Main points raised/noted:

- a. Action point 3: The Internal Audit report on the annual "whistleblowing" review would be submitted to the March meeting of the committee.
- b. Action point 5: The issue of assurance around contract management had been addressed via the training workshop on commissioning and partnership governance held immediately prior to this meeting.
- c. Action point 6: A briefing note had been sent to committee members providing an update on the General Data Protection Regulations project.
- d. Action point 10: The Council's ethical investment policy would be reviewed to coincide with the production of the Treasury Management annual report and would be presented to the committee later this year.

6. Public forum

None received for this meeting.

7. Work programme - latest update - for information

The latest update of the work programme was noted.

In discussion, and further to the recent consultation, it was agreed / noted that the next meeting of the Audit Committee would now be held at 2.00 p.m. on 29 March 2018, i.e. a week later than the original scheduled date of 22 March. The agenda for the 29 March meeting would include the report on the result of the peer review of the Internal Audit service.

8. BDO's 2016-17 grants report

The committee considered BDO's 2016-17 grants report, which summarised the main issues arising from the certification of grant claims and returns for the financial year ended 31 March 2017.



Greg Rubins (BDO) presented the report, highlighting the 3 key findings in relation to

- a. Housing benefit subsidy.
- b. DFT – Metrobus capital grant (no issues had been identified and the return had been certified without qualification or amendment).
- c. Underpayment of teachers’ pension contributions.

Main points raised/clarified/noted in discussion:

Housing benefit subsidy:

- a. Further discussions were taking place between BDO and BCC Corporate Finance – accordingly this return had not been certified but it was anticipated that certification would be concluded within the next week. The further discussions would also address BDO’s fees in relation to this work.
- b. In relation to recommendation 2 (training and coaching of staff), it was noted that training was kept under regular review, recognising that benefits rules were complex, detailed and subject to change. Best practice from other authorities was also carefully examined and taken account of.
- c. Notwithstanding the issues identified and raised in the report, there was an identifiable improved trajectory of service quality over the last 3 years.
- d. Appropriate preparatory work was taking place in relation to the roll-out of Universal Credit (to date this had only been rolled out across a relatively small cohort). Further national guidance was awaited.
- e. It was confirmed that the Council uses the Northgate benefits system and that there is assurance in that Northgate is a reputable, leading provider used by a significant number of authorities.

Teachers’ pension contributions:

- a. The underpayment, whilst involving a relatively small sum of contributions (totalling £646) was nevertheless a matter of concern.
- b. The issue had been brought to the attention of management for investigation of the error and a correcting adjustment had been made.

Taking the above into account, the committee

RESOLVED –

That BDO’s grants report for 2016-17 be noted.

9. Revenue and capital grant register

The committee considered a report of the Interim Director: Finance on the on-going work to produce and maintain a register of all the revenue and capital grants received by the City Council.

The Finance Manager presented the report, highlighting the following:

- a. During 2017-18, the Council would receive approx. £496m of external grant funding, contributing to both revenue and capital funding.



- b. This new grant register was intended to list and collate all revenue and capital grants across the Council's activities, highlighting when deadlines were due to ensure each grant was subject to appropriate monitoring and sign-off, including internal/external audit where necessary, in a timely manner.

Main points raised/clarified/noted in discussion:

- a. The new approach to establishing a single, comprehensive grants register was welcomed.
- b. Work was also being progressed with ICT to ensure that automated email reminders in relation to deadlines etc. were generated through this approach.
- c. It was suggested that officers should keep in mind the potential of this approach developing as a business/marketing opportunity for the Council.

Taking into account the above, it was

RESOLVED –

That the report be noted.

10. Draft code of corporate governance

The committee considered a report of the Interim Chief Internal Auditor setting out a proposed, revised Code of Corporate Governance.

The Interim Chief Internal Auditor presented the report, highlighting the following:

- a. The Code of Corporate Governance was designed to support the leadership of the Council by developing and maintaining robust governance arrangements.
- b. The Code was based upon the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework 2016" which set out 7 core principles as follows:
 - Behaving with integrity
 - Ensuring openness
 - Defining outcomes
 - Determining effective interventions
 - Developing capacity
 - Managing risks and performance
 - Transparency and effective accountability
- c. The Code included details of how Bristol ensures good governance, together with details of how Bristol complies with the above 7 core principles.

Main points raised/clarified/noted in discussion:

- a. It was suggested that any failings in the Council's decision pathway process needed to be seen as risks to compliance with the proposed code. It was therefore critical to ensure that the decision pathway process was robust and effective.
- b. The following points were specifically raised in relation to the governance of Council owned companies:



- Bristol Waste Company Limited (BWC) was established as a Teckal company. A query was raised about whether, in legal terms, it should in effect be treated in the same way as a Council directorate for audit purposes. It was noted that following the recent independent review of the governance of Council owned companies, BWC was being required to establish its own audit committee. Bristol Energy had already established an audit committee.
 - It was noted that the business performance of BWC and Bristol Energy was monitored by the Shareholder group and that, due to interests of commercial confidentiality, this meeting was held in private session and was not a public meeting. Currently, the Chair of the Overview and Scrutiny Management Board was permitted to attend this meeting as an observer, but, due to the commercial sensitivity of the matters discussed, was not permitted to share these matters more widely with scrutiny members. Whilst fully acknowledging the commercial sensitivities, it was suggested that it was perhaps too limiting to maintain a situation whereby only one non-executive Council member was given access to this information. There was a need to find an appropriate balance between maintaining commercial confidentiality and keeping scrutiny members appropriately informed about these matters.
 - It was noted that the Annual Governance Statement required assurance statements from both BWC and Bristol Energy.
- c. In relation to the sub-principle of “Respecting the rule of law” (under principle A – Behaving with integrity), it would be important to ensure that the “whistleblowing” policy continued to provide sufficient protection to officers who report any concerns under this policy.
- d. In relation to the sub-principle of “Sustainable economic, social and environmental benefits” (under principle C – Defining outcomes), it was suggested that in terms of ensuring fair access to services, full account was taken of the access needs of disabled and vulnerable people.
- e. In relation to the sub-principle of “Developing the capability of the entity’s leadership and other individuals” (under principle E – Developing capacity), the importance of identifying and developing talent within the Council’s workforce, and associated succession planning was stressed.
- f. Councillor Stevens drew attention to the following statement included within the “Behaving with integrity” section: “Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated, thereby protecting *the reputation of the organisation.*” He expressed concern that in certain circumstances, this may inhibit or prevent a councillor from speaking about or raising a legitimate issue because disclosure of this might be interpreted as threatening the reputation of the organisation. The Head of Legal Service and Deputy Monitoring Officer advised that this specific point needed to be seen in the context of the revised code of conduct for councillors (which formed part of the revised constitutional changes currently being developed) – this point was more related to how a councillor should behave in raising a point of concern. She would be happy to discuss this point in greater detail with Councillor Stevens outside of the meeting. It was emphasised that the Code of Corporate Governance itself had been developed following CIPFA guidance.

RESOLVED (note: Councillor Radford and Councillor Stevens abstained)

That the revised Code of Corporate Governance be recommended for approval.



(Note: The meeting was adjourned at this point (3.35 p.m.) and reconvened at 3.45 p.m.)

11. Bundred report and Annual Governance Statement tracker

The committee considered a report of the Interim Director: Finance on the progress made to date against the action plan arising from the Bundred review and the 2016-17 Annual Governance Statement (AGS).

The Acting Executive Director: Resources presented the report, highlighting the following:

- a. The report set out the latest position in terms of progress against the action plan.
- b. 55 (65%) of the 85 actions identified from the Bundred review had now been completed and evidenced. The main changes since the previous report (to Audit Committee on 23 November 2017) were:
 - Action B18 - Decision Pathway - changed from Amber status to Red.
 - Action B35 - Learning and Development Programme - changed from Amber status to Green.
 - Action B45 - Development of Target Operating Model - changed from Amber status to Green.
 - Action B49 - Challenge and monitor number of officers at meetings - changed from Amber status to Green.

Main points raised/clarified/noted in discussion:

- a. Action B18 (Decision Pathway): It was noted that the senior leadership team would be meeting within the next week to review the pathway. It was anticipated that a streamlined and more effective decision pathway process would then be brought into place as soon as possible. This would bring further clarity in relation to mapping officer engagement in the development of reports (e.g. for submission to the Cabinet and other member meetings), with clear “checkpoints” in the process to ensure a fully corporate approach.
- b. It was suggested that it would be useful for an Excel version of the report appendices to be sent to committee members.
- c. It was noted that some of the actions from the Bundred review had Amber ratings which may take some time to fully resolve, e.g. where cultural change was required. It was important to maintain active monitoring of these longer term actions to ensure they remained on track. Directorate leadership teams were maintaining an ongoing review of progress against all actions.
- d. Action AGS 7.3: The “noted activity” / “comments on RAG” columns to be updated to reflect the fact that the revised constitution and scheme of delegations had not been submitted to the Full Council meeting in December 2017 but would be submitted for Full Council approval in either March or May 2018.
- e. Action AGS 13.1 (the Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period): It was noted that the next Audit Committee training workshop (to be held immediately prior to the March committee meeting) would be focused on reviewing the effectiveness of the committee, including any further member training needs and requirements.

Taking into account the above, the committee



RESOLVED –

That the progress made to date against the Bundred review and the 2016-17 AGS action plans be noted and acknowledged.

12. Draft terms of reference for the Audit Committee

The committee considered a report of the Interim Chief Internal Auditor on draft, revised terms of reference for the Audit Committee.

The Interim Chief Internal Auditor presented the report, highlighting the following:

- a. The proposed terms of reference, as set out in Appendix A, were designed to enhance the future effectiveness of the Audit Committee.
- b. The revised terms of reference were based upon best practice and the CIPFA guidance on Audit Committees.
- c. The report had been brought to the committee for their discussion and consideration.

Main points raised/clarified/noted in discussion:

- a. The terms of reference would ultimately require Full Council approval later in the year, alongside other proposed constitutional changes. As part of this, the Full Council would be considering whether to establish a new Ethics and Values Committee, which could essentially deal with standards-related functions currently falling within the remit of the Audit Committee. In discussion (whilst noting that ultimately this would be a Full Council decision), some members expressed the view that it may be preferable for standards-related functions to remain within the remit of the Audit Committee. The view was also expressed that it would be beneficial / useful for committee members to review and comment further to the Monitoring Officer as necessary on all the relevant constitutional documents that were currently being developed or under review (e.g. code of conduct for councillors; member/officer protocol). Cllr Stevens agreed to re-circulate the notes of the informal meeting of the committee held during autumn 2017 where constitutional issues had been discussed.
- b. In discussion, there was general support for the revised text of the terms of reference as set out on pages 95-98 of the agenda pack (i.e. the sections that were not related to standards functions). It was agreed however, that the first two paragraphs, concerning the committee's membership, should be merged to read as follows:
"The Audit Committee comprises seven members of the Council and up to two independent members. The independent members are appointed by the committee. The Chair and Vice-Chair of the committee shall be confirmed by the Audit Committee as per committee procedure rules. A minimum of three councillor members of the Audit Committee will be present for the meeting to be deemed quorate."

Noting and taking into account the above, it was

RESOLVED –



That the committee generally supports the revised terms of reference as set out in Appendix A (pages 95-98 of the agenda pack, i.e. reflecting best practice and CIPFA guidance) subject to the amendment set out in b. above.

13. Applications for dispensations

The committee considered a report of the Service Director: Legal and Democratic Services setting out details of dispensations to the elected Mayor and councillors in respect of disclosable pecuniary interests (DPIs) to enable them to participate in discussion and vote on matters in relation to the civic budget and the setting of the council tax at the Full Council budget meeting (such dispensations to be granted for the Full Council budget meeting only).

In discussion, whilst noting that it was the responsibility of each individual councillor to complete their entry in the register of interests, it was suggested that at an appropriate point, the Monitoring Officer should re-issue relevant guidance to members to help ensure a consistency of approach to this by councillors. It was also noted that officers would check the register entries relating to two councillors who appeared not to have declared any DPIs.

Noting and taking account of the above, it was

RESOLVED –

That, in relation to the Full Council budget meeting, dispensations be granted to the Mayor / councillors in respect of their disclosable pecuniary interests.

14. Information item - summary update: complaints about councillors

The committee considered a report of the Service Director: Legal and Democratic Services setting out a summary update of complaints against councillors.

In discussion, the Chair suggested that, on an ongoing basis, it would be useful for the Monitoring Officer to review cases as they occur and identify any wider training issues for councillors more generally that may arise from issues that have been the subject of complaints.

Noting and taking into account the above, it was

RESOLVED –

That the summary update report on complaints about councillors be noted.

15. Exclusion of press and public

RESOLVED –



That under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the next item to be considered on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of schedule 12A to the Act.

16. Minutes of previous meeting - exempt section

RESOLVED –

That the exempt section of the minutes of the meeting of the Audit Committee held on 23 November 2017 be confirmed as a correct record.

Matter arising:

Payroll system: It was noted that there was assurance around the lessons learnt following the Internal Audit review. This had been the subject of a presentation to the Delivery Executive and the Council's response around implementing new procedures and processes has been reflected in the Annual Governance Statement for 2016-17. The commissioning of a new payroll system would be progressed via the Council's decision pathway process, and the OSM Board would therefore be able to consider in due course if this was an area it wished to prioritise in terms of pre-scrutiny input.

Meeting ended at 4.45 p.m.

CHAIR _____



Audit Committee Action Sheet – actions from meeting held on 25 January 2018

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress
1	Matter arising from minutes: Key decisions / Mayor's forward plan	The Chair to write on behalf of the committee to the Mayor / Mayor's office advising the committee's concerns about the number of urgent key decisions being taken at Cabinet without any opportunity for pre-scrutiny; also, concerns about the need to populate the forward plan with as much detail as possible about key decisions to be taken in the next 12 months. A response from the Mayor to be requested.	Nancy Rollason to liaise with the Chair so that a note is sent to the Mayor on the committee's behalf.	Note sent to the Mayor; a response was received on 12 March.
2	BDO's 2016-17 grants report – Housing benefit subsidy	Further discussions to take place between BCC finance and BDO ahead of certification, and to settle fees.	Chris Holme / Tony Whitlock	
3	Revised Code of Corporate Governance	Approved - to be taken forward / implemented.	Jonathan Idle / Shahzia Daya	To be taken to Full Council.
4	Bundred report and Annual Governance Statement tracker	An Excel version of the tracker document to be sent to committee members.	Chris Holme	
5	Bundred report and Annual Governance Statement tracker	Comments against Action AGS 13.1 to be updated to reflect that constitutional changes will be reported to Full Council in March or May 2018	Chris Holme	
6	Draft terms of reference for the Audit Committee	Support given by the committee to terms of reference being revised to take account of best	Shahzia Daya / Nancy Rollason	Being progressed as part of the

Action number	Item/report	Action and deadline	Responsible officer	Action taken / progress
		practice and CIPFA guidance; to be progressed for Full Council approval as part of the constitution review.		constitutional review.
7	Summary update: complaints against councillors	Monitoring Officer to review cases as they occur and identify any wider training issues for councillors more generally that arise from issues that have been the subject of complaints.	Shahzia Daya / Nancy Rollason	To be kept under review on an ongoing basis.

**AUDIT COMMITTEE
DRAFT WORK PROGRAMME 2017/18**

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
23rd June 2017 (AGM)	External Audit: Internal Audit: Finance: Legal:	Confirm Dates and Times of Meeting Update Report Audit Committee Annual Report to Full Council Internal Audit Annual Report Draft Annual Governance Statement Draft Statement of Accounts 2016/17 Member Standards items: Information Items: None	Routine Routine Routine Routine Routine	Steve Gregory External Audit Lead Head of Internal Audit Head of Internal Audit Head of Internal Audit Service Director - Finance	Note: suggested timing re June 2018
20th July 2017 9.30am	Proposed Training: External Audit: Internal Audit: Legal	Improving Audit Committee Effectiveness Workshop Update Report Terms of Reference for Peer Review of Internal Audit Service Internal Audit Update (snapshot report and plan update) External Auditor Appointment Process Update Member Standards items: DBS Check Requirements for Members. Information Items: None	Training Routine Routine Routine Ad hoc Requested	Head of Internal Audit External Audit Lead Head of Internal Audit Head of Internal Audit Head of Internal Audit Legal and Democratic Services	
21st September 2017 2.00pm	Proposed Training: Internal Audit Finance External Audit Corporate Internal Audit Internal Audit Internal Audit Finance Finance Legal Internal Audit	Risk Workshop - The Committee's role and where it needs Assurance Final Annual Governance Statement 2016/17 Final Statement of Accounts 2016/17 ISO 260 Report Bundred Report and Annual Governance Statement Tracker Risk Management Policy Update Corporate Risk Register Update Internal Audit Activity Report Treasury Management Annual Report 2016/17 External Auditor Appointment Process Update DBS Policy Audit Committee Annual Report - Addendum	Training Routine Routine Routine Routine Routine Routine Routine Ad hoc Ad hoc Ad hoc	Internal Audit Service Director: Finance/ Head of Internal Audit Service Director - Finance External Auditor Lead Strategic Director Resources / Service Director Finance Head of Internal Audit Head of Internal Audit Head of Internal Audit Service Director Finance Service Director Finance/ Head of Internal Audit Head of Internal Audit	A Refresh on the Audit Committee's role with regards to Risk Management, and to explore whether greater assurance is required.

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
	Legal	Member Standards items: Information Items: <i>Ombudsman Letter</i>			
23rd November 2017	Planned Training:	Governance Workshop, including the role of Audit (Both Internal & External - What the Committee need in terms of Assurance)	Training	Internal Audit	To explore the Role of the Internal and External Audit Function and the assurance they can give the Committee
2.00pm	External Audit	Annual Audit Letter	Routine	External Audit Lead	
	Internal Audit	Internal Audit Half-Year Activity Report Internal Audit - Half-Year Investigation Update Report including, CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Internal Audit Quality Assurance and Improvement Plan Internal Audit Charter & Strategy Refresh	Routine Routine	Head of Internal Audit Head of Internal Audit	
	Corporate	Bundred Report and Annual Governance Statement Tracker Corporate Risk Register - Update	Routine Routine	Head of Internal Audit Head of Internal Audit Strategic Director Resources / Service Director Finance	
	Finance:	Treasury Management Half Year Report	Routine	Strategic Director Resources / Service Director Finance	
	Legal	Member Standards items: Information Items:		Service Director Finance	
25th January 2018	Proposed Training:	Commissioning and Partnership Governance (What the Committee need in terms of Assurance)	Training	Internal Audit to facilitate, with input from Procurement & Commissioning	To provide the Committee with an understanding of the partnership and commissioning governance within the Council, and the role the Committee play in providing Assurance
2.00pm	External Audit:	Grants Audit Report	Routine	External Audit Lead	
	Internal Audit:	Results of Peer Review of Internal Audit Service (Deferred to March 2018) Code of Governance Update and Re-design (Draft) Draft Revised Terms of Reference for the Audit Committee Progress report on Council's readiness for General Data Protection Regulations	Routine Ad-Hoc Senior Information Risk Owner	Head of Internal Audit Interim Chief Internal Auditor	Results from the Peer Review will not be received within required meeting timeframe.
	SIRO				
	Corporate	Bundred Report and Annual Governance Statement Tracker	Routine	Strategic Director Resources / Service Director Finance	
	Legal	Member Standards items: Budget Dispensations Information Items:	Routine	Service Director: Legal	
29th March 2018	Proposed Training:	1.30pm Audit Committee Effectiveness Workshop	Training	Interim Chief Internal Audit/Head of Internal Audit	To equip the Committee with an understanding of the Accounts and the areas where it requires assurance
2.00pm	Corporate	Bundred Report and Annual Governance Statement Tracker		Strategic Director Resources / Service Director Finance	

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	Officer Providing Report	Comments:
	External Audit	Audit Approach and Planning Letter	Routine	External Audit Lead	
	Internal Audit	Draft Annual Plan 2018/19 Annual Whistleblowing Review Results of Peer Review of Internal Audit Service (Deferred from January 2018) Internal Audit Activity Report	Routine Routine Required Routine	Head of Internal Audit Head of Internal Audit Head of Internal Audit Head of Internal Audit	
	Other	GDPR Update	Routine	Senior Information Risk Owner	
	Legal	Member Standards items: Information Items:			
24th May 2018	Proposed Training:	Statement of Accounts - including Financial Governance and what the Committee needs in terms of Assurance.Value for Money Assurance - What the Committee needs!	Training	Finance/Internal Audit to facilitate	To explore the ways in which the Audit Committee can provide assurance in terms of Value for Money in the Council
2.00pm	External Audit	Update Report	Routine	External Audit Lead	
	Internal Audit	Internal Audit Annual Report for 2017/18 Draft Annual Governance Statement 2017/18 Annual Fraud Update and Policy Review Audit Committee Annual Report to Full Council (Draft)	Routine Routine Routine Routine	Head of Internal Audit Head of Internal Audit Head of Internal Audit Head of Internal Audit	
	Finance	Draft Statement of Accounts 2017/18 Accounting Policies Corporate Risk Register Update	Routine Routine Routine	Service Director - Finance Service Director - Finance	
	Legal	Member Standards items: Local Government Ethical Standards Consultation Response DBS Checks for Councillors - Proposed Policy Information Items:	One Off One Off	Service Manager - Legal Service Manager - Legal	

Audit Committee

29 March 2018



Report of: Acting Executive Director, Resources

Title: Bundred Report and Annual Governance Statement Tracker – February/March 2018

Ward: N/A

Officer Presenting Report: Denise Murray

Contact Telephone Number: 0117 92 22452

Recommendation

The Audit Committee note progress made to date against the Action Plan and consider any issues arising.

Summary

The 2016/17 Annual Governance Statement and Bundred review identified a number of issues that needed to be addressed to ensure continuous improvement in the governance framework, financial and budget management, and the process for managing the achievement of savings .

The improvements identified have been incorporated into a separate Annual Governance Statement Action Plan to be regularly monitored in 2017/18 and progress reported to the Audit Committee.



1. Purpose

- 1.1. To report on progress made to date against the Annual Governance Action Plan arising from the Bundred Review and the 2016/17 Annual Governance Statement.

2. Background

- 2.1 The members of the Audit Committee previously endorsed, in their meeting on 23rd June 2017, that the Committee should receive regular monitoring reports advising of progress against the Annual Governance Statement Action Plan. The last report was presented to Committee in January, and this report sets out the progress made since then.
- 2.2 The progress made to date against the implementation of the agreed actions arising from the Councils response to the Bundred review is summarised below and the high level narrative and detailed schedule is outlined in Appendix A.

Table 1 - Changes in the Implementation of Actions from the Bundred Review

Status	March 2018	January 2018
Green – Completed and Evidenced	58 (68%)	56 (66%)
Amber – In Progress with Evidence	27 (32%)	28 (33%)
Red – Not Started / Started but not Evidenced, date at risk	0 (0%)	1 (1%)
Total	85	85

- 2.3 Since the previous report to the Audit Committee in January 2018, the principal changes in the implementation of the Bundred review have been:

- **B18** – Decision Pathway -- Red to Green
- **B32** – Review of current officer working groups and terms of reference -- Amber to Green
- **B48** - Ensuring that performance objectives for all managers flow from our strategic objectives – Green to Amber
- **B71** – Peer review of the Internal Audit function – Amber to Green

- 2.4 For those actions that are deemed to have remained amber, a number of which are ongoing, the narrative sets out the progress made since the previous report.

- 2.5 The progress made to date against implementation of the actions required from the Annual Governance Statement for 2016/17 is summarised below and the high level narrative and detailed schedule is outlined in Appendix B:

Table 2 - Changes in the Implementation of Actions from the Annual Governance Statement

Status	March 2018	January 2018
Green – Completed and Evidenced	5 (23%)	4 (18%)
Amber – In Progress with Evidence	17 (77%)	18 (82%)
Red – Not Started / Started but not Evidenced, date at risk	0 (0%)	0 (0%)
Total	22	22

2.6 Since the previous report to the Audit Committee in January 2018, the principal change in the implementation of the Annual Governance Statement has been:

- **AGS 6.3** – Improve the timing and advanced planning for procurement and subsequent post award Contract Management -- Amber to Green

3. Proposal

3.1. The Audit Committee considers the progress made to date against the Action Plan and consider any issues arising and raising challenge where appropriate.

4. Other Options Considered – N/A

5. Risk Assessment

5.1. The publication of an Annual Governance Statement is a legal requirement and the processes of implementation, monitoring and reporting of improvement actions arising therefore constitute an important element of the Council's governance arrangements. The actions identified within the response to the Bundred report and the Annual Governance Statement constitutes important measures whereby the Council's overall management of organisational risk can be enhanced.

6. Public Sector Equality Duties

6.1. Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

iii) Foster good relations between persons who share a relevant protected characteristic

and those who do not share it. This involves having due regard, in particular, to the need to –

- tackle prejudice; and
- promote understanding.

6.2 No Equality Impact anticipated from this report.

7. Legal and Resource Implications

Legal – N/A

Financial – N/A

Land – N/A

Personnel – N/A

8. Appendices:

- Appendix A – Bundred Review Actions
- Appendix B – Annual Governance Actions

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

9. Background Papers:

None.

Appendix A – Bundred Review Actions

Bundred Actions by Recommendation		Total Actions	All			% Complete
		Green	Amber	Red		
1	1 - For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight	14	14	0	0	100%
2	2 - Wherever possible, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear	1	1	0	0	100%
3	3 - The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved	7	7	0	0	100%
4	4 - The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice	13	11	2	0	85%
5,6	5 - Members should be less tolerant of poor quality reports than they appear to have been in the past	2	0	2	0	0%
	6 - Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine	6	5	1	0	83%
7	7 - Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed	17	9	8	0	53%
8	8 - The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings	11	6	5	0	55%
9	9 - The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency	4	0	4	0	0%
10	10 - The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority	5	0	5	0	0%
11	11 - This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure	5	5	0	0	100%
12	12 - The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May	5	5	0	0	100%
		85	58	27	0	68%

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B1	A new process has been designed and implemented that issues all budget Managers with 'Directorate Cash Limits'	Denise Murray	Ongoing	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B2	Each savings proposal has been allocated a named Strategic and Service Director lead as accountable officers	Denise Murray	Mar-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B3	A new governance and delivery assurance framework provides a robust framework for tracking and monitoring delivery, and provides early sight of any issues that may arise allowing for early intervention and mitigations - this new governance will be kept under review and adapted to ensure maximum effectiveness	Denise Murray	n/a	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B4	All savings proposals now undergo a formal sign off procedure to ensure that appropriate accountability is clearly and transparently defined and responsibilities are clearly delegated to the appropriate Strategic or Service Director for delivery and tracking	Denise Murray	Mar-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B5	Alignment and combination of the monthly mechanisms for managers and Service/Strategic directors to submit a holistic view of savings delivery from a financial and action focussed perspective	Denise Murray	Mar-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B6	Member oversight as an element to the governance process that now includes a Delivery Executive	Denise Murray	Mar-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B7	An OSMB led review of the Council's arrangements for Scrutiny	Shahzia Daya	May-18	G	Activity complete - no update required

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B8	Updated position in respect of the delivery of savings will be routinely reported as part of the budget monitoring report	Denise Murray	Jun-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B9	A one-off investment fund has been allocated to support savings related change activity across the council	Denise Murray	Feb-17	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B10	Further consultation is expected to be required in respect of some areas of savings proposals and will commence when the General Elections have concluded	Shahzia Daya	Underway & reviewed by PGL 6 monthly	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B11	Where there is a risk to the delivery of savings, mitigation plans will be developed immediately in conjunction with the relevant Portfolio Holder	Denise Murray	Oct'17 - in terms of next steps identified. Other 'evidence based' items already in place	G	Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B12	Directorates will be challenged to explore alternative options for meeting the cost pressures faced within their existing resources or seek supplementary estimate to increase the directorate spending limit	Denise Murray	Ongoing	G	Please see comments above. Activity complete - no update required
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B13	The first budget monitoring report will be reported to Cabinet in June 2017	Denise Murray	Ongoing	G	Activity complete - no update required

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
1	1. For future significant savings programmes, especially any involving projects which embrace more than one Directorate, the Council should ensure stronger governance arrangements and clearer Member oversight (paragraph 45)	B14	Between March 2017 and June 2017, when there is no Cabinet a draft budget monitoring report will be made available to Members as per normal procedure	Denise Murray	Jun-17	G	Activity complete - no update required
2	2. Wherever possible, the Council should ensure that responsibility for the delivery of specific savings initiatives is allocated to Directorates so that ownership of savings programmes and accountability for them is clear (paragraph 66).	B15	Cross cutting projects allocated to specific Strategic and Service directors, who will design and ensure delivery of the saving	Denise Murray	Mar-17	G	Complete - see the comments in B2
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B16	A new business case template has been implemented which covers all development gateway stages and adopts the principles of the HM Treasury Green Book best practice methodology	Denise Murray	Mar-17	G	Activity complete - no update required
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B17	Ensure that the protocols regarding the independent assurance of reports is refreshed and strengthened to make sure that all of the relevant professionals e.g. legal, HR, finance, ICT, Property services are given ample time to comment on reports	Denise Murray	May-17	G	Activity complete - no update required
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B18	Review of the decision pathway, associated protocols and process map to ensure consistent implementation	Shahzia Daya	Feb-18	G	New Decision Pathway launched: http://intranet.bcc.lan/ccm/navigation/policy-and-procedures/decision-making/
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B19	Business Case training for managers when required along with support from a Change Business Partner	Denise Murray	Nov'18	G	Activity complete - no update required

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B20	All officers have access to the new business case template through the source which provides a step by step guide to developing a robust business case at all stages in the project lifecycle	John Walsh	Apr-17	G	Template in place as of Mar'17 please see B16 above
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B21	The Change Business Partners will work alongside service leads and signpost them to the guidance available on The Source as required	John Walsh	Apr-17	G	Activity complete - no update required
3	3. The Council should adopt a more disciplined, centrally driven approach to business cases supporting investment decisions or savings projects. There should be a standard template of what constitutes an acceptable business case and a standard procedure through which the template must be completed and approved (paragraph 65).	B22	The officer responsible for delivering the agreed business case, will be responsible for tracking the assumptions underpinning the business case and, where there is a material change are expected to report this to SLT and their portfolio holder(s) in a timely manner, particularly with respect to benefits realisation	CLB - for each of its Directors	Mar-17	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B23	All reports must include all of the feasible options available to be implemented and be supported by a robust evidence base or business case	CLB - for each of its Directors	Mar-17	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B24	SLT have reinforced the need for reports rather than presentations to be used as the basis of discussions and decisions at all meetings.	CLB	Mar-17	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice	B25	In future each report should have sufficient detail to 'stand- alone', key messages and recommendations must be clear and succinct, supported by appropriate evidence and relevant professional advice; and where necessary, reports must enable councillors to refer easily to relevant policies and previous decisions and discussions	CLB	Mar-17	G	Activity complete - no update required

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice	B26	Each report / business case requires Director & Portfolio holder sign off	CLB	Mar-17	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B27	Officers are currently developing a new development programme for the Bristol Manager framework that will assist managers with the key competency requirements	John Walsh	Mar-18	G	<p>Work to date includes: Change services have provided coaching support for individuals. Improved templates and online guidance Leadership development programme (Bristol Leads) for team managers and team leaders that will include core business skills Planning for leadership development programme for third tier managers that will include core business skills. This won't come onstream until after any restructure of this group which would inform the development programme.</p> <p>In the meantime L&D and Change Service colleagues are planning informal learning events where colleagues can look at good and bad examples and help develop guidance for others; share their own advice; hear from Board members what makes a good report</p>
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice	B28	In addition to formal arrangements for reporting and challenging budget performance, such as Cabinet and Scrutiny, the Council will also develop more informal, but nevertheless robust arrangements for Member briefings on key issues or ward matters	Shahzia Daya, and CLB	Ongoing	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B29	Strategic and Service Directors ensure that sufficient time is provided to enable reports to be fully considered and signed off by all the relevant professionals (Legal, Finance, HR etc.) and in accordance with the protocol prior to submission for inclusion on agendas	CLB	Ongoing	A	The frequency of incomplete papers and late submission for sign-off's have increased. The new pathway has been introduced with clarity on the necessity for early engagement and this will be monitored for effectiveness during quarter 1

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B30	SLT and Service Directors will ensure that the minute taking of meetings and working groups is improved ensuring that a summary of the report and discussion is included along with clear agreements/recommendations and timescales	Shahzia Daya	Oct-17	G	Activity complete - no update required
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B31	New protocols will be issued to emphasise the need to comply with internal storage of documents to facilitate audit trails and transparency	Shahzia Daya	Jun-17	A	The document retention schedule to be reviewed and refreshed as appropriate. This was covered in part by the information security training that has taken place across the organisation. The New Retention schedule will go to the Information Assurance Group before publication. It will then be reviewed every 12 months Modern.Gov records are available for up to five years currently, the documentation retention policy is six years and the retention policy for our public and modern record is being reviewed with our ICT and Data Protection leads.
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B32	As part of the development of the revised working arrangements for the Council, the necessity for all of the current officer working groups will be reviewed, terms of reference will be refreshed / or developed	CLB	Feb-18	G	Please see B18 above for response
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B33	Review of levels of delegation of working groups and Boards, linking back to the constitution, decision pathway and budget and policy framework	Shahzia Daya	Nov-17	G	A review of the Scheme of Delegations in the light of the new Senior Management Structure is underway

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G	Comments on RAG - February 2018
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B34	The schemes of internal officer delegations will also be reviewed at least annually	Shahzia Daya	Oct-17	G	A review of the Scheme of Delegations in the light of the new Senior Management Structure is underway
4	4. The Council should take steps to build on recent improvements in the quality of reporting and document management. Where necessary guidance should be issued, or training provided, to report authors emphasising the importance of clarity, transparency, analysis and advice (paragraph 121).	B35	A learning and development programme will be created that will help support colleagues across the council to have the right skills and tools to enable them to do their job to a high standard	John Walsh	Mar-18	G	As per B27 above. Longer term plans for leadership development programme for third tier managers. In the meantime online support, coaching and informal learning opportunities are in place.
5,6	5. Members should be less tolerant of poor quality reports than they appear to have been in the past (paragraph 120). 6. Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine (paragraph 113).	B36	Members will be supported through the Member Development programme to recognise & challenge when a report is of poor quality	Shahzia Daya	Ongoing	A	Officers, supported by the LGA, are drafting a programme for Members to develop a programme of essential and desirable skills for all members which is to include support in how to constructively challenge. The member development programme will continue to be supported by the LGA and once endorsed will be rolled out in accordance with an agreed implementation plan. Launch date to be agreed 1/2/18
5,6	5. Members should be less tolerant of poor quality reports than they appear to have been in the past (paragraph 120). 6. Where they do not already exist, arrangements should be made for report authors to receive feedback from Member or senior officer discussion of their reports as a matter of routine (paragraph 113).	B37	All Strategic and Service Directors will provide the appropriate support and guidance to ensure that the quality of reports improve	CLB	Ongoing	A	Lunch time clinics are to be offered to all officer report writers as part of the roll out of the new leadership boards and decision pathway in February 2018.
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B38	Strategic and Service Directors will make arrangements to brief Members on major issues e.g. MTFP, corporate strategy, savings proposals and policy changes concerning the Council and, more specifically, about issues and events affecting the Ward areas as appropriate	Shahzia Daya	Mar-17	G	See B40 below

Bundred Review Document Reference							
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	RIA/G	Comments on RAG - February 2018
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B39	Portfolio holders will also facilitate briefings with backbenchers and opposition members to ensure Councillors are fully briefed on key policy decisions as they evolve	Shahzia Daya	Oct-17	G	Activity complete - no update required
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B40	The development of a Protocol On Councillor/Officer Engagement	Shahzia Daya	Jun-17	G	Activity complete - no update required
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B41	Strategic Directors will provide the appropriate support and guidance to ensure these protocols are embedded throughout their Directorates	Shahzia Daya, and CLB	Ongoing	A	Following adoption by full Council of the revised codes and protocols training will be provided through management brief for cascading and placed on the source. Target date May 2018
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B42	Officers will continue to reflect upon the feedback from OSMB and other Members to further enhance the approach adopted to engaging with all Members on the 2017/18 budget issues in the development of key strategic documents	Denise Murray	Ongoing	G	Activity complete - no update required
7	7. Relevant officers should be reminded of their responsibilities to keep backbench and Opposition Members properly informed (paragraph 125).	B43	In developing the Medium Term Financial Plan we will provide comprehensive information on the challenges and options we face and stage a series of early engagement meetings with political groups and scrutiny to listen to the views and seek input into the process	Denise Murray	May to July 2017	G	Complete - as per the above

Bundred Review Document Reference						
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G Comments on RAG - February 2018
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B44	Development of a programme to address the weaknesses identified in this report and issues raised in the staff survey	John Walsh	Oct-17	G A plan of leadership development and improving organisational culture was signed off by SLT on 28 November and the Mayor on 13 December. The corporate induction has launched and received positive feedback, during February the roll-out of the organisational values for all colleagues will commence, followed by the launch of a leadership development programme for 4/5 tier managers in March. This incorporates the feedback of the staff survey, Bundred recommendations and uses the funding allocated by the Mayor for the 17/18 and 18/19 budget. Leadership Development programme sits within the emerging workforce plan. A series of learning and development programmes are being designed, this includes management development support at all levels; creative problem solving; tools and techniques for having better conversations; core business skills inc report writing. In addition career coaching is being offered to those managers who are at risk in the senior management restructure, and for those who are appointed to new roles in the structure will be required to undertake a development centre against the new leadership framework - following which an individual and group development plan will be prepared. Support for the new transitional leadership team is currently being planned

Bundred Review Document Reference						
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G Comments on RAG - February 2018
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B45	Development of a new target operating model that will provide the necessary clarity to ensure the organisation is clear about its priorities, values and behaviours	Denise Murray	Senior management restructure Dec 2018 Values & Behaviours/ Corporate Plan/Business Plans final approval at Full Council Feb 2018	G The Tom is being delivered by the following component parts: Corporate Strategy, Business Plans, MTFP, Workforce Plan etc. New senior management structure is starting to be populated with internal appointments made and external recruitment about to commence. An approach to linking the strategic direction of the organisation with job design and performance management is being designed and this will be consistent with Corporate Plan priorities and resulting service performance measures. Service delivery/business plans will then be developed that align delivery with organisational strategic direction. New set of Values and behaviours is complete and included within the Corporate Plan and leadership
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B46	Clarify and focus on strategic priorities with measurable success factors	Tim Borrett	Apr-18	A In flight - Corporate Strategy approved by Cabinet on 23 January and is set for Full Council on 20 February. Business Planning for 2018/19 has been launched with 23 February deadline for services. These will inform our performance framework and will link us from Corporate Strategy priorities through to individual objectives set throughout April - June by line managers undertaking My Performance reviews. RAG reflects that whilst this is all underway and on-track, the work is not finalised and fully approved.

Bundred Review Document Reference						
No.	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service)	Revised Date (if applicable)	R/A/G Comments on RAG - February 2018
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B47	Develop and pilot a programme to ensure a single culture in BCC	John Walsh	Ongoing	G Draft Organisational values have been through the decision pathway and are part of the Corporate Strategy due for debate at Full Council in Feb. An organisation wide roll-out will commence in January, which will be for all colleagues in the organisation to take part. This will be an opportunity for everyone to connect with the organisation vision and priorities in the Corporate Strategy and the values and behaviours which underpin it. The emerging performance framework will be based on these organisational values and behaviours as part of a wider leadership framework. These will underpin the wider organisational culture work programme (B34) and the emerging corporate narrative (based on the Corporate Plan).
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an C(paragraph 129).	B48	Ensuring that performance objectives for all managers flow from our strategic objectives but equally are a demonstration of commitment to values and behaviours	John Walsh	Apr-18	A A dedicated workstream under the Workforce plan is looking at our performance management framework which will link to the business planning process. It aims to review the council's approach to performance management to drive a high performance culture where people feel valued. The key activities include survey BCC employees and holding focus groups, research private/ public sector approach to PM, Systems and Culture, explore statutory obligation for PM. The work will be linked with the emerging organisational values and leadership framework which sets out our expectations of our colleagues and will introduce a 360 feedback framework. Resources DLT considered an options report in December which approved the extension of the current My Performance system for one year whilst the new framework is developed and the new HR and Payroll system is procured.

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8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B50	The Chief Executive to visit a range of workplaces to listen and talk with colleagues, providing an opportunity for them to share work priorities and challenges	CLB	Completed	G	Activity complete - no update required
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B51	Creation of space for working collaboratively and transparently on cross-cutting issues	Bill Edrich	Sep-17	G	Activity complete - no update required
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B52	Develop a single shared view amongst colleagues of our strategic priorities and our progress against them	Tim Borrett	Apr-18	A	See B46 above. Strategic priorities set out in Corporate Strategy following extensive colleague engagement. This will be rolled out extensively alongside leadership development and values/culture work, and individual objectives linked to the CS priorities will be set in April-June.

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8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B54	A learning and development programme will be created for The Bristol Manager	John Walsh	Oct-17	G	
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B55	Actively seek opportunities to recognise and celebrate success	John Walsh and CLB	Ongoing	A	Recognition of success and our learning is an integral part of the communication strategy that supports the organisational culture work programme. Its important that colleagues can see the values reflected in their own and peers' work. Good news and shared learning is shared with colleagues on Source. A proposal on a more formal recognition of success can be expected
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B56	A fund to be allocated to support the work on culture development and invest in colleagues learning and development	John Walsh	Ongoing	G	Activity complete - no update required

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8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B58	Participation in the Housing Delivery and HRA Peer Challenge	Alison Comley	TBC	A
8	8. The incoming chief executive should be invited to consider and report on the steps needed to improve the management culture within the Council, recognising that any necessary changes will take three to five years to embed. There should be an emphasis on greater openness, professionalism, delegation, mutual respect and better internal communication, but with fewer large and lengthy meetings (paragraph 129).	B59	Participation in the Children's Social Care Peer Challenge	Jacqui Jensen	TBC	A There has been a Joint Targeted Area Inspection around neglect which has provided a slice through the Childrens system and we have participated in a LGA SEND peer review. We have received the Dfsted formal 'Annual Conversation', the statutory element of the Inspection Framework and are actively preparing for an Inspection of Local Authority Childrens Services (ILACS). The LGA have funded a deep dive into our Early Help services which will support the Overview and Scrutiny task and finish work. The LGA have also funded an ongoing review of Childrens data and performance, and an independent financial review which informed the savings schedule for the next 5 years and the whole system transformation programme 'Strengthening Families'. The programme board will continue to operate in an open and transparent way with accurate minutes and actions and is chaired by an LGA independent advisor, which the LGA have funded for the duration of the programme.

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9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance	B61	Finance functions are being restructured to implement a more robust business partnering delivery model	Chris Holme	Ongoing	G Activity complete - no update required
9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned	B62	The finance function will improve the efficiency of transactional processes which will bring insight, intelligence and support complex propositions	Chris Holme	Ongoing	G Activity complete - no update required

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9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B64	Monitoring and proactively managing non-compliance	Chris Holme	Ongoing	A	We have reports to show where Budget managers are and are not completing spend forecasts and initial (rather than retrospective) purchase order compliance. A review of debt management is underway that will require an element of cultural change within the organisation Substantial progress has been made in ensuring compliance with budgetary control and other key financial processes, but there is still much to be done in terms of self serve. We have reports to show where Budget managers are and are not completing spend forecasts and purchase order compliance, but a formal process still needs to be implemented via DLTs and SLT to ensure measurable improvements in compliance rates.
9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned as a matter of urgency (paragraph 130).	B65	Transformation of the Finance function. It will be necessary to take an end-to-end approach and combine top down and bottom up initiatives	Chris Holme	Ongoing	A	A Procurement Card review is ongoing with a view to Finance Transformation Programme is inflight and progressing. There are a number of project and ongoing workstreams that will deliver continuous improvement and efficiencies

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9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned	B67	Continued implementation of the Improvement Plan which will be updated to take into account the recommendations of the Bundred Report	Chris Holme	Ongoing	A	Financial Regs and Procurement Rule refresh will be presented with update of Constitution. Capital Strategy to be developed in line with updated Prudential Code and Period 4 monitoring report to include review of capital programme and updated programme implications of digital strategy
9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned	B68	DUPLICATION of above B66 - A more robust approach to providing assurance through the Annual Governance Statement	Chris Holme	Oct-17	G	Item duplicated with B66 above
9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned	B69	The Resources Directorate are piloting a new delivery model in accordance with the approved policy framework to test internal shared service arrangements in the first instance, which also responds to the advice from the external review of finance	Chris Holme	Ongoing	A	Finance Transformation Programme is in flight and progressing. The final model will reflect the agreed operating model for the Council and wider business needs of services. This is now scheduled for completion by June 18. Outline draft structure progressed and planned for consultation during April

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9	9. The Council should take further steps to improve the quality of its Finance function, modernise its role and enhance its status. Response: Finance functions are being restructured to implement a more robust business partnering delivery model. This will enable finance to be at the heart of the organisation and influence business decision. The finance function will improve the efficiency of transactional processes Relevant outstanding recommendations of the review commissioned in December 2015 should be actioned	B71	Peer review of the Internal Audit function has been commissioned which will also embed Key Audit deliverables in Service BAU	Chris Holme	Mar-18	G	Draft Peer Review report received mid January 2018. Meeting at Sheffield Council Feb 1st to discuss the draft. Outcome will be reported to Audit Committee March 2018.
10	10. The previous recommendation that the Council should "Develop a Competency Framework and agree the way forward re Assessment and Development centres" in relation to its Finance staff is overdue and should be given priority (paragraph 134).	B72	Appointment of a permanent structure based on CIPFA principles	Chris Holme	Apr-18	A	on schedule as per B69 above
		B73	Utilise an assessment centre based on those which have been developed and used in other authorities	Chris Holme	TBC	A	on schedule as per B69 above
		B74	The finance function needs to create the conditions that enable it to be agile, adaptable, and accountable and to learn from success as well as failure so that responding quickly to change is second nature, constantly striving for the best possible services and outcomes	Chris Holme	Apr-18	A	on schedule as per B69 above
		B75	A transitional structure will be implemented	Chris Holme	Ongoing	A	Transitional structure was implemented

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11	11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B76	Business Partners and the new internal shared service will lead the Business Support function, ensuring the smooth, seamless coordination and execution of the finance service provider function, including project delivery	Chris Holme	Apr-18	A	The function is moving towards a model which facilitates a more agile, skills based matrix approach. Fully embedding the line management principles identified will however require the implementation of the new permanent structure. This will be one aspect of B80 L&D on which activity has commenced. Restructure of finance due to go out to consultation in the coming weeks and skills based assessments will form part of the recruitment process for senior roles. A restructure is planned for the function with tiers which are conducive to career progression. Support will be commissioned from internal L&D and CIPFA to develop a competency framework that aligns to the revised role profiles. Work has commenced with the initial focus on workforce resourcing: ensuring that we have the right level of resource with the right skills, and a planned pipeline for the future. Additional interim resource has been recruited to provide capacity and complement / enhance existing skills and work has commenced on introduction of a revised L&D programme which will provide supported Professional training and provide clarity on the expectation from our employees in return. A pipeline of trainee's / apprentices is also being considered.
11	11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B77	Interim and final Finance structures will incorporate a mentoring and larger trainee scheme to enable BCC to "grow its own"	Chris Holme	Ongoing	A	
11	11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B78	Appointment of Business Partner roles on a skills based assessment	Chris Holme	Apr-18	A	
11	11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B79	A competency framework will be implemented which outline the set of competencies needed to perform each of the roles effectively and career progression pathway	Chris Holme	Apr-18	A	
11	11. This should be actioned alongside a review of the role and requirements of Business Partners as part of the current review of the Finance Directorate structure (paragraph 134).	B80	The organisation is in the process of building the learning & development programme	Chris Holme	Apr-18	A	
12	12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B81	Members and scrutiny receive regular, detailed budget reports that provide information on progress, variance against plans and corrective action already underway or planned	Chris Holme	Ongoing	G	Activity complete - no update required

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12	12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B82	Clear links between the Council's capital programme and its service and revenue budget planning processes, both of which take account of the MTFP	Chris Holme	Oct-17	G	Activity complete - no update required
12	12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B83	Finalise the guidance for the new monthly monitoring process and embed these processes for 2017/2018	Chris Holme	Mar-17	G	Activity complete - no update required
12	12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B84	Publish the 2017/2018 budget monitoring timetable that reflects the 6 weekly cabinet cycle	Chris Holme	Apr-17	G	Activity complete - no update required
12	12. The more timely reporting of budget monitoring information that has now been introduced should continue into the future. If the Council opts to return to quarterly budget monitoring and the first quarter report cannot be considered in July, there should be routine reporting in June or July of the position as at the end of May (paragraph 118).	B85	Capital reporting to be automated and reflect multiple year programme direct from the Finance System	Chris Holme	May-17	G	Activity complete - no update required

Appendix B – Annual Governance Statement Actions

Annual Governance Statement Actions by Recommendation		Total Actions	All			% Complete
		Green	Amber	Red		
2	Internal Audit introduce more rigorous tracking of Internal Audit recommendations, incorporating more regular provision of Monitoring Information to Strategic and Service Directors.	1	1	0	0	100%
3	Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	3	1	2	0	33%
4	Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	2	0	2	0	0%
5	Capital governance to be reviewed and project management / profiling and monitoring strengthened to ensure the Council achieves its investment aspiration and does not unnecessarily lock revenue	1	0	1	0	0%
6	Improve the timing and advanced planning for procurement and subsequent post award Contract Management	3	1	2	0	33%
7	The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	3	1	2	0	33%
8	Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	2	0	2	0	0%
9	An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	1	0	1	0	0%
10	Risk Management processes need further embedding to provide forward looking views of risk which anticipate risk rather than retrospective reporting of how already known risks are managed	2	0	2	0	0%
11	The Member Development Programme be reviewed and approved.	1	0	1	0	0%
12	The Protocol for Member /Officer Relations be updated and approved.	1	0	1	0	0%
13	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	1	0	1	0	0%
14	Audit report relating to the control and treatment of Council assets identifying lessons learnt from assets disposal be concluded.	1	1	0	0	100%
		22	5	17	0	23%

Ref	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date	R/A/G	Comments on RAG - February 2018
1	The responses to the Bundred report agreed at Cabinet will be regularly monitored in 2017/18 in line with the AGS action plan.	AGS 1.1	See Actions 1-12 above	CLB		N/A	See supplementary schedule
2	Internal Audit introduce more rigorous tracking of Internal Audit recommendations, incorporating more regular provision of Monitoring Information to Strategic and Service Directors.	AGS 2.1	More rigorous monitoring of the implementation of Internal Audit recommendations is scheduled for 2017/18 accompanied by the enhancing of communication and escalation to Strategic Directors and Service Directors, who will then be held to account for their performance by the Chief Executive and Members.	Denise Murray	n/a	G	Actions as previously set out in January 2018 remain relevant.
3	Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.1	Developing a wider strategic approach to delivering the Mayor's vision and strategic priorities including : 20-50yr City wide plan, the Economic Growth Strategy, Refreshed Corporate Strategy, Target Operating Model (TOM), Medium Term Financial Plan (MTFP), Business plans, Performance management framework, Workforce plan, the employee offer, experience and development, Transformation plans, Communication and employee engagement plan and Values and behaviours framework	CLB	Ongoing	A	The overarching action outlines the golden thread from vision to individual performance which is invariably the TOM (see below). The Economic Strategy is one of the key documents in the strategic framework that provides the golden thread from the Mayor's vision to baseline individual delivery. Resources have been commissioned to support its development and early scoping work has ensued. This is a significant piece of work and remains on track for delivery within this financial year.
3	Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.2	Target Operating Model components to be finalised and approved.	Denise Murray	Apr-18	A	Development work complete and shared with the Mayor (as per Bundred B45). The Tom is being delivered by the following component parts: Corporate Strategy, Business Plans, MTFP, Workforce Plan etc. This item can be closed once Corporate Strategy and Workforce Plan are approved alongside the Leadership Framework and completion of the senior management restructure.
3	Develop a wider strategic approach to delivering the Mayor's vision and strategic priorities.	AGS 3.3	Medium Term Financial Plan to be finalised and approved.	Denise Murray	n/a	G	Activity complete - no update required

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4	Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	AGS 4.1	Our employees are supported by a comprehensive individual performance management process, with objectives that link to the Council's overarching principles and priorities outlined in the TOM. (see 3 above)	CLB	Jun-18	A	A change of strategic direction means a single organisational TOM is not being produced but our principles and priorities are outlined in our draft Corporate Strategy, approved by Cabinet on 23 January and set for Full Council adoption on 20 February. Between January and April 2018 these high level priorities and measures will inform Business Planning with managers against the Corporate Strategy themes, which will include more detailed performance measures. These will go on to inform team-level plans and individual objectives, which managers should be in a position to set between April – June 2018.
4	Performance objectives to be linked to the Council's overarching principles and priorities outlined in the TOM.	AGS 4.2	Where the management of employee performance management is not as per the Council's target completion rates, remedial action plans be implemented.	Denise Murray	Ongoing	A	A dedicated work stream under emerging Workforce plan is looking at our performance management framework which will link to the business planning process. The work will be linked with the emerging organisational values and leadership framework which sets out our expectations of our colleagues and will introduce a 360 feedback framework. Resources DLT considered an options report in December which approved the extension of the current My Performance system for one year whilst the new framework is developed and the new HR and Payroll system is procured, work group will consider our future approach to performance management including moving away from traditional scoring system. A re-launch of current system and reminders to complete reporting will be launched in 18/19 to improve reporting rates (1/2/18)
5	Capital governance to be reviewed and project management / profiling and monitoring strengthened to ensure the Council achieves its investment aspiration and does not unnecessarily lock revenue	AGS 5.1	Capital governance to be reviewed and project management / profiling and monitoring strengthened to ensure the Council achieves its investment aspiration and does not unnecessarily lock revenue	Denise Murray	Ongoing	A	Terms of reference are being prepared for a new approach which merges the Property and Capital Boards into a single Investment Working Group with a governance approach which will reflect that adopted for revenue and strengthen project management support.

Ref	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date	R/A/G	Comments on RAG - February 2018
6	Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.1	A Commissioning and Procurement Group has been established to consider all procurement requests including requests for waivers. The Council must instigate robust Council-wide contract monitoring governance and guidelines in order to ensure best practice for all procurement activities, value for money is achieved and poor contract management arrangements are quickly identified. Internal Audit to continue to undertake assurance reviews of the effectiveness of Procurement and Contract Management arrangements which support the Council in achieving value for money and delivering on corporate objectives	Denise Murray	Ongoing	A	The Commissioning and Procurement Group (CPG) was established and operates a gateway approach in considering all procurement requests including requests for waivers, officers are now clear on the approach and gateways, which has invariably resulted in greater transparency on the number of commissioned activity that was previously not subject to a compliant contract or services with contracts due to expire. The approach to waivers has been strengthened in the refreshed Contract Procurement Regulations due to be presented to Cabinet in February 2018. A discussion document was prepared for SLT, to discuss the future approach to procurement and CPG. A Category Management strategic approach is being adopted within the procurement function which aims to organise procurement resources to focus on specific areas of spend and improved contract management. This enables category managers to focus their time and conduct in depth market analysis to fully leverage their procurement decisions on behalf of the whole organisation. In relation to CPG - SLT recommendations are being discussed with the relevant Cabinet Member.
6	Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.2	Contract Monitoring governance and guidelines to be reviewed and disseminated throughout the Council.	Denise Murray	n/a	A	Please see the response above
6	Improve the timing and advanced planning for procurement and subsequent post award Contract Management	AGS 6.3	Internal Audit to complete assurance reviews of the effectiveness of procurement and contract management arrangements.	Denise Murray	n/a	G	Several investigations and audits have now been completed in relation to procurement and contract management arrangements. As advised at the Audit Committee training session on 25.01.18, several other reviews will be completed in this area will be completed by the end of the financial year.
7	The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.1	The review of both the Decision Pathways and internal working groups to be completed with specific reference to the complexity of existing decision making.	Shahzia Daya	Ongoing	A	Reviews of internal working groups have been undertaken and meetings / attendee's streamlined as appropriate. An officer draft rolling 12 month forward view of possible Key decisions and Officer executive decisions has been developed for planning purposes. The decision pathway itself still remains WIP and on the basis that 2 of the 3 planned tasks have been completed this RAG is Amber.

Ref	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date	R/A/G	Comments on RAG - February 2018
7	The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.2	Briefing sessions provided on the Constitution and the Scheme of Delegation for all managers.	Denise Murray	n/a	G	Activity complete - no update required
7	The number of decision documents and processes need to be simplified bringing together the Mayor and Cabinet's decision making and internal working groups	AGS 7.3	The Constitution, Scheme of Delegation and Financial Regulations be submitted to full Council for full approval.	Shahzia Daya	Nov-17	A	The Constitution, Scheme of Delegation and Financial Regulations have been reviewed with a number of changes proposed, not all of which were supported. In light of this the documents have been further refined for endorsement by the Mayor and Cabinet and submission to full Council for approval no later than May 2018.
8	Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	AGS 8.1	Partnership agreements to be reviewed to improve governance and provide guidelines in order to ensure best practice, value for money and minimise the risk to which the Council is exposed. The Work Plan of BDO (External Audit) includes review of both the Council's partnership arrangements and its interest in companies. The findings will be reported to the Audit Committee.	Denise Murray	Ongoing	A	Partnership / Contract life cycle management requires efficient management from contract creation, execution, governance and analysis for maximising operational and financial performance and minimising risk arrangements for service delivery. We need to ensure that the arrangements continue to be satisfactory to all parties to the agreement, and the expected business benefits and value for money are being realised. Work is underway within the Council to improve process (see point 8 below) and major partnerships agreements e.g. PFI under review. A fundamental requirement is that the Council fully understands the obligations of all parties under the contract; following which an assessment can be made as to whether value for money is being achieved and a professional and objective discussion over changes and issues arising can be had. This will remain an ongoing work stream to which the management response to the governance review of companies will inform.

Ref	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date	R/A/G	Comments on RAG - February 2018
8	Partnership Agreements be reviewed and to provide guidelines on best practice, value for money and minimising the risk to which the Council is exposed.	AGS 8.2	External Audit reporting of both the Council's partnership arrangements and its interest in companies be reported to the Audit Committee	Denise Murray	Ongoing	A	The Governance Report has been reviewed and an Action Plan drawn up responding to each issue that the report draws attention to. This will be agreed with the Shareholder Group on the 8 th of Feb 2018. The Governance documents dealing with the Shareholders relationship to the companies have been revised and updated and will be issued as a pack by 9 Feb, following another round of consultation which finishes on the 3 rd February. The Council representation on the Company Boards is being reviewed at the Shareholder Group on the 8 th February.
9	An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	AGS 9.1	An information security risk assessment has been completed to identify risks, lessons learnt and Action Plan developed. This will inform the Internal Audit plan for 2017/18	Shahzia Daya	Ongoing	A	The PSN certificate has now been awarded and having resolved the outstanding issues, we are accredited as an authority Compliance is an ongoing activity whereby we address items arising from regular health checks and our annual compliance check. Action plans are available and under continuous review.
10	Risk Management processes need further embedding to provide forward looking views of risk which anticipate risk rather than retrospective reporting of how already known risks are managed	AGS 10.1	The Risk Management Policy be reviewed and approved. Internal Audit will review Risk Management arrangements and recommend improvements to arrangements.	Denise Murray	Ongoing	A	Actions as previously set out in January 2018 remain relevant.
10	Risk Management processes need further embedding to provide forward looking views of risk which anticipate risk rather than retrospective reporting of how already known risks are managed	AGS 10.2	The Corporate Risk Register be reviewed, refreshed and approved.	Denise Murray	Ongoing	A	Actions as set out in January 2018 remain relevant. The next update is due at Audit Committee in March 2018.
11	The Member Development Programme be reviewed and approved.	AGS 11.1	The Members Development Programme is currently being reviewed and formulated. Training sessions and financial briefings to be provided to members	Shahzia Daya	Ongoing	A	Officers, supported by the LGA, are drafting a programme for Members to develop a programme of essential and desirable skills for all members which is to include support in how to constructively challenge. The member development programme will continue to be supported by the LGA and once endorsed will be rolled out in accordance with an agreed implementation plan. Launch date to be agreed 1/2/18

Ref	Recommendation	Activity Ref	Noted Activity	Responsible Owner (SLT member, Service Director)	Revised Date	R/A/G	Comments on RAG - February 2018
12	The Protocol for Member /Officer Relations be updated and approved.	AGS 12.1	The Protocol will be reviewed and updated as part of the Constitution review and will be presented to Full Council November 2017	Shahzia Daya	Ongoing	A	The member Protocol will be specifically reviewed and updated as part of the Constitution review, which will be presented to Full Council for approval no later than May 2018
13	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	AGS 13.1	The Audit Committee should formally review its effectiveness annually in year and prioritise any improvements for the subsequent reporting period.	Denise Murray	Ongoing	A	2016/17 Self assessment carried out and reported to full council, the improvements noted will be implemented in year and this process will continue for 2017/18 and feedback will be sought from the Chair of the Committee re; its effectiveness.
14	Audit report relating to the control and treatment of Council assets identifying lessons learnt from assets disposal be concluded.	AGS 14.1	Audit report to be concluded to identify lessons learnt from asset disposal.	Denise Murray	n/a	G	Actions as previously set out in January 2018 remain relevant.

Audit Committee

29^h March 2018



Report of: BDO LLP

Title: BDO's Planning Report to the Audit Committee 2017/18

Ward: City Wide

Officer Presenting Report: BDO LLP

Contact Telephone Number:

Recommendation

The Audit Committee note, and comment as appropriate, on BDO's Annual Audit Plan for 2017/18

Summary

Attached to this report is the BDO Audit Plan 2017/18 which sets out the work they will carry out in discharging their responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's value for money. This plan sets out BDO's responsibilities under the Code of Audit Practice. The plan includes an outline of the key issues relevant to the audit of the financial statements and an initial assessment of the key risks.



Policy

None affected by this report. BDO are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements, namely the Local Audit and Accountability Act 2014.

Consultation

- 1. Internal**
Director of Finance
- 2. External**
None

Other Options Considered

- 3. None**

Risk Assessment

- 4. None necessary for this report**

Public Sector Equality Duties

- 5. None necessary for this report**

Legal and Resource Implications

Legal

None arising from this report

Financial

(a) Revenue

None arising from this report

(b) Capital

None arising from this report

Land

Not Applicable

Personnel

Not Applicable

Appendices:

BDO's Audit Plan for 2017/18.

Background Papers:

None



BRISTOL CITY COUNCIL

PLANNING REPORT TO THE AUDIT COMMITTEE
Audit for the year ending 31 March 2018

Date of issue: 20 March 2018

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INTRODUCTION

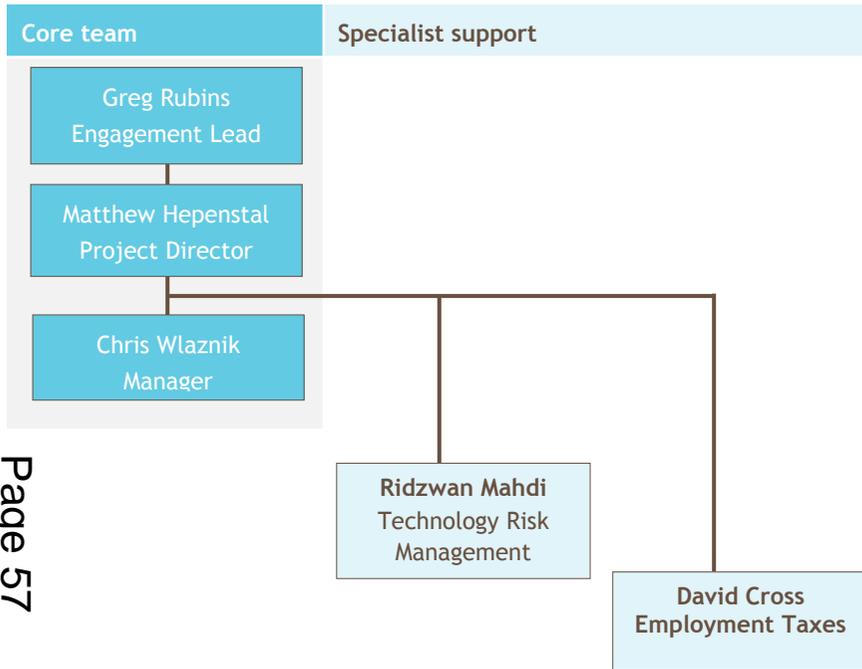
PURPOSE AND USE OF OUR REPORT

The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements and use of resources of the Council for the year ending 31 March 2018. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process.

Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Bristol City Council Audit Committee. In preparing this report, we do not accept or assume responsibility for any other purpose, or to any other person to whom it is shown or into whose hands it may come, except when expressly agreed by our prior written consent. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Greg Rubins Engagement Lead	Tel: 0238 088 1892 Greg.rubins@bdo.co.uk	Oversee the audit and sign the audit report
Matthew Hepenstal Project Director	Tel: 023 8088 1888 matthew.x.hepenstal@bdo.co.uk	Overall management of the audit and delivery of the use of resources work
Chris Wlaznik Manager	Tel: 0117 930 6728 Chris.wlaznik@bdo.co.uk	Day to day management and supervision of the audit of the financial statements
Ridzwan Mahdi Technology Risk Manager	Tel: 0758 318 9359 ridzwan.mahdi@bdo.co.uk	Manage IT review for audit purposes
David Cross Tax Manager	Tel: 0117 930 1517 David.cross@bdo.co.uk	Follow up of previous tax work performed

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Greg Rubins is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

- the financial statements are free from material misstatement, whether due to fraud or error
- the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Greg Rubins is responsible for the overall quality of the engagement.

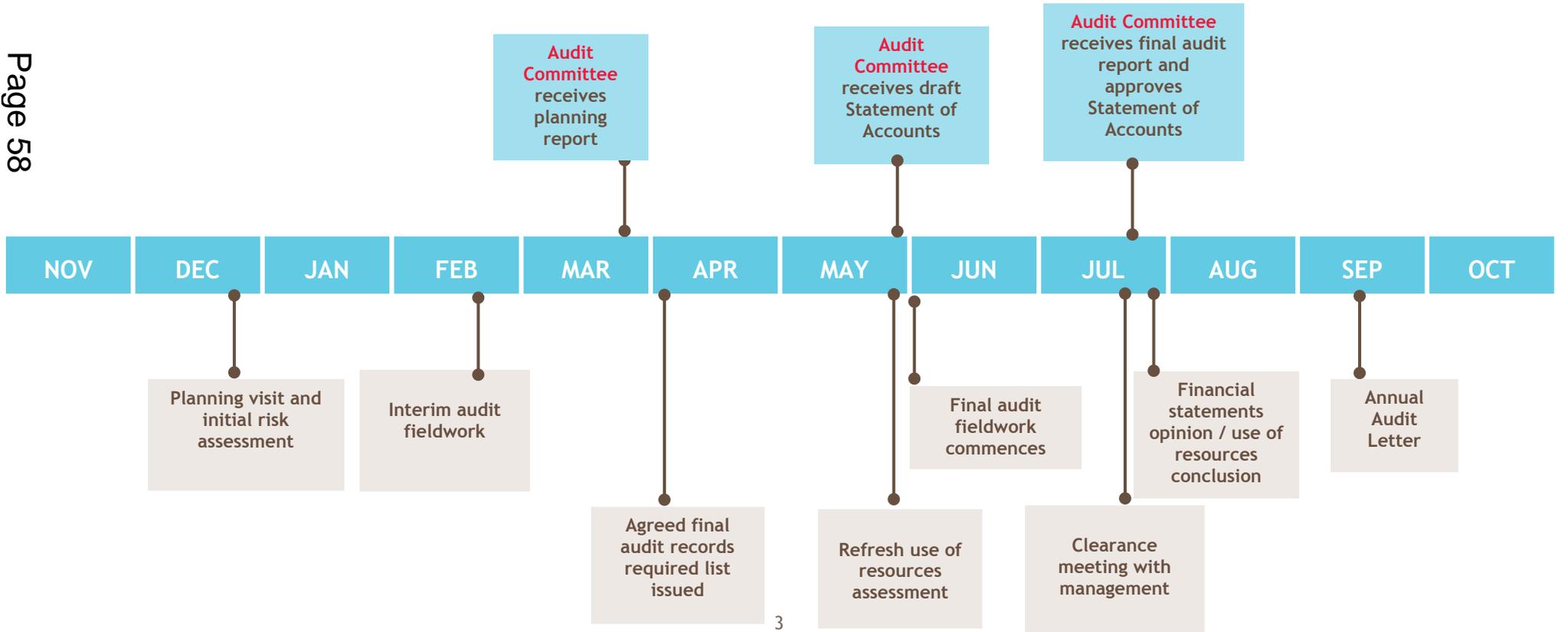
ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.

← COMMUNICATIONS →

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AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the NAO Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO.

To form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
<p>1 The financial statements give a true and fair view of the financial position of the authority and its expenditure and income for the period in question.</p>	<p>2 The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.</p>	<p>3 Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).</p>	<p>4 The return required to facilitate the preparation of WGA consolidated accounts is consistent with the audited financial statements.</p>	<p>5 The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>

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ADDITIONAL POWERS AND DUTIES

<p>6 To consider the issue of a report in the public interest. To make a written recommendation to the authority.</p>	<p>7 To allow electors to raise questions about the accounts and consider objections. To apply to the court for a declaration that an item of account is contrary to law. To consider whether to issue an advisory notice or to make an application for judicial review.</p>
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MATERIALITY

	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Bristol City Council	£18 million	£360,000

Please see Appendix I for detailed definitions of materiality and triviality.

Materiality for the Council has been based on 1.75% of actual gross expenditure in 2016/17 of £1,026.7 million.

This will be reconsidered when the draft financial statements for the full year are received for audit.

The clearly trivial amount is based on 2% of the materiality level.

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the Council's financial statements and use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the Council and the specific risks it faces. We have discussed with management their views of potential audit risk during our planning visit in order to gain an understanding of the Council's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

Risks and planned audit responses

For the financial statements audit, under International Standard on Auditing 315 "Identifying and assessing the risks of material misstatement through understanding the entity and its environment", we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk and consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties

- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Information from regulators identifying poor service performance.

We consider the relevance of these risks to the Council in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will consider these reports as part of our audit planning and consider whether we are able to place any reliance on internal audit work as evidence of the soundness of the control environment.

Faster Close

This is the first year of the faster close timetable where the Council must approve its draft accounts by 31 May and the audit opinion on the accounts must be issued by 31 July 2018. This compares to the 2016/17 timetable where the deadline for approving the accounts was 30 June 2017 and the audit opinion was 30 September 2017.

This is a challenging timetable because in order to prepare its accounts, the Council needs to obtain information from a range of different external sources. These include the audited financial statements of its subsidiaries, information from the Avon Pension Fund and valuations performed by property valuation experts. In addition, with significantly reduced time to prepare the accounts, there is an increased risk of not identifying accounting errors during the Council's review procedures.

To prepare for the faster close, we began discussions with management many months ago to identify areas where it might be possible to bring forward parts of our audit to the interim visit.

This year, we completed our interim visit in February and increased the auditor resources allocated to the visit and completed significantly more of our procedures during this interim visit compared to the prior year. We identified a number of areas where it was feasible to undertake work early including expenditure testing and valuations of property, plant and equipment and investment properties. For most of the areas previously agreed with management, we have been able to make good progress.

Our main focus during the interim visit has been on the valuation of the Council's land and buildings and investment properties. These have been valued as at 1 December 2017 and we have reviewed the reports from the valuer to consider the appropriateness of the assumptions. We have requested supporting documentation to verify these assumptions.

We have also completed testing on the Collection Fund and other income that occurred in the first nine months of the financial year. Expenditure has been analysed and selected for testing, but at this stage we have not been able to complete this testing. We anticipate being able to finish this prior to the commencement of the final audit visit.

We have therefore made some significant progress in the recent interim audit. Therefore, although the timetable is onerous and we have not been able to complete all of the work that we planned to complete at interim, we are in a reasonable position to meet the timetable. Meeting the timetable will also be dependent upon receiving the information that we will need at year-end in a timely manner.

As with 2016/17, the Council will prepare group accounts consolidating the activities of the wholly owned subsidiaries Bristol Holdings Ltd, Bristol Waste Ltd and Bristol Energy Ltd.

The Council's three subsidiaries are audited by PwC. Management have been in discussion with the three entities to ensure information that will be needed to prepare the Council's group accounts is available in good time.

We have also communicated with the auditor for the entities to set out our information needs to undertake the Group audit. It will be important that the requested information is available in a timely manner given the shorter timetable in place for this year.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk ■ Significant estimates

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override (SR)	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> use our journal testing software to identify any journal transactions that appear unusual in the context of the Council's operations; test the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud; and obtain an understanding of the rationale for significant transactions that appear to be unusual. 	Not applicable.
Revenue recognition (SR)	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We have rebutted this risk in respect of collection fund income due the nature of the income stream (individual transactions with low value, high volume). However, the risk applies to the existence, completeness and accuracy of fees, charges and other services income.</p> <p>In addition, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of grant income where these are subject to performance conditions before these may be recognised as income in the comprehensive income and expenditure statement (CIES).</p>	<p>We will test a sample of grants subject to performance conditions to confirm that the Council met grant conditions before the income was recognised.</p> <p>We will test a sample of fees and charges and investment rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.</p> <p>For each material source of income generated in 2017/18, we will compare against the prior year comparative and outturn and obtain explanations to confirm the outturn is in line with our understanding.</p>	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment (PPE) and investment property valuations (SR) 64	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and its investment properties are not materially different to the fair value at the balance sheet date.</p> <p>For PPE, the Council operates a rolling valuation programme to ensure that all properties are valued at least every five years. The Council also holds a substantial housing portfolio within its HRA and this also needs to be revalued periodically.</p> <p>For investment properties, the Council is required to value its properties on an annual basis.</p> <p>Valuation is an area which requires a high level of judgement and therefore we consider to be a significant risk.</p>	<p>We will review the instructions provided to the Council's valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert.</p> <p>We will review the valuations performed and test a sample of assets to confirm the valuation has been correctly accounted for.</p> <p>We will review the roll-forward exercise that the Council are required to perform to ensure that values of their properties at the balance sheet date (31 March 2018) are not materially different to those at the valuation date (1 December 2017).</p>	<p>We will review independent data that shows indices and price movements for classes of assets against the percentage movement applied by the Council.</p>
	<p>The Council's pension liability comprises the Council's share of the market value of assets and liabilities held in the Avon Pension Fund.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to factors such as mortality rates and expected pay rises and other assumptions such as inflation.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the assets and liabilities.</p>	<p>We will agree the disclosures to the information provided by the pension fund actuary.</p> <p>We will contact the auditors of the Avon Pension Fund and request confirmation of the controls in place for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation.</p>	<p>We will agree the disclosures to the report received from the actuary.</p> <p>We will use the NAO commissioned consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p> <p>Letter to us from the Avon Pension Fund auditor.</p>

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Group Accounts (NR)	<p>The Council has a range of interests in various entities including its wholly owned subsidiaries, Bristol Holdings, Bristol Waste and Bristol Energy.</p> <p>The increase in the scale of these entities led to the aggregate of these entities becoming material in 2016/17 and the requirement to prepare group accounts.</p> <p>Bristol Energy is currently loss making and, as in 2016/17, we will need to consider whether the Council's investment in the subsidiary is held at the correct value.</p>	<p>The Council has concluded that group accounts will be required for 2017/18 and is communicating with the subsidiaries to ensure that the necessary information is available and in good time.</p> <p>We will communicate with the auditors of the subsidiaries and as auditor of the Bristol City Council Group, will issue instructions to PwC, the auditor for each of the subsidiaries.</p> <p>We will review the Council's investment in Bristol energy, using our valuation specialists to challenge the value in the financial statements.</p>	<p>Audited financial statements of the entities consolidated into the Bristol City Council Group.</p> <p>The requirement to ensure completion of the audit within the faster close timetable will mean that the subsidiaries must also provide information earlier than in the prior year.</p>
Page 65 Consideration of related party transactions (NR)	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p>	<p>We will review the related party transactions identification procedures in place and review relevant information concerning any such identified transactions. We will discuss with management declarations to ensure that there are no potential related party transactions that are not disclosed. This is also something we will require you to include in your management representation letter.</p>	<p>Review of the Council's register of members interests for undisclosed interests.</p>
Non-domestic rates appeals provision (NR)	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.</p> <p>We consider there to be a risk for all authorities in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.</p>	<p>We will review the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled appeals are removed.</p> <p>We will review and test the assumptions used in the preparation of the provision estimate.</p>	<p>We will compare the listing of current appeals to listings from the VOA.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 66 Sustainable finances (SR)</p>	<p>In 2017, the Council agreed to implement savings proposals designed to reduce net expenditure by more than £30 million in 2017/18. At 31 December 2017 (month 9) the Council was forecasting an adverse variance against the savings plan of approximately £3.1 million which were classified as being “at risk”.</p> <p>The implementation of the savings proposals is part of a longer-term plan to deliver financial sustainability of the Council and further savings proposals are planned for the period to 31 March 2022.</p> <p>The savings plan was agreed by the Council in February 2017 when it was evident that the Council was likely to incur a 2016/17 budget deficit. This 2016/17 deficit amounted to approximately £10 million and was one factor in the decision to modify our 2016/17 conclusion on the use of resources.</p> <p>The Council’s financial monitoring arrangements have been subject to significant strengthening over the past eighteen months. Despite elements of the savings plan being at risk, at month 9, the Council is forecasting a small underspend against its 2017/18 budget.</p> <p>In August 2017, the Council agreed a new medium term financial plan (MTFP) which set out the cost pressures faced by the Council and also identified areas where the Council could develop funding. For example, the Council plans to support the construction of 2,000 homes per year, which will impact upon the Council’s income in the form of the New Homes Bonus and also increase the yield from Council tax in the City. The plan sets out how the Council will achieve a balanced budget over the next four years.</p> <p>Given a background of reduced levels of grant income combined with increased service demands, sustainable finances remains as a significant risk for our audit.</p>	<p>We will meet with management and members, review key documents including the 2017/18 financial monitoring reports and assess the savings plan approved by the Council.</p> <p>We will also assess the arrangements in place to monitor progress against delivery of the savings in 2018/19 where savings of approximately £16 million were identified in the savings proposals approved by the Council in 2017.</p> <p>We will review the new MTFP and the assumptions used.</p>	<p>Not applicable.</p>
<p>Informed Decision Making</p>	<p>Following concerns around the forecast budget deficit in 2016/17,</p>	<p>We will meet with management and senior</p>	

the Council commissioned an independent review of its arrangements. The Bundred Report (issued in February 2017) identified a range of areas for the Council to address.

In our 2016/17 audit we were able to confirm that significant steps had been taken to improve the arrangements but that for parts of 2016/17 the arrangements were inadequate. Accordingly we issued an adverse conclusion on the Council's use of resources. In addition, we also had concerns about the transparency of the operations within the Council's subsidiaries and whether members received the financial information that they needed to ensure effective oversight.

In response to the findings within the Bundred Report, the Council has responded and has taken many steps to address weaknesses.

While it is evident that significant progress has been made, the arrangements to ensure informed decision making arrangements are in place remains a significant risk for our audit.

councillors and review key documents including the savings plan approved by the Council in February 2017 and the arrangements in place to monitor progress against delivery of the plan.

We will also assess the arrangements in place for addressing the issues identified by the Bundred Report and how the Council is implementing revised arrangements to address to deficiencies identified.

We will update our understanding of the arrangements for overseeing the operations of the Council's subsidiaries including revisions to business plans that may have become necessary.

INDEPENDENCE

INDEPENDENCE

We are required as auditors to confirm our independence to ‘those charged with governance’.

In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2018.

On the following page, we have recorded details of any non-audit services and we anticipate needing to undertake specific procedures on the Council’s Housing Benefit Subsidy claim and the return to the Teachers Pensions’ Agency in respect of pension contributions.

Should work in other areas be required, we will report this to the Audit Committee.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. These policies include partner and manager rotation. The table in appendix II sets out the length of involvement of key members of the audit team.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ending 31 March 2018 are:

	£
Audit fee	208,687
Certification fee (Housing benefits subsidy)	20,427
Total (PSAA related work) fees:	229,114
Fees for other services (see below)	13,150
TOTAL FEES	242,264
<hr/>	
	£
Non-PSAA related work	
Teachers Pensions Scheme certification fee	7,950
DfT major transport scheme	5,200
TOTAL FEES (outside PSAA contract)	13,150

Our fee is based on the following assumptions

The complete draft financial statements and supporting work papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

We have included £5,000 to cover our additional costs in connection with the Group audit. This assumes that the audited financial statements of the subsidiaries are available in a timely manner together with other information that may be required from the auditor of the subsidiaries. This is a reduction from our additional Group auditor fee in 2016/17 of £10,000 as we will not incur set-up costs that were incurred last year.

Key dates for the provision of information are met including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).

Auditing standards also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY

Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

Page 71 In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- We would request any misstatements identified during the audit process to be adjusted in a range of circumstances including:
 - Clear cut errors where correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

SENIOR TEAM MEMBERS

NUMBER OF YEARS INVOLVED

Greg Rubins - Engagement lead

3

Matthew Hepenstal - Project director

3

Chris Wlaznik - Manager

1

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Audit Committee

29th March 2018

Report of: Interim Chief Internal Auditor

Title: Internal Audit – Draft Plan 2018/19.

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor
Alison Mullis – Head of Internal Audit (Job Share)

Recommendation

The Audit Committee review and approve the draft Internal Audit Plan for 2018/19. In doing so, the Committee should ensure the plan reflects the areas for which they will require assurance from Internal Audit in 2018/19.

Summary

The report provides the Audit Committee with the Audit Plan for 2018/19.

The significant issues in the report are:

- The methodologies used to formulate the Annual Audit Plan; (paragraphs 2.3 - 2.7 of Appendix A)
- Resourcing the plan. (Section 3 of Appendix A)
- Key areas of focus included in the plan. (Section 4 of Appendix A)
- Plan deliver and performance monitoring. (Section 5 of Appendix A)
- The Internal Audit Plan. (Appendix B)



Policy

1. Audit Committee Terms of Reference.

Consultation**2. Internal**

Policy and Statutory Board.

Each of the Directorate Management Teams

S151 Officer

Finance Management Team

Cabinet Member for Finance, Governance and Performance

Other management.

3. External

Currently liaising with External Auditor – BDO Ltd.

Context

4. The Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end, it should seek assurance that the key areas that contribute to this framework are operating properly.
5. The Council's Internal Audit service is a key component of the assurance framework and the Audit Committee's Terms of Reference includes a requirement to provide independent assurance to the Council in relation to internal audit activity. The Audit Committee need to consider if the planned Internal Audit work is appropriate and sufficient to provide the Committee with the assurance it requires. Public Sector Internal Audit Standards 2013 include guidance that the Committee should review and approve the Internal Audit work plan.

Proposal

6. The Audit Committee review and approve the draft Internal Audit Plan for 2018/19. In doing so, the Committee should ensure that plan reflects the areas for which they will require assurance from Internal audit in 2018/19.

Other Options Considered

7. None Necessary.

Risk Assessment

8. An adequate and effective internal audit service, as well as a statutory requirement, is an integral part of good governance. A sound Internal Audit planning process minimises the risk of non-compliance with statute and good practice, and at the same time maximises the value that Internal Audit adds to the Council's governance arrangements and internal control environment.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 8b) No equalities assessment necessary for this report.

Legal and Resource Implications

Legal – Not applicable

Financial

(a) Revenue – Not applicable

(b) Capital – Not applicable

Land/Property - Not applicable

Human Resources - Not applicable

Appendices:

- **Appendices A and B – Internal Audit Draft Plan Report and Draft Plan for 2018/19**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Audit Planning Files, Corporate and Directorate Risk Registers, Public Sector Internal Audit Standards.



A

BRISTOL INTERNAL AUDIT

Information Classification: Level 0 Unclassified

APPENDIX A

INTERNAL AUDIT: DRAFT PLAN 2018/19 Date: March 2018

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Jonathan Idle
Interim Chief Internal Auditor
0117 92 22452
Jonathan.idle@bristol.gov.uk

Alison Mullis/Melanie Henchy-McCarthy
Head of Internal Audit
0117 92 22448 /0117 92 22063
Alison.mullis@bristol.gov.uk / melanie.henchy-mccarthy@bristol.gov.uk

1. Purpose of this Annual Plan Report

1.1 This report provides an overview of Internal Audit’s proposed work plan for 2018/19. Its purpose is to:

- Provide the Audit Committee with the draft planned Audit coverage for 2018/19
- Provide details of the methodology used to formulate the plan
- Draw attention to key areas within the proposed plan
- Provide details on the plan monitoring process, together with the follow-up and escalation process.

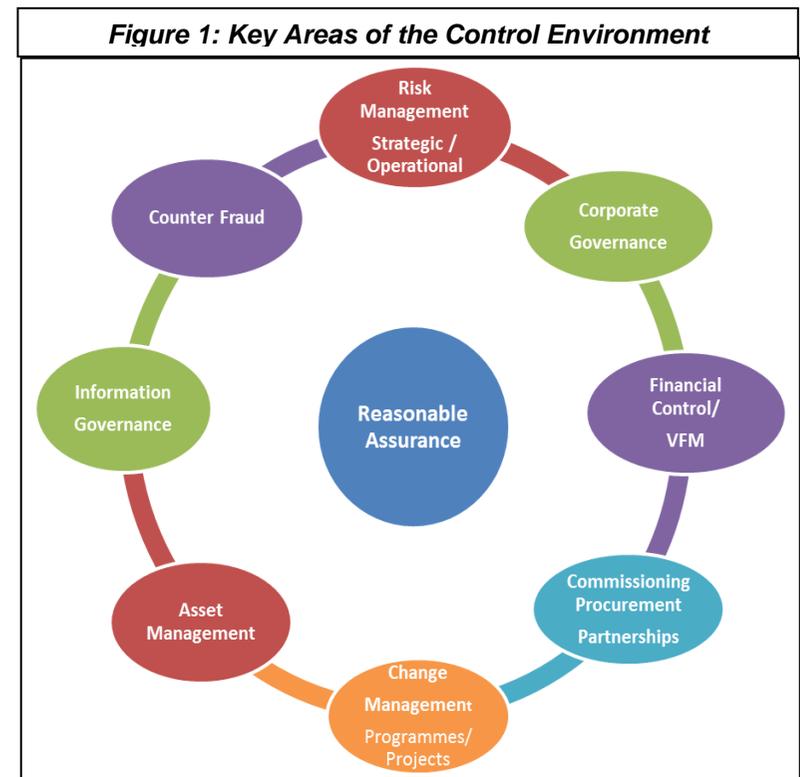
2. Formulation of the 2018/19 Audit Plan

2.1 The Internal Audit planning process reflects the requirements of the Public Sector Internal Audit Standards 2013 (PSIAS) and supporting Local Government Application Note produced by CIPFA/CIIA. It results in a risk based audit plan which should:

- Ensure a complete a programme of work is planned to enable provision of an evidence based opinion on the whole risk management, governance and control environment to the Head of Paid Service and Audit Committee in support of the Annual Governance Statement (AGS)
- Help the Council meet high standards of service delivery, conduct and governance by examining, evaluating and reporting on the risk management, governance and internal control environment
- Ensure the team are in a position to deliver other elements of work carried out on behalf of the Council which also support the year-end opinion.

2.2 The level of Internal Audit resources required to examine all Council activities far exceeds those available each year. It is therefore important to ensure work is planned so that the maximum benefit is achieved in respect of the above aims and that the team complete work which is risk based and adding value. In preparing the audit plan, work is designed to provide assurance in key areas within the Council’s risk, governance and control environment as demonstrated by Figure 1.

Figure 1: Key Areas of the Control Environment



- 2.3 In developing the plan, a desk top review has been undertaken of the potential risk areas for audit review including consideration of:
- The risks recorded in the Corporate Risk Register to determine the need to provide independent assurance regarding the management of those risks
 - The Council's and national fraud risk registers that are specific to local authority operations
 - The areas identified by the Council's Annual Governance Review process as potential governance issues
 - The results of audit work completed last year to determine where further work or 'follow up' reviews are required.
 - The draft budget proposals for the Council.
- 2.4 Additionally, consultation with officers and Members has taken place as follows to ensure a correct assessment of the risks to achievement of the Council's objectives and to ensure a clear understanding of how Internal Audit work fits with other sources of assurance:
- | | |
|--|--|
| <ul style="list-style-type: none"> • The Statutory and Policy Board • Directorate Leadership Teams • S.151 Officer • IT and Information Security Colleagues (in progress) | <ul style="list-style-type: none"> • Finance Managers and Finance Business Partners • External Audit (in progress) • Cabinet Member (Finance, Governance and Performance) |
|--|--|
- 2.5 Internal Audit also has responsibility, on behalf of the Council for facilitation of developments in the following areas and this work is also included in the work plan:
- Co-ordination of assurances around corporate governance and compilation of the Annual Governance Statement (AGS)
 - Ensuring robust counter fraud arrangements are in place across the Council.
- 2.6 Historically, the Internal Audit team has also delivered a facilitation and co-ordination role in respect of risk management. Professional standards direct, however, that, for independence reasons, the Internal Audit function should not be responsible for operational delivery of any area. This could potentially impair objectivity in forming opinions in this area and for this reason, it has been agreed that this role will no longer be undertaken by the Internal Audit team. Instead, a dedicated 'Risk Manager' role is being piloted. This will enable Internal Audit to objectively review the risk management arrangements in the Council for effectiveness and this review has been included in the Internal Audit plan for 2018/19.
- 2.7 The outcome of the above process is the draft plan at Appendix 1. The plan sets out a work programme that will enable formation of an opinion on the whole of the Council's risk management, internal control and governance arrangements based on sampling risk management strategies and control/governance systems.

3. Resources

- 3.1 In April 2017, the team was joined by an Interim Chief Internal Auditor to provide strategic support to enhance organisational ownership of governance, risk management and internal control. This has included reviewing the Internal Audit service and development and delivery of an improvement action plan.
- 3.2 Work remains in progress to review the team skills and structural requirements going forward to ensure it remains fit for purpose in the new and challenging risk environment that the Council now works in. The team has a significant number of vacancies going into 2018/19 as staff have left and not been replaced, pending the results of the review. Vacancies include 1 Group (senior) Auditor, 2.5 Auditors, 1 Audit Assistant and 0.5 Senior Investigator. To ensure flexibility in reviewing the structure going forward, the team has been and will continue to be supported by three interim short term agency professionals until the service review is completed. The team is also looking to recruit an apprentice to train alongside the professionals in the team.
- 3.3 The plan has been developed on the basis of the following resource levels but as the skills and structural review progresses, resource availability may change:
- Continued use of three interim agency professionals for the first 3 months of the year.
 - Resource availability (number of audit days) for the remainder of the year being at at least the same level as if the current structure was fully filled by October 2018.
 - Continuing the buy in of specialist IT audit to support developing knowledge in this area.
- 3.4 Table 1 below provides the Committee with a summary view of the proposed coverage for 2018/19, split by audit type and providing indicative days to be spent in each area. Details of the Audit reviews planned in each area provided in Appendix 1.

Table 1: Summary of proposed Audit Plan 2018/19:

Area of Work	Indicative Days
• Governance Systems	245
• Risk Management Effectiveness	205
• Financial Control Systems	285
• Certifications	150
• Schools Financial Governance	100
• Value for Money Exercises	42
• Commissioning and Procurement	120
• Asset Management	100
• Information Security*	145
• Projects and Programme Management	195
• Follow up provision	60
• General Contingency	100
• Total Risk, Governance, Assurance	1747
• Counter Fraud	
• Strategic Fraud Work	8
• Fraud Prevention	97
• Fraud Detection (incl tenancy fraud work)	743
• Responsive Fraud Investigation excl Tenancy (including DWP interface)	418
• Total Fraud	1266
Total Planned Coverage	3013
Total Available Productive Days	2846

* Advice of IT Audit experts from outside of the team is being sought to ensure this element of the plan accurately reflects the assurances required. Once this is received, the plan will be amended as necessary.

3.5 For each audit assignment planned, the resource required is estimated. A number of factors that occur either before or during the audit reviews can significantly alter (in either direction) the number of days required for individual reviews. The Plan includes an allocation of days for reactive/reactive work that will inevitably arise during the year. Table 1 demonstrates that the planned coverage is greater than the available resources.

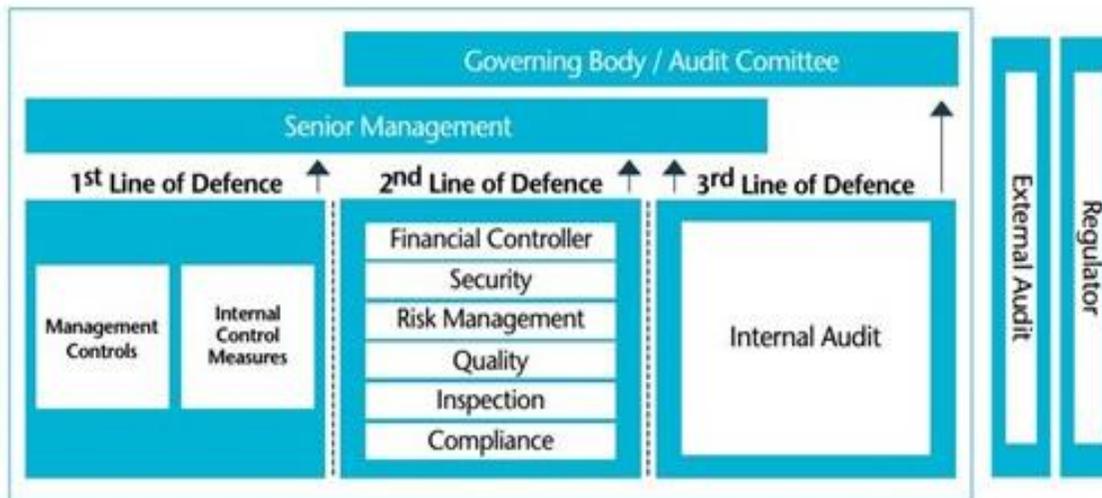
- 3.6 The team is currently working to develop a service offer that will identify 'core' work required to deliver the audit opinion and other required elements of work (either statutorily required or locally required). Based on this, the 'core' budget for the team will be determined. In addition, a 'flexible' element of services will be offered which will be chargeable e.g. Grant Certification work. This will enable the team to raise revenue and ensure sufficient resources are in place to deliver the full plan. However, should this 'flexible' element of the plan not materialise for any reason, the team will need to reduce the level of responsive/reactive work it delivers in liaison with the s 151 Officer and the Audit Committee.
- 3.7 The Audit Plan needs to be flexible to ensure it can change as the Council's risk environment changes. Should new areas for potential review be identified during the year, these will be risk assessed against those assignments included in this plan and items will be added/ removed from the plan. In completing this assessment, consideration will be given to the priority of each remaining item in the plan against the priority for the new item being considered in consultation with the s151 Officer. Any amendments to the plan will be recorded and reported to management and the Audit Committee during the year.
- 3.8 In order to deliver the work programme as drafted, the Team needs to have the correct skills:
- **Audit Professionals.** The team comprises experienced and professionally qualified auditors/accountants.
 - **IT Audit.** In 2017/18, the decision was taken to enhance skills lost in the specialist IT Audit area by sourcing an external qualified and experience IT Auditor to work with the team to both deliver technical information security audits whilst also ensuring the skills are transferred to a newly qualified IT Auditor within the team. This arrangement is working well and this plan is based on availability of such a resource to continue this approach into 2018/19.
 - **Counter Fraud.** The Counter Fraud Team consists of a number of professionally qualified investigation staff to ensure an appropriate response is provided to fraud referrals of all types.
 - **Housing Advisor** - A Housing Advisor has also been seconded to the investigations team to work with two of our other qualified investigators on the key fraud risk are of tenancy fraud. Additionally, a further secondment of an investigations trained Housing Advisor has been extended into the first quarter to support this work during the time of the service review. This resource is also included in the above analysis.
- 3.9 Whilst Value for Money (VfM) work represents a small percentage of the overall Audit plan, it is integral to all of the work completed and is considered at each audit assignment as a matter of course. A small contingency is also included for specific and targeted VfM work that is not specifically covered elsewhere in the plan. Additionally proactive fraud and irregularity work often identifies significant VfM opportunities.
- 3.10 A flexible contingency allowance has been incorporated into the plan to allow for fraud responsive work, however should responsive work not materialise, this resource will be used to complete pro-active fraud work, further VfM exercises or other assurance work as required.

4. The Audit Plan – Key Features

4.1 The plan reflects the highest risk areas to the Council and is designed to ensure that assurance is targeted effectively to enable provision of an opinion on the whole governance, risk and control framework. Significantly, this year, resource is focussed in the following areas:

- **Corporate Governance** – As the Council strives to improve its governance arrangements in an environment of significant organisational change, the audit plan is weighted to reviewing particular governance aspects the framework. The revised Code of Corporate Governance and new Corporate Strategy provide the basis for improvement going forward and robust arrangements to ensure activity is properly planned, resourced and outcomes monitored across the Council will be required to deliver the Strategy. New ways of working will also require strong governance and these have been reflected in the plan. Additionally, time has been allowed to continue to support the Council in improving governance including reviewing governance arrangements for informing the annual governance statement at the end of the year.
- **Risk Management and Assurance Mapping** – The plan reflects that the Internal Audit team has stepped back from an operational role in risk management. Instead, the team will allow new arrangements to embed before independently reviewing the overall improvement and effectiveness of risk management across the Council. Additionally, the plan provides for assurance mapping for the highest risks in the current corporate risk register. (Those items listed as CRR X in the plan). Assurance mapping aims to provide a detailed account of the different sources of assurances that are in place to manage risks and ensure those assurances are robust. It considers the extent to which three core sources of assurance are in place – commonly called the ‘three lines of defence’ further explained in Figure 2 below.

Figure 2 – Assurance – Three Lines of Defence



Once developed, it is designed to highlight ‘gaps’ in those assurances that require closing – either by strengthening management controls or by Internal Audit review.

If successful, assurance mapping will be extended to other risks and the governance arrangements set out in the Code of Corporate Governance:

- **Financial Governance** - The plan retains a significant focus on financial control to ensure that fundamental system controls are improved. As budget pressures continue across the Council, strong financial control is paramount to ensure the Council's financial resilience is secured. The plan includes significant resource allocation to the certification of grant claims to enable the Council to maximise income from this source. Additionally, the level of resource allocated to the schools assurance programme has been increased to ensure the s151 Officer is well placed to confirm that an appropriate assurance process is in place.
- **Commissioning and Procurement** – This area continues to be considered a risk. . A significant element of the Council's operations and spends occur through commissioning and procurement and as such poor controls and non-compliance with best practice is likely to result in poor value for money for the Council. The need for a robust procurement framework is critical and reviews in this area support that goal. Strong governance when working in partnership with others is essential to ensure all parties understand commitments and expectations.
- **Information Security and IT Asset Management** – the Council is currently reviewing its IT infrastructure and how that needs development to ensure resilient digital delivery of services going forward. Management and organisational changes in this area together with new General Data Protection Regulations (GDPR) coming into force in 2018 sees information security rising as a priority in the audit plan. Historically, IT project implementations have not adequately addressed security issues at the design phase and as such of review of this area is planned to help address this.
- **Project Management** - the Plan incorporates an allocation of time to allow Internal Audit to support delivery of key projects/programmes. Development of an Embedded Assurance approach will continue which will see Internal Audit involved continually throughout projects, supporting the project managers by audit review of core governance aspects of project delivery throughout the life-cycle of the project.
- **Counter Fraud** – A significant proportion of the plan is devoted to ensuring the Council has robust approaches to the most significant fraud risks it faces. This year priorities reflected in the plan include:
 - **Tenancy Fraud** - Continuation of work to prevent and detect tenancy fraud – freeing up social housing for those with a real need.
 - **Direct Payments** - Focussing on Adult Social Care Direct Payment. A joint and significant review with the assurance team is planned so that a full study of systems and processes in place together with targeted testing and comparison of payments being made is completed to ensure this high spend area is well managed and controlled.
 - **Fraud Referral Investigation** – The team deal with many fraud referrals of all types and investigation of these can require detailed and time-consuming work to ensure they are properly investigated yielding necessary action results and is successful. In 2017/18, numbers of such referrals were at a level that has seen some investigative work delayed due to conflicting priorities of the team. In 2018/19, the team will work to resolve the backlog of previous fraud referrals and ensure any new referral is dealt with in a timely way. This may be at the expense of proactive work to identify potential new areas of fraud/savings for the Council.
 - **Data Warehousing and Continual Matching** – Enhanced use of data can provide an effective way to prevent or detect fraud. Time has therefore been allocated in the plan to research and begin to develop such an approach if funding is made available to do so.
 - **'Recoverable' to 'recovered'** – historically, the teams work has identified significant levels of 'recoverable' spend. Whilst recovery is not the role of the Internal Audit team, there is a need to work with finance and legal professionals going forward to ensure that recoveries are maximised and play their part in contributing to the financial resilience of the Council.

4.2 **Team Development and Improvement.** As well as delivering the Assurance and Counter Fraud programmes set out in the audit plan, a significant amount of time has been set aside to continue to develop and improve the services offered by the team during 2018/19 and going forward. Action plans resulting from the external Peer Review of the audit team in February 2018 and review of the team skills/resources, process and procedures by the Interim Chief Internal Auditor have been developed. The team aim to ensure that both management and the Audit Committee have confidence in the outcomes of the work completed. Early priorities for 2018/19 include:

- Ensuring the team is skilled and resourced to be fit for purpose – re-basing the team budget as detailed in paragraph 3.5 above and reviewing/stabilising the structure by recruitment to vacant posts.
- Reviewing the reporting formats used by the team and how audit opinions are expressed to ensure greater clarity. (The Audit Committee will receive a separate paper on this at a future meeting).
- Development and delivery of a training strategy for the team
- A review of audit processes and documentation to ensure a lean and efficient approach
- Increasing use of data analytics in both audit and counter fraud work.
- Growing the volume of business with a view to increasing income generation to enhance the resilience of the team.

5. Plan Monitoring

5.1 Performance against completion of the annual plan will be measured and reported in Internal Audit Activity reports at most Audit Committee meetings. The Audit Committee approved the Quality Assurance and Improvement Programme during 2017/18 which set out some key performance indicators for the team. The development of a business plan for the audit team has seen performance targets reviewed and the following will be reported to Audit Committee going forward:

- | | |
|---|--------------------------------|
| • Delivery of Internal Audit Plan – Complete to at least draft report stage | 90% |
| • Compliance with Public Sector Internal Audit Standards | 95% by Nov 2018 |
| • Delivery of Audit Opinion in time to inform the Annual Governance Statement (AGS) | May 2018 |
| • Deliver of Counter Fraud Awareness Training Plan | 90% |
| • Number of properties recovered by Tenancy Fraud Initiative | 30 |
| • Deliver of Counter fraud Awareness Training Plan | 90% |
| • Level of Recommendations Implemented (Fully or Partially) | 90% |
| • Client Satisfaction (post individual audit review) with a score of good or above | 85% |
| • Positive responses to annual management survey re benefits and value of audit service | 90% |
| • Review of the Skills Mix of the Section | Implementation by October 2018 |
| • Delivery of Actions from Development Plan and from Recommendations in Peer Review | 95% by November 2018 |
| • Delivery of AGS in line with statutory timeframe | May 2018 |

6. Follow Up and Escalation

- 6.1 Monitoring the implementation of audit recommendations remains key. Follow-up audits are included in the plan with any arising in-year follow-up to be an integral part of the audit coverage.
- 6.2 Details of Audit follow up work will be reported to the Committee as part of in year updates and annual report. Directorates/Services that fail to implement High/Medium recommendations within the agreed timescale will be brought to the attention of the Committee.
- 6.3 The Escalation Procedure includes escalating issues of concern through the management structure and ultimately to the Audit Committee. Members are expected to require relevant Executive Directors or Directors/Heads of Service to explain any failure to satisfactorily implement improvement recommendations or to confirm their acceptance of the risks associated with non- implementation of recommendations.

7 Context

- 7.1 The Audit Committee's Terms of Reference includes a strategic requirement to ensure that the Council's internal control and assurance framework is operating effectively. To enable them to do so, the Committee needs to ensure it seeks assurance that key areas that contribute to this framework are robust. The work of Internal Audit is a key component of the assurance provided to the Committee in fulfilling this role and the Audit Committee need to ensure the plan is focussed on the key assurances they require.
- 7.2 The Public Sector Internal Audit Standards 2013 guidance on the role of Audit Committees in relation to Internal Audit suggests that it should involve reviewing, assessing and approving the Internal Audit work plan for delivery of the Audit Service.
- 7.3 The standards also include the requirement that Internal Audit must be operationally independent. The Internal Audit Charter and Terms of Reference detail the arrangements in place regarding the team's operational independence including details of the reporting lines for the Head of Internal Audit.
- 7.4 There is one area of work that the team does deal with operationally on behalf of the Council; facilitating the preparation and review of the Annual Governance Statement. There are synergies between this and audit work and they are well aligned to the assurances that Internal Audit seek to provide. The External Auditor, however, independently reviews the Annual Governance Statement to ensure it has been prepared to properly reflect the governance activities that have operated at the Council in respect of 2017/18 and as such completion of this work is not felt to be an issue.

Draft Internal Audit Plan 2018/19

Assurance Area: Governance

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
1	Annual Governance Statement and Review	Co-ordinate assurance statements and prepare for the Head of Paid Service and the Mayor a draft AGS for their consideration and approval.
2	New Directorate and Departments - Governance and Financial Control	To review financial control relating to specific Directorates / Departments of the Council.
3	Companies Governance - Oversight	To assess Council oversight of Companies Governance as part of the Annual Governance Statement process.
4	Senior Officer Decision Recording	Review compliance with and effectiveness of the publishing of Executive Officer Decisions as per Council Policy.
5	Strategic Business Planning	Review the effectiveness of the actions referred to the Code of Corporate Governance relating to the links between Corporate Strategy and Thematic Business Planning.
6	Service Planning and Performance Management	Review compliance and effectiveness of Service Planning and Council Performance Management Framework with emphasis on the delivery of planned outcomes.
7	Schemes of Delegation	Review compliance with Council's Schemes of Delegations (SoD) with specific reference to: <ul style="list-style-type: none"> • Financial delegations being reflected in the Council's financial systems. • Clarity, consistency and robustness of departmental SoD. • Awareness, availability and promotion of SoD / Constitution. • Monitoring compliance. • Recording of decisions at all levels. <p>Specific areas of coverage will also be reviewed with the Monitoring Officer and Section 151 Officer.</p>
8	Decision Making Process - follow up	To review the implementation of recommendations identified in Internal Audit coverage for 2017/18.
9	Supporting Governance Improvement	Provision of Audit resource to promote improvements in governance across the Council, including attendance / presentations at various fora.
10	Whistleblowing Review (Annual)	Annual Review to assess: <ul style="list-style-type: none"> • Adequacy and effectiveness of the Council's Whistleblowing arrangements. • Awareness of the Whistleblowing Procedure amongst Council Staff. • Confidence which City Council Staff have in the Whistleblowing arrangements.
11	Ethics, Values and Culture b/f	To review the adequacy and effectiveness of Council Ethics and Culture and specifically including review of: <ul style="list-style-type: none"> • How values are reinforced and the tone is set across the Council. • Process for articulating, promoting and communicating the Council's set of values to guide decision making and behaviour, including the level of training provided to staff. • Process to monitor effectiveness of Ethics and Values Policies and monitor the extent to which the organisation lives up to its values.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
12	School Support / Management in Trading with Schools	To review the effectiveness of School Support arrangements and follow up any relevant areas identified in 2017/18 Audit review of Schools Financial Governance.

Growth and Regeneration:

No.	Audit Area	Potential Coverage
13	G & R Board	Specific coverage will be dependent upon the completion of a separate audit.
14	New Commercial Investments – Embedded Assurance approach	Audit resource to review any major commercial investment following further discussion with management.

Communities:

No.	Audit Area	Potential Coverage
15	Homelessness – Policy Effectiveness	Specific coverage will be determined but could potentially include: <ul style="list-style-type: none">• Assess the implementation of the Council's Preventing Homelessness Strategy.• Whether Council Strategy complies with Homelessness legislation (e.g. Homelessness Reduction Act and /or 2002 Act).• Evaluation of how the Council complies with the Homelessness Code of Guidance for Local Authorities.• How the Council ensures value for money is being achieved in the use of Temporary and Bed and Breakfast accommodation and "Out of District" temporary accommodation.
16	Partnership Working – Tracking of Outcomes	To review the effectiveness of processes in place within the Council to monitor the delivery of planned outcomes in the delivery of Council objectives when working in partnership. Also to follow up any relevant areas identified in 2017/18 Audit review of Partnership Arrangements.

Assurance Area: Risk Management

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
17	Audit of Risk Management	To review the Council's Risk Management arrangements to ensure compliance, aid with annual opinion, This will include the Risk Management Strategy, the review, updates to and reporting of Corporate and Directorate Risk Registers and the reporting of risk and mitigations to senior management and Committees. It will also include a review of how well risk consideration has embedded into the key areas of plan delivery and decision making.
18	Corporate Risk Register (CRR) 15 –Business Continuity Planning and Management	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
19	CRR 13 – Leadership and Management	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
20	CRR 12 – Loss of Resource / skills	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
21	CRR 7 -- Safety of Citizens	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
22	CRR 16 – Children's and Safeguarding	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
23	School Places Planning and Allocation Processes	Strategic review of approach to future school place provision and a review of operational processes to provide assurance that the allocation of school places is fair and in accordance with policy and regulation.
24	Adult Social Care – Care Homes	Assess controls processes to ensure that care requirements are regularly reviewed and the Council is notified promptly of changes to care provided.

Growth and Regeneration:

No.	Audit Area	Potential Coverage
25	CRR 19 – Commercial Investment and Capital Programme	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
26	CRR 9 - Flood Risk	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.

Communities:

No.	Audit Area	Potential Coverage
27	CRR 10 – Harbour and Harbour Estate	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
28	CRR 17 – Asbestos Management	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.
29	Taxi Licensing	Assess controls in place to ensure there are appropriate checks in place for operators, drivers and vehicles in line with Policy and to ensure the Council meets its statutory and regulatory obligations.
30	Universal Credit Implementation Arrangements	To review the Council's arrangements for the roll out of Universal Credit and how the Council is managing the risks involved.

Assurance Area: Financial Controls

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
31	Corporate Debt Model – Use and Effectiveness	To determine the extent to which a Corporate Debt Policy is in place and operating effectively and consistently across the Council.
32	Grant Application Process b/f	To review whether there is sufficient due diligence and consideration of “business as usual” financial arrangements when agreeing acceptance of grants.

Resources:

No.	Audit Area	Potential Coverage
33	Development Contributions	To review processes in place to record, monitor and allocate income and spending of monies received.
34	Apprentice Levy Account	To review how effective arrangements are for the management of the Apprenticeship levy and how intended objectives are being delivered.
35	Financial Systems Interfaces	To review controls relating to feeder systems into the general ledger.
36	Housing Benefit Overpayment	To review arrangements to prevent overpayments and the management and recovery of overpayments when they occur..
37	Grants and Certifications	To undertake certification work to enable there to be assurance over the use of grants.
38	Accounts Payable	To undertake a follow up audit on the 2017/18 review.
39	Accounts Receivable	To undertake a follow up audit on the 2017/18 review.
40	Clearing House Automated Payment System (CHAPS)	To undertake a follow up audit on the 2017/18 review.
41	Council Tax Income Collection	To review controls over billing, collection, arrears and monitoring.
42	Payroll System Controls	To undertake a follow up audit on the 2017/18 review.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
43	Direct Control – Prepayment Cards	Review of new payment model in relation to Direct Payments in respect of probity and value for money.
44	Schools Programme – Financial Governance	To undertake a range of audits at sample maintained schools.

45	Budgetary Control	To review and assess budgetary controls and follow up on any relevant Internal Audit recommendations from 2017/18.
46	Governance over Directorate Savings Realisation	To provide a continual audit resource on a key area of planned savings for the Council.
47	Grants and Certifications	To undertake certification work to enable there to be assurance over the use of grants.
48	Care Act – Deferred Payments	To review the Council's arrangements for the set up and management of Deferred Payments under the Care Act.
49	Better Care Fund	To review the effectiveness of oversight and monitoring of the Better Care Fund and monitoring of S.75 Pool Agreement resources.
50	Care Services - Accuracy of Billing	A "deep dive" review on significant income area and to follow up any relevant recommendations from Internal Audit coverage in 2017/18.

Growth and Regeneration:

No.	Audit Area	Potential Coverage
51	Security Services – Use of Imprest	Specific Imprest Values and Expenditure to be reviewed
52	Car Parking Income	This review will focus on cash receipts for car parking, taking in to account collection, storage, banking and the insurance arrangements. It will also consider the controls in place around the increasing use of alternative payment methods, such as through mobile phones and other devices.
53	Grants and Certifications	To undertake certification work to enable there to be assurance over the use of grants.

Communities:

No.	Audit Area	Potential Coverage
54	Rent Arrears	To review the process for the management and monitoring of rent arrears.
55	Housing Revenue Account (HRA0	To review the oversight, budgetary control and compliance with requirements of the HRA.
56	Public Health -	Review effectiveness of specific aspects of Public Health expenditure.
57	Housing Voids	To undertake a follow up audit on the 2017/18 review.
58	Grants and Certifications	To undertake certification work to enable there to be assurance over the use of grants.

Assurance Area: Commissioning and Procurement

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
59	Procurement and Contracting	Follow Ups to work undertaken for the 2017/18 Programme.
60	Review of Specific Contracts	Audit resource to review probity and compliance of specific contracts as identified during 2018/19.
61	Contract Waivers	To undertake a follow up audit on the 2017/18 review.

Resources:

No.	Audit Area	Potential Coverage
62	Access Rights to Information – Partnerships / Contracts (GDPR)	To review arrangements the Council has put in place to be in compliance with GDPR in respect of contracts and other partners.
63	Contract Monitoring	Continual Audit Testing.
64	Effectiveness of New Procurement Arrangements	To provide an assessment of the management of changed Procurement arrangements within the Council.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
65	Procurement Plans – Social Care	To review arrangements for Adult Care Commissioning.
66	Contract Monitoring	Continual Audit Testing

Growth and Regeneration:

No.	Audit Area	Potential Coverage
67	Contract Monitoring	Continual Audit Testing

Communities:

No.	Audit Area	Potential Coverage
68	Housing Options – Payments to Voluntary Groups	To review the process for the awarding of payments and a probity review of expenditure incurred.
69	Contract Monitoring	Continual Audit Testing

Assurance Area: HR and Asset Management

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
70	Individual Performance Management	To review compliance with corporate performance management requirements at an individual level.
71	CRR – Health and Safety of Staff	To review the effectiveness of mitigating actions to manage the risk identified in the Corporate Risk Register and assess assurances in place relating to the risk.

Resources:

No.	Audit Area	Potential Coverage
72	IT Asset Control and Usage	To assess the effectiveness of IT asset control within the Council, both hardware and software.

Growth and Regeneration:

No.	Audit Area	Potential Coverage
73	Investment Property	To undertake a follow up audit on the 2017/18 review.
74	Asset Management System	Embedded Assurance approach to the project delivery of the implementation of a new system.

Communities:

No.	Audit Area	Potential Coverage
75	Response Repairs b/f	To review that procedures and controls are in place to effectively manage and monitor the repairs and maintenance budget, that job costs are accurately recorded and accounted for.
76	Long Term Voids	To review the management of long-term voids from a value for money perspective.

Assurance Area: Projects and Programmes

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
77	GDPR	Embedded Assurance To review the arrangements of the GDPR Project to transfer from Project to "Business As Usual" and / or undertake a full Embedded Assurance Review of arrangements in the first quarter of 2018/19
78	Operations Centre - Phase 2	To undertake Embedded Assurance Reviews to provide assurance over key risk areas including governance, benefits realisation, resources, risk management, cost control and time management.

Resources:

No.	Audit Area	Potential Coverage
79	Project Management	To review the effectiveness of the Project Management Office.
80	HR Payroll Project	To undertake an Embedded Assurance Review to provide the project with assurance over key risk areas including governance, benefits realisation, resources, risk management, cost control and time management.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
81	Strengthening Families Transformation	To undertake Embedded Assurance Reviews to provide the Programme Board with ongoing assurance over key risk areas including governance, benefits realisation, resources, risk management, cost control and time management.
82	Transition from Care (Care Leavers)	Specific areas of assurance to be agreed with Care and Safeguarding Management.

Growth and Regeneration:

No.	Audit Area	Potential Coverage
83	Replicate (EU Grant Funded Project)	Review of significant EU funded project with specific focus on benefits realisation.
84	Project Management and Governance Overview	To review the governance of major projects within the Directorate.
85	Major Projects	Embedded Assurance of Major Projects to be confirmed with Directorate Management including projects with WECA.

Communities:

No.	Audit Area	Potential Coverage
86	New Housing System	Review of the implementation of the project as it moves to "Business as Usual" stage.

Assurance Area: VFM / Targeted Savings Identification

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
	Contingency Provision	To provide for new areas of work identified in year that would benefit from a detailed value for money study.

Resources:

No.	Audit Area	Potential Coverage
87	Telecoms Follow Up	To undertake a follow up audit on the 2017/18 review.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
88	Direct Payments	Full review of systems, processes and targeted testing of Direct Payments.

Assurance Area: Information Security and Technology

Corporate or Cross Directorate:

No.	Audit Area	Potential Coverage
89	IT and Business Resilience	To review the extent to which key services are resilient to IT outage should it occur.
90	Citizen Account	Review of policy, implementation plans and controls over identity management, authentication and accuracy of data.
91	E Procurement System Security	To review controls in place to ensure the effective security, integrity and availability of this key operational system.
92	Operations Centre – Resilience/Cloud	A review of cloud based technologies in use at the operations centre to ensure security and resilience of operations. ('On premise' security reviewed during 2017/18)
93	Operations Centre – Technical Delivery	A review of the IT arrangements in place at the Operations Centre to ensure it is able to deliver efficiently and effectively.

Resources:

No.	Audit Area	Potential Coverage
94	IT Service Management	A review of controls in place for delivery of ICT support across the Council, including a review of the support and service desk functions.
95	Delivery of Future State Assessment including Cloud Migration and Digital Developments.	Embedded assurance approach to ensure effective governance is in place for delivery of the recommended actions from the recent Future State Assessment review.
96	IT Governance and Dev Pops	An overview of IT governance arrangements including structures and IT strategies and alignment to Council strategy/policies. The review will also include looking at the approach to delivery of intended Dev Ops model and the effectiveness of business partnering in delivery of strategy.
97	IT Project Management Approach	To review arrangements in place for managing IT project implementation and ensuring security consideration is designed into IT project implementation plans.
98	Cyber Security and PSN Compliance	Annual review of cyber controls, including those detailed in the CRR. The review will also look at continued compliance with PSN requirements in support of continued PSN certification being achieved.
99	Development Methodologies and Practices	To review the software development processes and review controls in place to ensure development of resilient, secure and appropriate software development.
100	Privileged Access Management	To review the approach for controlling high level (administrator) access to the key systems the Council relies on to deliver its services ensuring it is appropriately restricted.

Care and Safeguarding:

No.	Audit Area	Potential Coverage
101	Data Sharing with Partners - GDPR	To review governance and security arrangements in place where personal and sensitive data is shared within and outside of the Council.

Communities:

No.	Audit Area	Potential Coverage
102	New Housing System – IT Audit Review	Critical friend approach – Review of architecture, security and interfacing arrangements to assist with technical implementation.

Audit Committee

29th March 2018



Report of: Chief Internal Auditor/Head of Internal Audit
Title: Whistleblowing Arrangements – Annual review

Ward: Citywide

Officer Presenting Report: Alison Mullis – Head of Internal Audit

Recommendation

That the Audit Committee notes the audit opinion on the ‘Whistleblowing’ arrangements in Bristol City Council and supports the recommendations for improvement.

Summary

The Audit Committee is responsible for ensuring that arrangements are in place for the proportionate and independent investigation, and follow-up action of Whistleblowing allegations, in line with recommended best practice ‘PAS1998 Whistleblowing Code of Practice’. An annual audit review of Whistleblowing arrangements will take place to enable the Audit Committee to exercise its governance role over Whistleblowing arrangements. This is the first of such reviews.

The significant issues in the report are:

That an audit review of Whistleblowing arrangements in Bristol City Council has been completed, of which full details can be seen at Appendix A.

In summary the key findings from the review are:

The Council has a policy and procedure for Whistleblowing and maintains a central record of reported allegations.

There are some areas where improvements could be made to regarding awareness and confidence in Whistleblowing arrangements.



Policy

1. The recommendations from this report will require amendments to the 'Whistleblowing policy' the 'Employee Code of Conduct' and the 'Code of Conduct for Interns'. Other policies may be identified as requiring amendment in order to make others aware of 'Whistleblowing arrangements'.

Consultation

2. **Internal**
HR, Legal, s151 Officer, Statutory and Policy Board.
3. **External**
N/A

Context

4. The Council is committed to conducting its business with honesty and integrity and to this end it expects that all employees operate with the same honesty and integrity. In this context, the Council has a Whistleblowing Procedure which is designed to ensure that employees can report any concerns they may have regarding wrongdoing or dangers arising from Council activities.
5. An Internal Audit review of the Council's Whistleblowing arrangements has been undertaken. The scope, main findings and recommendations of the review are summarised in Appendix A.

Proposal

6. That the Audit Committee note the findings of the Internal Audit report on Whistleblowing arrangements and endorse the recommendations, ensuring their implementation.

Other Options Considered

7. N/A

Risk Assessment

8. Failure to define and promote 'Whistleblowing arrangements' and for employees to have confidence in 'Whistleblowing arrangements' could result in malpractice going undetected, financial loss and possible reputational damage to the City Council.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

8b) The recommendations have no specific bearing on equality issues.

Legal and Resource Implications

Legal

Legal Services have provided views on the recommendations and the agreed recommendations have reflected their advice.

Legal advice provided by Husinara Jones (Senior Practitioner – Solicitor)

Financial

(a) Revenue

Not applicable

(b) Capital

Not applicable

Land/Property

Not applicable

Human Resources

HR advice provided by Mark Williams – Head of HR

Appendices:

Appendix A – Summary of Internal Audit Report, Annual Review of Whistleblowing Arrangements

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- PAS1998 Whistleblowing Code of Practice

APPENDIX A:

SUMMARY OF ANNUAL REVIEW OF WHISTLEBLOWING ARRANGEMENTS

Background

The Council is committed to conducting its business with honesty and integrity and to this end it expects that all employees operate on the same basis. In this context, the Council has a Whistleblowing Procedure which is designed to ensure that employees can report any concerns they may have regarding wrongdoing or dangers arising from Council activities.

Scope and Approach

The purpose of the review was to assess the:

- Adequacy and effectiveness of the Council's Whistleblowing arrangements.
- Awareness of the Whistleblowing Procedure amongst Council staff.
- Confidence which Council Staff have in the Whistleblowing arrangements.

The review included an assessment against the Publicly Available Specification (PAS) 1998 Whistleblowing Code of Practice, developed by Public Concern at Work, and a survey of employees.

The response to the survey was not particularly good and a different approach to the survey will be explored for next year's review.

Summary of Findings and Conclusions

- The Council has a procedure and process for reporting and recording Whistleblowing allegations and a central record is in place.
- Whistleblowing has not been sufficiently promoted across the Council and, although a low response to the survey, results demonstrate a lack of awareness.
- The Council's Code of Conduct expressly excludes employees communicating with the media. The Whistleblowing Code of Practice recommends this should be permitted where reported Whistleblowing concerns have been ignored.
- Insufficient prioritisation has been given to issues raised through the Whistleblowing arrangements with concerns not consistently investigated in a timely manner.
- Under legislation, elected members are not afforded the same statutory protection that employees and other workers do, yet are included within the current Council procedure.
- There is no mechanism for evaluating the outcome of Whistleblowing cases and ensuring that lessons are learnt for any serious cases.

Recommendations

Internal Audit made seven recommendations, including:

- Council Whistleblowing arrangements should be more actively and consistently promoted by senior management with consideration being given to:
 - Developing permanent promotional material on arrangements.
 - Encouraging middle managers to promote awareness of arrangements.
 - A mechanism by which employees are reminded of arrangements when they access HR Self Service.
 - Advertising arrangements on the screens situated at Council offices.
 - A mechanism to ensure that consultants, contractors, volunteers, agency workers and casual workers are informed of arrangements.
- The Code of Conduct for Employees should be amended to make it clear that it is not designed to prevent or deter lawful whistleblowing.
- Management to consider allocating sufficient resources to allow investigations to be conducted in a timely manner and /or prioritising investigations within existing budgets.
- The reference to Elected Members is removed from the Whistleblowing Procedure.
- Case Management meetings to be held between HR and Internal Audit to review the implications of serious incidents investigated.

All recommendations were agreed by the HR Department.

Audit Committee

29th March 2018



Report of: Interim Chief Internal Auditor

Title: Results of Peer Review of Internal Audit

Ward: City-Wide

Officer Presenting Report: Jonathan Idle - Interim Chief Internal Auditor

Recommendations

That the Committee:

1. Note the Council's Internal Audit Service "Generally Conforms" to the requirements of the Public Sector Internal Audit Standards (PSIAS).
2. Request progress updates on the implementation of the recommendations from the Peer Review.

Summary

The Internal Audit Service has been externally reviewed against the PSIAS in line with professional requirements. The assessment concluded that Bristol City Council's Internal Audit Service "Generally Conforms" with the requirements of the Standards.

The significant issues in the report are:

- Of 342 Standards, it was concluded that the service fully conforms with 84% and fully/ partially conforms with 98%, which is broadly positive.
- An Action Plan has been agreed to address the recommendations identified from the Review.



Policy

The external review of the Internal Audit function once every five years is a requirement of the Public Sector Internal Audit Standards (PSIAS) which are mandatory for the Internal Audit service within Bristol City Council.

Consultation

1. Internal

Interim Chief Internal Auditor, S151 officer, Statutory and Policy Board, Cabinet member for Finance, Governance & Performance, Audit Committee.

2. External

Head of Internal Audit – Sheffield City Council (author of Peer Review report).

3. Context

In April 2013, a new set of Public Sector Internal Audit Standards (PSIAS) became effective. These standards apply to the Internal Audit function in all parts of the public sector in the UK and are mandatory. Within the PSIAS there is a requirement for an independent external review of the internal audit function once every five years. In order to address this requirement, the Core Cities Chief Internal Auditors Group set up a peer review process, managed by the constituent members, to provide the external reviews.

The purpose of the external review, is to establish compliance with the PSIAS, ensure that governance is embedded within the service and identify areas where further improvement is required, thereby ensuring that the service is fit for purpose and free from any influencing factors which may impact on its independence.

The Terms of Reference for the review were agreed by the Audit Committee in July 2017 and it was agreed that the Chair of the Audit Committee be the sponsor of the review.

4. Peer Review Process

The Peer Review was undertaken by the Chief Internal Auditor from Sheffield City Council, who meets the PSIAS requirements for an external reviewer. The process undertaken encapsulated the following three stages:

- Pre-review – whereby the Audit service completed an evidenced self-assessment and submitted it to the reviewing authority.
- Onsite Review – whereby the independent reviewer spent time with the audit service, review documentary evidence and interviewing key stakeholders.
- Post-review- whereby the reviewer evaluated the evidence collated and prepared a report accordingly.

The review commenced in November 2017 and the final report with agreed actions to recommendations was received in February 2018.

5. Conclusions and Key Findings from the Peer Review

The Peer Review, as set out in Appendix A, concluded that “*BCC’s Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.*”

The Internal Audit Service was assessed against 342 Standards, of which the reported outcome was:

- 84% Fully Conformed
- 98% Fully / Partially Conformed

Areas were identified for improvement and the key themes are summarised as:

- The role of Internal Audit in the Council’s Risk Management process and its impact upon independence (Recommendations 1 & 16).
- Training and Appraisals (Recommendations 5-9 & 11).
- Working Papers (Recommendations 18 & 21).
- Reporting Format (Recommendations 2 & 24).
- Other Processes (Recommendations 13 & 19).

The Peer Review has identified 28 recommendations, which if implemented, would further increase the level of conformity with the PSIAS and enhance the service. The relevant Peer Review observations, recommendations and BCC Internal Audit Management responses are set out in the final section of the report at Appendix A.

Actions have been agreed for all recommendations with planned implementation as follows:

- 50% by March 2018.
- 75% by June 2018.
- 96% by November 2018.

6. **Development Plan**

A Development Plan was prepared for the Internal Audit Service in September 2017 by the Interim Chief Internal Auditor. The Peer Review identified several similar themes to those incorporated within the Development Plan and the latter focused upon improvement activities in the following areas:

- Audit Committee Effectiveness
- Audit Processes
- Audit Reports
- Business Development
- Counter Fraud
- Coverage
- Culture
- Follow Up Process
- Governance
- Performance Monitoring
- Profile
- Quality
- Risk Management
- Skills Mix review of Section
- Training Needs
- Working Agile

Actions required as part of the Peer Review will take precedence but will be implemented in conjunction with priorities identified in the Development Plan. Consequently, the subsequent reporting, to the Audit Committee, of progress in the implementation of the recommendations for the Peer Review will be consolidated with the actions required in the Development Plan.

7. **Proposal**

That the Committee:

- a) Note the Council's Internal Audit Service generally conforms to the requirements of the Public Sector Internal Standards.
- b) Request progress updates on the implementation of the recommendations from the Peer Review.

8. **Other Options Considered – N/A**

9. **Risk Assessment –N/A**

Public Sector Equality Duties

- 10a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 10b) No equalities assessment necessary for this report.

Legal and Resource Implications:

Legal - N/A

Financial – N/A

Land – N/A

Personnel – N/A

Appendices:

- Appendix A – Bristol City Council PSIAS Peer Review Final Report February 2018

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- Public Sector Internal Audit Standards
- Local Government Application Note for UK Public Sector



Sheffield City Council

Finance & Commercial Services

Internal Audit

Bristol City Council PSIAS
Peer Review

Final Report

15th February 2018

Audit Information

Auditors responsible for the review:

Senior Finance Manager	Kayleigh Inman
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Report distribution:

For Action	Jonathan Idle, Interim Chief Internal Auditor Melanie Henchy-McCarthy, Head of Internal Audit (J/S) Alison Mullis, Head of Internal Audit (J/S)
For Information	Denise Murray, Strategic Director of Finance, S151 Officer. Audit Committee, Bristol City Council

Freedom of Information Disclosure

Before responding to any request under the Freedom of Information to make this report publicly available please consult the Senior Finance Manager named above as it may contain exempt information.

Independence

Public Sector Internal Audit Standard 1100 directs we must always act with independence and objectivity. We must disclose any threats to that independence, in fact or appearance, and how we have managed them in completing our work.

We have no matters to report in connection with this audit review.

Declaration

I, Kayleigh Inman confirm that I am a CCAB qualified accountant, and have over 18 years audit experience, including 5 years as the Senior Finance Manager, Internal Audit. This experience has been gained in local government and I currently undertake the role of Chief Audit Executive for Sheffield City Council. I confirm that I have no conflict of interest in performing this assessment of Bristol City Council's Internal Audit Service; I am not a part of, or under the control of Bristol City Council.

Assessment Details

1. Introduction and Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into force from 1st April 2013 (updated March 2016). The Standards apply the Institute of Internal Auditors (IIA) International Standards to the UK public sector and are mandatory. The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector
 - Set basic principles for carrying out internal audit in the UK public sector
 - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.2 The PSIAS include a definition of Internal Auditing, a Code of Ethics and eleven specific standards. The PSIAS introduced a requirement for an external assessment of an organisation's internal audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.
- 1.3 The Core Cities Internal Auditor Group developed a Terms of Reference that outlined the methodology for the external assessments. The Terms of Reference were approved by the Audit Committee at Bristol City Council (BCC) on the 20th July 2017.

2. Approach/Methodology

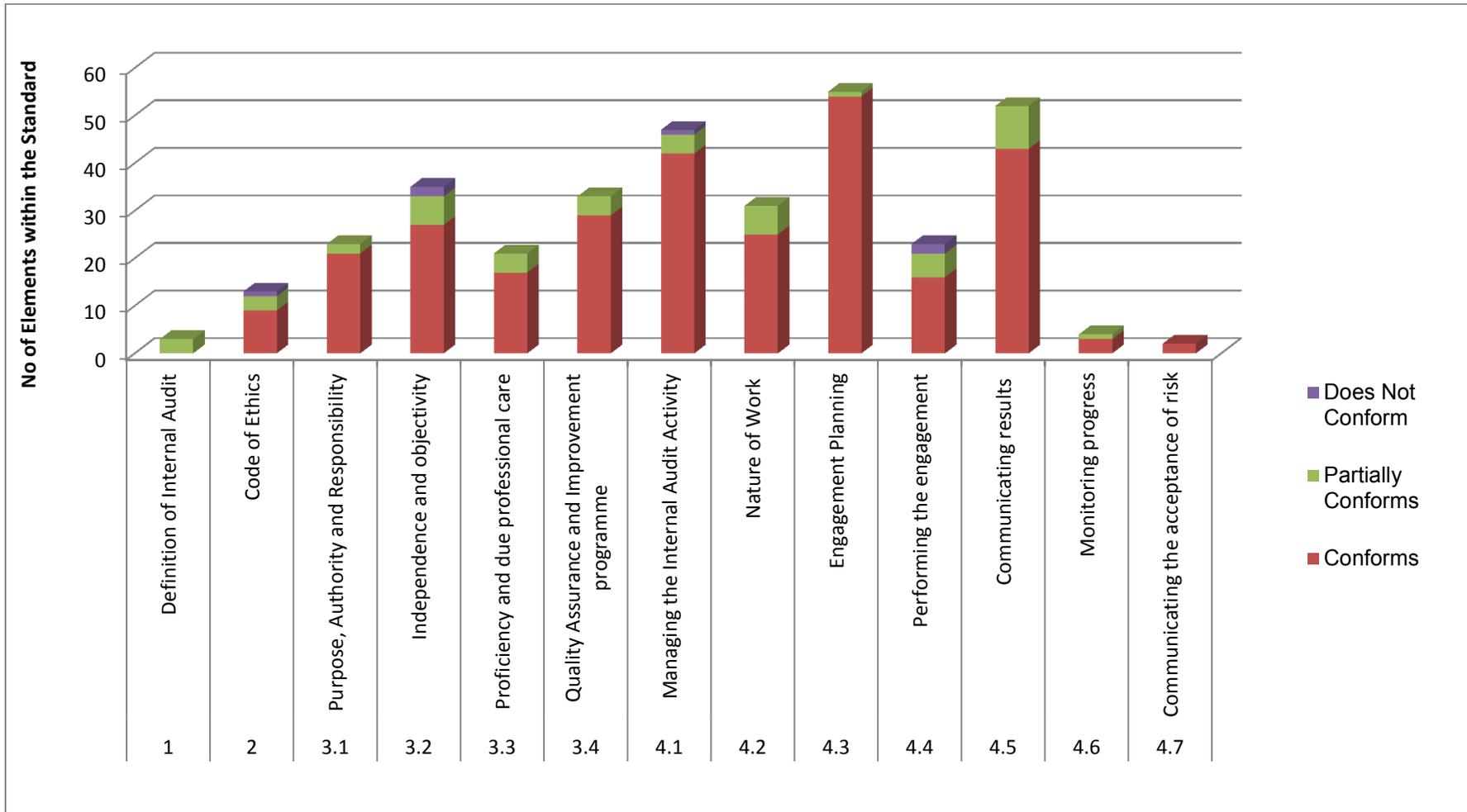
- 2.1 A self-assessment has been completed by the Heads of Internal Audit, and the Chief Internal Auditor at BCC. The self-assessment, together with the documentation that supported the responses, have been assessed and evaluated by the external reviewer.
- 2.2 An on-site visit was then conducted and meetings were held with:
- Denise Murray, S151 Officer
 - Cllr Jos Clark, Chair of the Audit Committee
 - Jonathan Idle, Interim Chief Internal Auditor and
 - Melanie Henchy-McCarthy and Alison Mullis, Heads of Internal Audit
- 2.3 A sample of audit engagements was also reviewed during the visit.

3. Executive Summary

- 3.1 This assessment concludes that Bristol City Council's Internal Audit Service **Generally Conforms** with the requirements of the Public Sector Internal Audit Standards.
- 3.2 Generally Conforms means the assessor has concluded that the relevant structures, policies, and procedures of the activity are largely in place to comply with the requirements of the individual Standards or element of the Code of Ethics, however their application in some areas is inconsistent.
- 3.3 In drawing this conclusion, it is important to provide some context of the environment in which the Internal Audit team are working. Bristol City Council has experienced considerable instability over recent years. Turnover within the senior leadership team has been significant, with 3 officers holding the role of Section 151 officer over the past 4 years. In addition the Chief Executive position was vacant at the time of the review and was being covered by 3 officers.
- 3.4 A budget deficit of £29m was forecast for the 16/17 financial year, with a final outturn position being a £10.5m overspend. As a result of this, an independent review was commissioned by the LGA to identify the causes for the 2016/17 forecast budget deficit, which made recommendations for improvement in financial management and reporting to promote better transparency and accountability.
- 3.5 Furthermore, vacancies had been frozen and there was a shortfall of Internal Audit staff and management at a time when in addition to the delivery of the Audit Plan, there was an expectation to still deliver on the AGS and on Risk Management responsibilities.
- 3.6 In November 2016, a new S151 officer was appointed. In order to ensure the ongoing provision of assurances from the Internal Audit service, additional resources were introduced, with an interim Chief Internal Auditor being tasked with implementing an improvement plan to strengthen the service.
- 3.7 It was clear from the on-site visit and interviews conducted that over the past 9-12 months, the position of the Internal Audit service has been strengthened and visibility within the Council has improved significantly, as have reporting arrangements through to senior managers.
- 3.8 It is recognised that this improvement journey is ongoing, and implementation of the recommendations made within this report should contribute further to a successful internal audit function.

Summary of the Standard

- 3.9 Of the 349 questions within the PSIAS Local Government Application Note (LGAN), the Internal Audit service fully conforms in 288 areas, partially conforms in 48 areas and does not conform in six areas. Seven questions were assessed as being not applicable. In common with the other core cities' assessments, some of the areas of non-conformance are generally accepted practice. Other areas of non-conformance relate to the application of procedures particularly around performing audit assignments.
- 3.10 The majority of the areas of non and partial conformance detailed within this report had already been identified by the service and documented in their self-assessment. Details are included in the action plan attached, alongside the additional findings from this review and recommendations that may further develop and enhance the operation of the Internal Audit section.
- 3.11 The areas of non-conformance and the impact of these should be reported to senior management and the Audit Committee together with the action plan as a result of this external assessment. The summary of the assessment is detailed in the table overleaf.



	Definition	Code of Conduct	Attribute Standards				Performance Standards						
Ref	1	2	3.1	3.2	3.3	3.4	4.1	4.2	4.3	4.4	4.5	4.6	4.7
Partially Conforms	1.1a	2.2c	3.1.3i	3.2.3c	3.3.5	3.4.7a	4.1.30	4.2.2	4.3.29	4.4.3	4.5.7	4.6.1	
	1.1b	2.4b	3.1.3m	3.2.6	3.3.9	3.4.8	4.1.31	4.2.8a		4.4.5	4.5.10		
	1.2	2.4c		3.2.7a	3.3.13	3.4.9	4.1.32	4.2.8b		4.4.6	4.5.11		
				3.2.7c	3.3.14	3.4.10	4.1.36	4.2.8c		4.4.10	4.5.14a		
				3.2.8c				4.2.8d		4.4.12	4.5.14g		
			3.2.17				4.2.13			4.5.14f			
Does not conform		2.2a		3.2.9 3.2.10			4.1.34	-		4.4.7 4.4.13			
n/a							4.1.40		4.2.20 4.2.21 4.2.23		4.5.20a 4.5.20b 4.5.20c		

4. Detailed Findings

4.1 Definition and Code of Ethics (ref 1 and 2)

- 4.1.1 Conformance with the Definition and Code of Ethics is assessed based on evidence gained from assessing conformance with all other elements of the Standards. The Definition section considers the overall independence and objectivity of the service, whilst the Code of Ethics considers the principles which govern how internal auditors should work.
- 4.1.2 It was established that the Internal Audit service has responsibility for risk management, the production of the Annual Governance Statement and specific health and safety duties for the Finance Service, and so consideration was given to their independence and objectivity as per standard 1.1a and b and 2.2a, b and c.
- 4.1.3 With reference to the AGS, the statement is produced based upon returns submitted by 1st to 3rd tier managers from across the Council. Compilation of the returns into an Annual Governance Statement is the responsibility of the Internal Audit service. This role is an oversight and challenge role and a similar approach to the AGS production is not uncommon in other core city authorities particularly as resources diminish. It is therefore agreed that this represents a partial conformance with requirements of the standard.
- 4.1.4 In relation to risk management, interviews held during the site visit, along with responses in the self-assessment established that whilst internal audit management had envisaged fulfilling the challenge role in the risk management process, the team have in fact taken on more of the facilitative role, and summarised that without their drive, risk management practices would not embed in the Council.
- 4.1.5 The role of the team in risk management means that they are not complying with a number of the elements of the PSIAS, which require internal audit to be free of management responsibilities that may impair or presume to impair their unbiased assessment (standard 2.2a). It should be noted that the role of the team on Risk Management has been raised both with management and the Audit Committee and this non-compliance with professional standards has been accepted by both.
- 4.1.6 As part of the self-assessment, management stated that a review of Internal Audit responsibilities was in progress, whereby risk management and governance may be re-allocated outside of the service leaving it free from conflict and able to provide the challenge. It is recommended that this review be completed and adequate safeguards introduced to remove any impairment to the independence of the Internal Audit team.
- 4.1.7 Standard 1.1b requires the Internal Audit service to be objective and free from any undue influence. The self-assessment has identified historical issues, largely linked to the fluidity of the organisation, which restricted the reporting arrangements of the service. It was confirmed that in the past 9 months, significant improvements have been made, specifically relating to the reporting arrangements and visibility of the service at senior management level. In conducting this peer review, it is recognised that this is a historical issue and adequate steps have been taken to address this in recent months.

- 4.1.8 A further area of partial compliance in this section of the standard relates to 2.4b and c which considers competency in performing services in accordance with the PSIAS standards and continually improving proficiency, effectiveness and quality. Appraisals have been undertaken for the auditors within the team; however the Heads of Internal Audit have not had an appraisal for a number of years. Additionally, whilst training/learning needs have been identified, there is no team training and development plan and it was acknowledged that due to resource constraints, budgets for training are restricted.
- 4.1.9 The final area of self-declared partial conformance (1.2), relates to the overall assessment of the systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes within the organisation. It is agreed that as a result of testing for other elements of the standard that the overall conclusion of partial conformance is valid. The internal audit service is not independent of the risk management process and there were areas of non-compliance identified with service processes relating to performing the audit engagements. This will be explained more fully in the Attribute and Performance Standards section of the report.
- 4.1.10 Notwithstanding the above, there are appropriate arrangements in place to ensure that the section demonstrates integrity and confidentiality and that auditors and internal audit management have regard to the Seven Principles of Public Life.

4.2 Attribute Standards

Standard 1000: Purpose, Authority and Responsibility (ref 3.1)

- 4.2.1 This section relates to the Internal Audit Charter and the conclusion reached is that the Charter substantially meets the key elements of the standard in terms of outlining the purpose, authority and responsibility of the team.
- 4.2.2 Standard ref 3.1.3i and 3.1.3m have however been revised to partial conformance. These sections relate to the independence of the Internal Audit team and the arrangements in place to avoid conflicts of interest if internal audit undertakes non-audit activities. It is acknowledged that the Internal Audit Charter outlines the role of the team in risk management. It also states that a safeguard to counterbalance this role would be the commissioning of periodic reviews over risk management from an independent external third party. To date these reviews have not been undertaken as management have taken a pragmatic view not to commission another organisation to outline weaknesses with the risk management arrangements that are already known. It should be noted that Internal Audit have concluded and reported critically to the Audit Committee on risk management arrangements.

Standard 1100 Independence and Objectivity (ref 3.2)

- 4.2.3 The self-assessment identified seven areas of partial-conformance with this area of the standard. As described, most of these relate to the functional independence from involvement in non-audit activities (3.2.3c, 3.2.6, 3.2.7a, 3.2.7c).

- 4.2.4 It was identified that the Audit Committee does not approve the Internal Audit budget, as required by the standard (3.2.8c). As is common amongst core city authorities, their budget is approved as part of the normal Council budget setting procedures. The Audit Committee does approve the annual plan, which outlines how staffing resources will be utilised across the assurance, counter-fraud and risk themes.
- 4.2.5 A further partial conformance related to the periodical rotation of assurance assignments (3.2.17). Management stated that assignment rotation is naturally occurring as there has been continual movement in staffing in the service; however no formal staff rotation policy is in place.
- 4.2.6 The non-conformance in this standard relates to HR arrangements regarding the appraisal of the officer undertaking the role of the CAE. The expectation of the standard is that the Chief Executive and Audit Committee contribute to these HR processes (3.2.9 and 3.2.10). It was noted in the self-assessment that the Heads of Internal Audit have not had an appraisal for a number of years.
- 4.2.7 The review confirmed that the Chief Internal Auditor has direct and unrestricted access to senior management and the Audit Committee as required by the standards, and that this access and visibility has significantly improved over the past 9 months.

Standard 1200 Proficiency and Due Professional Care (ref 3.3)

- 4.2.8 A self-declare partial conformance within this section related to the collective possession of the required skills, knowledge and other competencies required to perform responsibilities (3.3.5) and specifically referenced knowledge of appropriate computer-assisted audit techniques (3.3.9).
- 4.2.9 Internal Auditors have an annual and mid-year appraisal, which includes the discussion of areas for staff development. Objectives for the 17/18 financial year have not been set however due to a wider review of the approach to performance management across the Council. Areas of training are discussed during one to one meetings with Audit Managers. There is no formal training and development plan for the whole team as a corporate refresh of the training strategy is being undertaken (ref 3.3.13 and 3.3.14). The completion of a skills review for the team is included in the Improvement Plan.

Standard 1300 Quality Assurance and Improvement Programme (QAIP) and 1320 Reporting on the QAIP (ref 3.4)

- 4.2.10 The standards require that a QAIP is developed that covers all aspects of the internal audit activity and enables conformance with the PSIAS to be evaluated. Evaluation against the PSIAS should be undertaken through internal and external assessments.
- 4.2.11 The refreshed QAIP for Internal Audit was submitted to the Audit Committee in November 2017 and sets out how the section demonstrates that it performs its work in line with the PSIAS. Internal assessments at BCC include ongoing supervision and monitoring as well as periodic self-assessments of conformance using the LGAN.

- 4.2.12 The service did not identify any non-conformances in this area of the standard; however testing conducted during the site visit highlighted that compliance with routine quality monitoring processes (standard 3.4.7a) was not consistently demonstrated. This is further explained in performance standards 4.4 and 4.5 below, but represents a considerable issue in terms of demonstrating consistent adherence to the standards.
- 4.2.13 It was further identified that, whilst performance monitoring is undertaken (standard 3.4.8, 3.4.9 and 3.4.10), the Chief Internal Auditor confirmed that the current suite of PI's were outdated and needed refreshing. As a result standard 3.4.8 and 3.4.9 have been changed to partial-conformances.

4.3 Performance Standards

Standard 2000 Managing the internal audit activity (ref 4.1)

- 4.3.1 Whilst it is recognised that there was an agreed approach to guide staff in performing their internal audit duties, this was not fully documented in a policies and procedures manual. The service acknowledged this in their self-assessment as a partial conformance (4.1.30 – 4.1.32).
- 4.3.2 The standards require that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance (4.1.34). The Heads of Internal Audit confirmed that steps to develop an assurance mapping process have not progressed in BCC and so this element was assessed as a non-conformance. This development is included on the service improvement plan.
- 4.3.3 Although the absence of assurance maps presents a risk that there may be gaps or duplication in assurance coverage across the Council, this review confirmed that Internal Audit has worked in a risk-based manner to develop their audit coverage (4.1.7 and 4.1.33). The section had developed a 'reasonable assurance' model with the West of England Audit Group, which takes into account the corporate and portfolio risk registers, the views of stakeholders and other key sources of information to assist in the production of the risk-based plan. The methodology is included in the Annual Plan which was approved by the Audit Committee in March 2017.
- 4.3.4 The Chief Internal Auditor identified that liaison between internal and external audit was very limited (4.1.36). It is acknowledged that the External Auditors do attend the Audit Committee meetings and so are updated on the planned work of the team, however regular liaison meetings do not occur. It is anticipated that these will be reinstated when the new EA providers are engaged.
- 4.3.5 Standard ref 4.1.40 was not applicable to the BCC Internal Audit service as this relates to occasions where internal audit is provided by an external provider.

Standard 2100 Nature of the work (ref 4.2)

- 4.3.6 Regular monitoring reports are provided to management; however the Head of Internal Audit confirmed that the current programme of follow-up work is behind schedule due to resource constraints. This element of the standard has therefore been changed to a partial conformance (4.2.2).

- 4.3.7 The partial compliance identified in this element again relates to the role in facilitating risk management and corporate governance (standard 4.2.8a-d and 4.2.13).

Standard 2200 Engagement Planning (ref 4.3)

- 4.3.8 Terms of Reference are prepared for each audit and must be agreed by an Audit Manager. The quality review process does not required Audit Managers to document a review of the Terms of Reference (by way of a review point) however it was stated that the managers are responsible for issue and so this was deemed by the service to demonstrate approval (4.3.29). This element has subsequently been changed to a partial conformance as the working paper file itself did not contain evidence that the managers had approved and/or issued the Terms of Reference. The Terms of Reference include the objectives, the scope of the audit, the days available and timescales for completing the work, together with an assessment of the risks relevant to the review area.
- 4.3.9 Three questions were deemed to be 'not applicable' in this element, all of which related to consultancy services arising from assurance engagements (4.2.20-21, 4.2.23).

Standard 2300 Performing the Engagement (ref 4.4)

- 4.3.10 This element of the PSIAS seeks to ensure that appropriate information is identified, analysed and evaluated and that the documentation of results is sufficient to support the conclusions reached in every audit engagement. The aim is to ensure that working papers are sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached. As a result of testing undertaken during the site visit, 4.4.7 has been changed to a non-conformance.
- 4.3.11 A sample of audit engagements were reviewed during the site visit and it was established that compliance with agreed processes for documenting the tests undertaken, the findings and conclusions were not consistently applied. (4.4.3, 4.4.5-4.4.6). From a review of four audit assignments, there was insufficient detail within the working papers to fully demonstrate that conclusions within the report had been based on sufficient analysis and evaluation.
- 4.3.12 In addition, the working paper which should be completed to demonstrate the supervision and review by an audit manager was not always completed. The quality review process should ensure that all working papers are suitably completed to document the testing undertaken. Where working papers are not sufficient, the expectation would be that this is addressed between the auditor and the audit manager prior to the final sign-off of the audit report. This was not evident in assignment files reviewed during the site visit. As a result of this standard ref 4.4.12 has been changed to a partial conformance and 4.4.13 is assessed as a non-conformance.
- 4.3.13 Further, during testing an issue was identified in the methodology used to file and store audit assignment working papers (4.4.10). For 2 files sampled, the Head of Internal Audit was unable to immediately locate the working paper file and had to contact the auditor who had performed the review for assistance.

Standard 2400 Communicating Results (ref 4.5)

- 4.3.14 Following the conclusions reached in the Performing the Engagement section of the standard, there are some knock-on effects on the assessed compliance with this element of the PSIAS, particularly 4.5.7, 4.5.10 and 4.5.14a & f which require that opinions and conclusions reached are supported by sufficient, reliable, relevant and useful information, and that all material facts are disclosed. Whilst testing did not identify material omissions, the lack of consistency with working paper completion and quality review processes increases the risk that this may occur.
- 4.3.15 A further self-declared partial conformance relates to the timeliness in which communications are issued (4.5.14g). Management acknowledged that this had been influenced by the fluidity of the organisation.
- 4.3.16 The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications (standard 4.5.11) in addition to highlighting areas for improvement. Audit reporting at Bristol City Council is on an exceptions basis and therefore does not include detail on areas where good performance has been identified during the audit. This approach is also adopted at Sheffield City Council, and other core city authorities.
- 4.3.17 Standard ref 4.5.28 relates to the annual report produced by internal audit. A self-declared report point was identified regarding the inclusion of progress with the improvement plans in the annual report. Further partial conformances have been noted with regard to reporting the results of the QAIP and the PI's for the section, which are in need of a refresh (4.5.28h-j).
- 4.3.18 Three elements of this standard (4.5.20a-c) were deemed to be not applicable as they relate to the issuing of communications to parties outside of the organisation.

Standard 2500 – Monitoring Progress (ref 4.6)

- 4.3.19 A new monitoring process has been devised to follow up management actions, which conforms to the PSIAS requirements. The Head of Internal Audit confirmed however that the follow-up programme of work is behind schedule due to resourcing constraints, and so the assessment has been changed to a partial conformance (4.6.1). Follow up of recommendations is key to ensure that agreed improvements in controls and processes are implemented.

Standard 2600 – Communicating the Acceptance of Risks (ref 4.7)

- 4.3.20 The Audit Committee is provided with an Activity Monitoring Report at each meeting which outlines progress in completing the annual plan together with the results of the audits that have been completed – which includes the opinion, progress with follow-up and any other issues preventing the audit team progressing their work plan. Compliance to this element of the standard is therefore agreed.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
1000 Purpose, Authority, Responsibility				
<p>3.1.3i</p> <p>3.1.3m</p>	<p>Whilst the Internal Audit Charter acknowledged that the team was not organisationally independent and safeguards were described that would go some way to mitigate any perceived or actual conflict of interest, testing confirmed that to date there have been no independent assurance reviews of risk management commissioned.</p>	<p>Recommendation 1:</p> <p>It was stated that the role of IA with regards to risk management and governance was being considered with a view to the responsibility being moved out of Internal Audit leaving it free to provide scrutiny and challenge as appropriate.</p> <p>It is recommended that this review be concluded and the safeguards required to maintain the independence of the service be embedded.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 29.03.18</p> <p>Management Comments:</p> <p>Internal Audit had identified this as a concern and raised it with Council management and the Audit Committee. Internal Audit will withdraw from the facilitative role it has been undertaking in respect of Risk Management and this will also be explicitly set out in the Internal Audit Plan for 2018/19 presented to the Audit Committee on 29.03.18.</p> <p>In respect of the role undertaken in the compilation of the Council’s Annual Governance Statement on behalf of Council Management, the Head of Paid Service and the Mayor, in the absence of alternative provision, experience and expertise within the Council, Internal Audit will continue to undertake this core Council activity.</p> <p>In relation to the Health and Safety responsibilities undertaken on behalf of the Finance Department, the involvement of Internal Audit management to support its host Directorate will be reviewed with the Executive Director, Resources.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
1100 Independence and Objectivity				
<p>3.2.3c</p> <p>3.2.17</p>	<p>Threats to objectivity at a functional level were identified because of the role of Internal Audit in risk management and governance (see above).</p> <p>It was further noted that the periodical rotation of assurance assignments between staff was naturally occurring as there had been continual movement in staffing in the service; however no formal staff rotation policy was in place.</p>	<p>Recommendation 2: As recommended above, safeguards should be developed and embedded to maintain functional independence.</p> <p>For specific audit assignment an independence statement should be included within the Terms of Reference and Draft and Final reports to confirm there is no conflict of interest for the auditor performing the review.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 22.02.18</p> <p>Management Comments: An Independence Statement will be incorporated into Term of Reference and Report templates.</p>
<p>3.2.6</p> <p>3.2.7a</p> <p>3.2.7c</p>	<p>The CAE is at a 3rd Tier - Head of Service level which can impact on the influence they have on the rest of the organisation.</p> <p>In practice, however, the Chief Internal Auditor regularly attends Leadership Team meetings and provides constructive challenge.</p>	<p>Recommendation 3: The position of the CAE would be enhanced by the formalisation of Internal Audit attendance at SLT/DLT etc.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: Complete</p> <p>Management Comments: The CAE has regular attendance at Directorate Leadership Teams and Corporate Leadership Board, which will continue.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
3.2.8c	<p>The Board (Audit Committee) does not approve the internal audit budget.*</p> <p>* denotes generally accepted practice within the sector</p>	<p>Recommendation 4: The Audit Committee should determine whether it is satisfied with the current arrangements for approving the Internal Audit budget.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 29/03/18</p> <p>Management Comments:</p> <p>The Audit Committee approves the resources for delivery of assurances but not the budget per se and can make recommendations to senior management if it considers resources are insufficient. Additionally, members can propose a budget amendment as part of the budget setting process should they consider appropriate.</p>
3.2.9 3.2.10	<p>The Heads of Internal Audit have not had a performance appraisal for a number of years.</p> <p>The Chief Executive or equivalent does not undertake, countersign, contribute feedback to or review the performance appraisal of the CAE *</p> <p>The Chair of the Audit Committee does not contribute to feedback to the performance appraisal of the CAE.*</p>	<p>Recommendation 5: Identified as part of self-assessment. As a minimum, the Heads of Internal Audits should have an annual performance appraisal undertaken.</p> <p>Consideration should be given to method for obtaining feedback from the Head of Paid Service and Chair of the Audit Committee</p>	<p>Non conformance</p> <p>Non conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 31.05.18</p> <p>Management Comments:</p> <p>Performance appraisals for the Heads of Internal Audit will be completed.</p> <p>Additionally, the Head of Paid Service, the Chair of the Audit Committee, the Cabinet portfolio holder and the Executive Director, Resources will be invited to contribute to the performance appraisal of the Chief Internal Auditor.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
1200 Proficiency and Due Professional Care				
3.3.5	A draft Training Strategy for the Finance Service has been produced which focusses on professional qualifications only. A skills review within Internal Audit is to be undertaken by the Chief Internal Auditor as part of the Improvement Plan to ensure the service has the correct skills, knowledge and competence to perform its responsibilities.	Recommendation 6: As outlined in the Improvement Plan, the skills review should be undertaken by the Chief Internal Auditor.	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.07.18</p> <p>Management Comments:</p> <p>The Skills Review is in progress with the intention of identifying how gaps in skills and knowledge will be addressed.</p>
3.3.9	All auditors do not currently have sufficient knowledge of computer assisted audit techniques. This has arisen as experienced staff have left the services.	Recommendation 7: Identified as part of self-assessment. Training in this area is planned, and should be rolled out as appropriate.	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.11.18</p> <p>Management Comments:</p> <p>Computer assisted audit training (CAAT) is ongoing within the team , for example in data analytics, but requires acceleration and the identification of specific CAAT training needs will be prioritised in April 2018 and training requirements will be submitted to the Council’s Training Evaluation Panel for approval with the intention of rolling out across 2018/19.</p>

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Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
3.3.13	Whilst internal auditors have had an annual appraisal and mid-year review, objectives and targets for the 17/18 financial year were not established.	Recommendation 8: Identified as part of the self-assessment. Targets should be established for the all auditors going forward. Performance against targets should be monitored throughout the year.	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.04.18</p> <p>Management Comments:</p> <p>“Business as Usual” targets were set and monitored for the section as a whole in 2017/18 but, more generally, the effectiveness of the section’s performance management arrangements was impacted by a corporate review of strategic objectives and business planning with implications for the setting of team and individual objectives.</p> <p>Team and individual targets will be set for all auditors and monitored on an ongoing basis in 2018/19.</p>
3.3.14	Professionally qualified staff are responsible for meeting their own professional body requirements. A Training Strategy for the team is not in place.	Recommendation 9: Following the outcome of the Skills Review and the establishment of performance targets, a training strategy should be formulated to guide the future development of the team.	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.07.18</p> <p>Management Comments:</p> <p>The Training Strategy will be completed incorporating skill needs for all differing roles within the team and differentiate between organisational and professional training expectations.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
1300 Quality Assurance and Improvement Programme				
3.4.7a	Compliance with routine quality monitoring processes was not consistently demonstrated.	<p>Recommendation 10: Consideration should be given to re-introducing the quality control checklist to ensure Audit Managers clearly demonstrate compliance with the review process.</p>	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 26.02.18</p> <p>Management Comments: Quality control has been reviewed with new processes introduced and disseminated to relevant staff. The effectiveness of the new quality processes will be formally reviewed on a quarterly basis by the Chief Internal Auditor.</p>
3.4.8 3.4.9 3.4.10	Whilst performance monitoring was undertaken, the Chief Internal Auditor confirmed that the current suite of PI's were outdated and needed refreshing.	<p>Recommendation 11: The performance targets for Internal Audit should be refreshed in line with the wider corporate performance review and in consultation with appropriate parties.</p> <p>Once the performance target refresh has been undertaken, the new suite of PI's should be regularly monitored and reported.</p>	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 29.03.18</p> <p>Management Comments: Refreshed performance targets have been prepared and submitted to the Audit Committee (29.03.18).</p> <p>The targets will be reviewed on a monthly basis and reported to the Audit Committee at least on a half yearly basis. And as per business plan</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
2000 Managing the Internal Audit Activity				
4.1.34	<p>The self-assessment identified a non-conformance in respect of the risk based plan taking into consideration the Council’s assurance framework. It is acknowledged that a number of attempts have been made to develop an assurance framework for the Council but this has not been achieved.</p> <p>The PSIAS requires that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance.</p>	<p>Recommendation 12: Within the Improvement Plan there is an agreed action to progress assurance mapping for the Council.</p> <p>The approach to using other sources of assurance and any work that may be required to place reliance upon those sources should be further developed as part of the assurance mapping exercise.</p>	Non conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.11.18</p> <p>Management Comments: Assurance mapping will be introduced on a phased basis via:</p> <ul style="list-style-type: none"> a) Incorporation of the approach when undertaking risk based audits on the Corporate Risk Register. b) The piloting of Assurance mapping using the Three Lines of Defence Model with Children’s Services and safeguarding.
4.1.30 4.1.31 4.1.32	<p>Whilst procedures were agreed to guide the internal audit activity, these were not fully documented in the form of an audit manual and/or use of an electronic management system. This has led to variations in application and thus inconsistencies in areas such as working papers and</p>	<p>Recommendation 13: Documented procedures should be developed to guide staff in performing their duties in a manner that conforms to the PSIAS.</p>	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 30.11.18</p> <p>Management Comments: Documented processes will be addresses on a phased</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
	file storage.			basis. Initially, reporting and quality control processes will be documented and communicated to relevant staff by 28.02.18. Processes relating to expected standards and consistency for working papers and file storage will subsequently be documented by the Target Date.
4.1.36	The Chief Internal Auditor identified that liaison between internal and external audit was very limited. It is acknowledged that the External Auditors do attend the audit committee meetings and so are updated on the planned work of the team, however regular liaison meetings do not occur.	Recommendation 14: It is anticipated that these will be reinstated when the new EA providers are engaged.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 29.03.18 Management Comments: Engagement with the current External Auditors in relation to Audit Planning for 2018/19 will occur in February / March 2018. The initial engagement with the Council’s new External Auditors will occur in March 2018 and regular liaison meeting dates set.
2100 Nature of the work				
4.2.2	A new approach to following-up audit recommendations has been devised to monitor implementation of high and medium priority recommendations. The Head of Internal Audit acknowledged however that the follow-up programme was behind schedule due to reduced resources.	Recommendation 15: Resources to conduct the new follow-up process should be established, with the results reported to DLT and SLT’s.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: Complete Management Comments: This was a short-term issue only at the time of the Peer Review and resources have been allocated already for the Follow Up Programme.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
<p>4.2.8a-d</p> <p>4.2.13</p>	<p>Due to the role of Internal Audit in risk management, it is difficult to assess how the service could evaluate the effectiveness of the organisation’s risk management processes.</p>	<p>Recommendation 16: The role of the Internal Audit team in the risk management process should be formally reviewed and appropriate safeguards introduced to protect independence. An option would be the implementation of the proposed external reviews of risk management.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 29.03.18</p> <p>Management Comments: Internal Audit had identified this as a concern and raised it with Council management and the Audit Committee. Internal Audit will withdraw from the facilitative role it has been undertaking in respect of Risk Management and this will also be explicitly set out in the Internal Audit Plan for 2018/19 presented to the Audit Committee on 29.03.18.</p>
<p>2200 Engagement Planning</p>				
<p>4.3.29</p>	<p>Testing established that Audit Managers are not required to demonstrate approval of engagement work programmes as part of their quality review, and instead the issuing of the Terms of Reference by the manager was considered sufficient.</p>	<p>Recommendation 17: The quality review checklist recommended above should incorporate a requirement for approval of the engagement work programme to be demonstrated.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 26.02.18</p> <p>Management Comments: There has always been management approval of Terms of Reference but this will now be formally incorporated as a process within the Terms of Reference template.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
2300 Performing the engagement				
4.4.3 4.4.5 4.4.6	From a review of four audit assignments, there was insufficient detail within the working papers of three assignments to fully demonstrate that conclusions within the reports had been based on sufficient analysis and evaluation.	Recommendation 18: Consistent completion of the working papers, particularly the RCES, should be undertaken to ensure that all conclusions within the audit reports are adequately supported by documented testing.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 30.06.18 Management Comments: While working paper processes have been inconsistent, audit reports issued are soundly based and occur after discussion and scrutiny of findings by relevant managers receiving the reports. Expectations and standards for consistent working papers will be communicated to all relevant members of the Audit Team by 28.02.18. This will be reviewed on an audit by audit basis and formally reviewed on a quarterly basis by the Chief Internal Auditor.
4.4.10 	The methodology used to file and store audit assignment working papers was not consistently applied. For 2 files sampled, the Head of Internal Audit was unable to immediately locate the working paper file and had to contact the auditor who had performed the review for assistance.	Recommendation 19: File storage protocols should be documented and adhered to for all types of engagement record.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 30.11.18 Management Comments: An immediate action was taken to hyperlink audits on the Audit Plan control record to the relevant file location. In the medium-term, file storage and naming protocols will be reviewed to improve efficiency.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
4.4.12	The standard requires that all engagements are properly supervised and whilst it was stated that an agreed approach existed, this was not consistently applied. With one of files reviewed, the working papers had not been fully completed and this had not been raised as part of the quality review by the Audit Manager.	Recommendation 20: The approach to undertaking and document the quality review by the Audit Manager should be evaluated to ensure it meets the requirements of the PSIAS. If necessary, the checklist of requirements should be reintroduced.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 28.02.18 Management Comments: As per Recommendation 13 above, revised quality review procedures will be introduced by 28.02.18
4.4.7	The review of four audit assignments identified that the working papers for three of these were not sufficiently completed and detailed to enable another experience internal auditor, with no previous connection with the audit, to ascertain what work was performed, to re-perform it and if necessary to support the conclusions reached.	Recommendation 21: As above, consistent completion of the working papers, particularly the RCES, should be undertaken to ensure that all conclusions within the audit reports are adequately supported by documented testing.	Non conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 30.06.18 Management Comments: As stated above, a formal review of the application of quality control reviews will be undertaken by the Chief Internal Auditor on a quarterly basis.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
4.4.13	The working paper which was in place to demonstrate the supervision and review of an audit engagement by an Audit Manager was not always completed. In addition, the checklist of items that should be checked/reviewed as part of the quality monitoring was no longer in use.	Recommendation 22: As above, the approach to undertaking and document the quality review by the Audit Manager should be evaluated to ensure it meets the requirements of the PSIAS. If necessary, the checklist of requirements should be reintroduced.	Non conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 28.02.18 Management Comments: As per Recommendation 13 above, revised quality review procedures will be introduced by 28.02.18
2400 Communicating the results				
4.5.7 4.5.10 4.5.14a 4.5.14f	As a consequence of the findings identified from the assignment working paper reviews, there is a risk that that reports do not disclose all material facts, or that the opinions are not supported by sufficient, reliable, relevant and useful information. Whilst testing did not identify material omissions, the lack of consistency with working paper completion and quality review processes increases the risk that this may occur.	Recommendation 23: See recommendations above to ensure complete, detailed working papers are maintained.	Partial conformance	Responsibility: Jonathan Idle, Interim Chief Internal Auditor Target Date: 30.06.18 Management Comments: As stated above, a formal review of the application of quality control reviews will be undertaken by the Chief Internal Auditor on a quarterly basis.

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
4.5.11	<p>Audit reporting at Bristol City Council is by exception. The standards encourage internal auditors to acknowledge satisfactory performance in engagement communications. Interviews with key officers confirmed the audit reports have improved in recent months and further reviews of the report formats are planned as part of the Improvement Plan.</p>	<p>Recommendation 24: Identified as part of self-assessment. To be considered as part of the review of report formats.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: Complete</p> <p>Management Comments: The new audit report template incorporates the recording of controls and processes which are operating satisfactorily.</p>
4.5.14 g	<p>The self-assessment has identified an area of partial conformance surrounding the timeliness of the audit communications.</p>	<p>Recommendation 25: Chief Internal Auditor and Audit Committee to determine any actions arising.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 29.03.18</p> <p>Management Comments: A new performance measure will monitor the length of the audit process and this will be measured, monitored and reported to the Audit Committee on at least an half yearly basis.</p>

Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
<p>4.5.28h 4.5.28i</p>	<p>The annual internal audit report generally incorporates the requirements of the PSIAS, however the self-assessment identified that the results of the QAIP together with progress against any improvement plans resulting from the QAIP, were not fully covered.</p>	<p>Recommendation 26: The annual internal audit report should incorporate the results of the QAIP, together with progress against any improvement plans resulting from the QAIP.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: 24.05.18</p> <p>Management Comments: The QAIP was approved by the Audit Committee in November 2017 with the intention that progress be reported within the Annual Internal Audit report for 2017/18.</p>
<p>4.5.28j</p>	<p>Whilst the annual report included a summary of performance of the internal audit activity against its performance measures and targets, the Chief Internal Auditor has acknowledged that the suite of PI's need to be refreshed.</p>	<p>Recommendation 27: Once the refresh of the PI's has been completed (see previous recommendation), the annual report should include a summary of performance against these measures.</p>	<p>Partial conformance</p>	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: May 2019</p> <p>Management Comments: The refreshed performance measures will be for 2018/19, which will be presented to the Audit Committee in March 2018 and delivery against the measures will therefore be incorporated into the 2018/19 Annual Report, which will be submitted to the Audit Committee in May / June 2019.</p>

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Self Assessment Ref	Observations	Recommendations	Conformance with standard or service improvement	Responsibility, Target Date and Management Comments
2500 Monitoring Progress				
4.6.1	The Head of Internal Audit confirmed that the follow-up programme of work is behind schedule due to resourcing constraints, and so the assessment has been changed to a partial conformance.	Recommendation 28: Plans should be developed to progress the follow-up work programmed.	Partial conformance	<p>Responsibility: Jonathan Idle, Interim Chief Internal Auditor</p> <p>Target Date: Complete</p> <p>Management Comments:</p> <p>As per Recommendation 15, this was a short-term issue only at the time of the Peer Review and resources have been allocated already for the Follow Up Programme.</p>



Audit Committee

29th March 2018

Report of: Interim Chief Internal Auditor /Head of Internal Audit

Title: Internal Audit Activity Report – 1st April 2017 – 1st March 2018

Ward: N/A

Officer Presenting Report: Jonathan Idle, Interim Chief Internal Auditor

Recommendation

The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of **1st April to 1st March 2018**, and the results thereof.

Summary

This Activity Report provides the Committee with an accumulative summary view of the work undertaken by Internal Audit in the period of 1st April to 1st March 2018, together with the resulting conclusions, where appropriate. Additionally, the report provides the Committee with oversight of grant certification work completed on behalf of the Council, the Internal Audit recommendation implementation rate for the period, and as with previous Activity Reports, enhanced reporting in terms of individual summaries for 13 audit reviews completed in the period. This is the fourth planned activity report for the municipal year of 2017/18. **The significant issues in the report are:**

- Key messages arising from this report at Section 2 of Appendix A;
- Progress in delivery of the audit plan at paragraph 3.1 and Section 5 of Appendix A;
- Audit Team resourcing at paragraph 3.2 of Appendix A;
- Value of Grants Certified by the Service in the period, paragraph 3.3 of Appendix A;
- Recommendation implementation rate, paragraph 3.6 of Appendix A;
- Summaries of completed Internal Audit reviews - at Appendix B.



Policy

1. Audit Committee Terms of Reference.

Consultation

2. **Internal**
Statutory and Policy Board, S 151 Officer and Cabinet Member for Governance Resources and Finance - For Information only.
3. **External**
N/A

Context

4. This is the fourth of the 'in year' Internal Audit (IA) Activity reports to the Audit Committee. The Activity reports are designed to provide the Committee with a summary view of the work completed by the Service throughout the year to date. The activity reports are provided to the Committee on an accumulative basis covering all of the IA activities. The Activity reports are provided to:
 - Provide an overview of the work of Internal Audit to date.
 - Present the assurance work completed and in progress by the Internal Audit team during the period, together with the conclusions drawn from that work.
 - Update the Committee on the Internal Audit recommendations implementation rate.
 - Spotlight audit review outcomes, both positive and negative, to management and the Audit Committee for their consideration and action, where appropriate.

The Activity Report covering the period 1st April 2017 to 1st March 2018 can be found at Appendix (A), with the key points to note provided below:

5. Key points arising from the Activity Report:
 - Temporary resources are supporting the completion of the planned audit work. A further resignation will impact on resources in 2018/19;
 - The majority of assurance reviews are either complete, in progress or at early planning stages (subject to those amendments/deletions agreed with the Committee in November 2018).
 - Annual Governance Statement Assurances have been requested for return by mid-March.
 - Pro-active fraud work continues to identify a good level of recoverable savings and an increased number of recovered council tenancies;
 - 27 grants/ certifications with a total value of £30m certified to date;
 - Risk Management dedicated resource has now been sourced;

- Recommendation implementation rate is currently at 91% implemented or partially implemented. This demonstrates an improvement when compared to the previous year.

Proposal

5. The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of 1st April to 1st March 2018, and the results thereof, raising challenge where appropriate.

Other Options Considered

6. N/A

Risk Assessment

7. The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
 - i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –

- tackle prejudice; and
- promote understanding.

8b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A

Financial

(a) Revenue – N/A

(b) Capital – N/A

Land/Property – N/A

Human Resources

Appendices:

Appendix A – Internal Audit Activity Report for period of 1st April to 1st March 2018

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT FOR THE PERIOD OF 1st April 2017 to 1st March 2018



1. Introduction

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Audit Committee and Management with the status of the work carried out by the Internal Audit (IA) team for the period of 1st April 2017 to 1st March 2018, building on the information which was provided to the Committee at previous meetings and thereby allowing the Committee to track the progress of Internal Audit work through the year.
- 1.4 Additionally, the report provides an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:
 - Summaries of completed audit reviews
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
 - Grant certification
 - Recommendation Implementation status
 - An update on the Proposed changes to the Risk Management process
 - The work of the Investigations Team.
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 1st March 2018, is provided at Section 5 of this report.

2. Key Messages

- Audit Plan – Temporary resources are supporting the completion of the planned audit work. A further resignation will impact on resources in 2018/19;
- Annual Governance Statement Assurances have been requested for return by mid-March.
- Pro-active fraud work continues to identify a good level of recoverable savings and an increased number of recovered council tenancies;
- 27 grants/ certifications with a total value of £30m certified to date;
- Risk Management dedicated resource has now been sourced;
- Recommendation implementation rate currently at 91% implemented or partially implemented.
- The majority of assurance reviews are either complete, in progress or at early planning stages.
- A summary of matters arising for 13 of the audit assignments completed during the period has been provided at Appendix B.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work, for the period 1st April to the 1st March 2018, is provided in Section 5 below. In summary; the majority of planned assurance work, following amendments to the plan in November 2017, are now either in progress or complete. Only 6 reviews are yet to commence from the assurance plan. Of these, 1 is on hold, 1 is no longer required, 2 are due to commence in March, 2 are likely to slip into April 2018 and 1 is no longer required.

The remainder are all either complete, in progress or at the early planning stage.

Ad-hoc work requests – To date, the Service has had a total of thirteen ad-hoc requests, for Investigations/Consultancy. The majority of these were received in the first part of the year and were a key contributor to the required plan amendments. Work in all but one of these areas is now complete. The outstanding request has been withdrawn and is no longer required. Full details of these matters are again in section 5 of this report. This means that ‘assurance’ resource is now working entirely on planned assignments.

3.2 Internal Audit Resources:

The Internal Audit Service continues to carry a number of vacancies; the equivalent of 5.7 FTE. A further resignation has been received which will impact on resource in 2018/19.

Vacancies are being held whilst a skills and structural assessment of the team progresses. This review is likely to run into 2018/19 and temporary staffing resource has therefore been requested to continue supporting the service during for the remainder of 2017/18 and into the first quarter of 2018/19.

3.3 Grant Certification Work:

To date, the team has audited and certified 27 grant claims or other certification to the value of approximately £30m plus 8m Euro. Details of certifications are also provided in section 5.

3.4 Annual Governance Statement Review

Assurance statement questionnaires have been revised and issued to all Executive Directors, Directors and Heads of Service to return to the team by 16th March 2016. Assurance received will then be analysed, verified and the information provided used to inform the Annual Governance Statement for 2017/18.

3.5 Risk Management Update:

The refreshed Risk Management Policy considered by Audit Committee in November 2017 has now been approved by Cabinet and is ready for launch and roll out. Additionally, the Corporate Risk Register was considered by Cabinet for the first time in January 2018.

Given the impact on the audit teams independence of facilitating risk management (commented on as an area of non compliance with professional standards in the external peer review of the team), it is proposed that Risk Management be aligned to the Finance function with the intention of ensuring a seamless reporting of the risk to which the Council is exposed and the effectiveness of mitigation plans proposed.

3.6 Recommendation Implementation

Internal Audit continue to work with management to improve the implementation of Internal Audit recommendations, including the provision of quarterly monitoring reports on the status of recommendation follow-up work by Internal Audit with the number of recommendations made as a result of an audit review, together with details of the number implemented, partially implemented and not implemented.

Internal Audit will follow up recommendations until they are implemented, therefore where it is concluded that a recommendation has either been partially implemented or not implemented at all, the follow up process will continue until full implementation has been achieved.

An analysis of the implementation of recommendations, based upon completed follow up reviews, is summarised in Table 1 below. The table includes a percentage implementation rate which will be regularly reported to the Committee. For the 13 concluded audits followed up in this period, there was a 91% implemented or partially implemented rate compared to the percentage total at the end of 2016/17 of 70% implemented or partially implemented.

Table1: Summary of Implementation of Internal Audit Recommendations:

Follow-Up Audit	Total Recs	Implemented	Partially Implemented	Not Implemented
VAT	9	3 (33%)	5 (56%)	1 (11%)
Business Continuity Planning	10	5(50%)	5 (50%)	0
Housing Rents	14	9 (64%)	3 (21%)	2 (14%)
Leisure Centre Contract	3	3 (100%)	0	0
Safeguarding Adults	3	1 (33%)	2 (67%)	0
Compass Point South Street Primary School	10	6 (60%)	2 (20%)	2 (20%)
Housing Benefit	11	0	11 (100%)	0
Right to Buy Fraud Prevention	12	10 (83%)	0	2 (17%)
NNDR Collection	7	7 (100%)	0	0
Data Loss Prevention System	7	6(86%)	0	1(14%)
Recruitment and Selection (DBS Check)	5	3(60%)	2(40%)	0
Customer Relations System (Complaints and Complements)	11	8(73%)	1 (9%)	2 (18%)
General Ledger Journals	7	4 (57%)	3(43%)	0
Total	109	65 (60 %)	34(31 %)	10 (9%)

3.7 Counter Fraud Update.

The Committee received a report on counter fraud work undertaken by the team in November 2017 and is due to receive a full update of the teams work in 2017/18 in May 2018. To update, however, the following represents the significant outcomes of fraud work for the year to date:

From Tenancy fraud work:

- 22 housing properties have been recovered as part of the continued tenancy fraud initiative.
- 19 housing applications have been cancelled or other positive outcomes achieved.
- 8 Right to Buy applications have been cancelled.

From this and other fraud work, the following potential savings have been identified:

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£30,597	£2,046,000	£213
Right to Buy	0	£426,500	0
Care Homes	£176,465	0	£5,829
Benefits (NFI)	£24,087	0	£884
Benefits	£498,162	0	£1,745
Council Tax Reduction	£126,529	0	£1,314
Admin Penalties (Adpens)	£24,129	0	0
Personal budget	£3000	0	0
Fuel card misuse	£4014	0	0
Blue Badge/bus pas	0	£698	0
Other	0	0	£252
TOTAL	£886,983	£2,473,198	£10,237

Figures used for notional savings are:

- (i) Council property recovered = £93000 (figure recommended by Cabinet Office)
- (ii) Bus pass = £500 per year
- (iii) RTB = Discount that would have been awarded on the sale.

NB: The above does not reflect the extent of recovery of any savings.

The team also has a backlog of fraud referrals that require investigation. These can require extensive and lengthy work to bring them to a proper conclusion. Priorities within the team are now being reviewed to expedite completion of some of these investigations.

4. Under the Spotlight!



With each activity report, IA turns the spotlight on the audit reviews not just where the residual level of risk was considered to be 'Red or Amber', but also where the governance and controls in the area reviewed were considered to be good, providing the Audit Committee with a summary of the objectives of the review, the key findings, conclusions and recommendations; thereby giving the Committee the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix B, for the Committee's information and discussion:

- Complaints Management
- Contract Waivers
- Contract Register and Publications Requirements
- Contract Management - Renewals and Awards
- Business Cases – Robustness and Delivery
- GDPR – 2nd Review
- Housing Voids
- The Woodway Federation
- Cash Receipting System Contract Monitoring
- Bank Reconciliation
- Clearing House Automated Payment System (CHAPS)
- Accounts Payable
- Duplicate Cheques and Associated Print and Mail Service Issues

5. Status of Internal Audit Work for the Period of: (1st April to 1st March 2018)

Risk Based Assurance Plan:

Directorate	Gov, Risk or In	Audit Plan Name of Review	Stage of Review				Outcome		No. of Recommendations			Summary of Findings: Key Issues (in no more than 2 short sentences)
			Initial Planning/TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	Risk Level	H	M	L	
Corporate	Information Security/ICT	Data Protection Compliance (new regulations) - GDPR - Readiness - 1 of 2 reviews				✓	None	Red	5			Committee provided with details November 2017 meeting
Corporate	Information Security/ICT	GDPR - Embedded Assurance Approach - 2nd Review				✓	Limited	Red	5	7		See Appendix (1) to report
People	Financial Controls	b/f Foster Care Payments				✓	Limited	Red	2	1		Committee provided with details November 2017 meeting
Resources	Projects and Programmes	HR/Payroll - New System Implementation				✓	Limited	Red				Committee provided with details November 2017 meeting
Corporate	Governance	Bristol Is Open				✓	Limited	Red	6	5	0	Committee provided with details November 2017 meeting See Appendix (1) to report
Neighbourhoods	HR and Asset Management	Housing Stock - Void Management				✓	Limited	Red	3	11	0	
Resources	Information Security/ICT	DLP Security				✓	Limited	Red	5	3	1	Committee provided with details November 2017 meeting
Resources	Financial Controls	Accounts Payable Controls				✓	Limited	Amber	3	6	2	See Appendix (1) to report
Corporate	Commissioning and Procurement	Purchase Card Review				✓	Limited	Amber	6	4	0	Committee provided with details September 2017 meeting
Resources	Financial Controls	Accounts Receivable				✓	Limited	Amber	2	9	0	Committee provided with details November 2017 meeting
Resources	Commissioning and Procurement	Cash Receipting System Contract Management				✓	Limited	Amber	3	1		See Appendix (1) to report
Corporate	Commissioning and Procurement	Continual Audit - Contract Waivers				✓	Limited	Amber	0	6	0	See Appendix (1) to report
Corporate	Governance	Whistleblowing Effectiveness Review				✓	Limited	Amber	0	7	0	See Separate Agenda Paper
Place	Financial Controls	Security Services (Cash In Transit)				✓	Reasonable	Amber	0	6	2	Committee provided with details September 2017 meeting
Neighbourhoods	Financial Controls	NNDR Collection b/f				✓	Reasonable	Amber	1	7	0	Committee provided with details September 2017 meeting
Neighbourhoods	Financial Controls	b/f Budgetary Control Neighbourhoods				✓	Reasonable	Amber	0	7	0	Committee provided with details November 2017 meeting
Resources	Financial Controls	Chaps System - control and accounting (to include FASTER payment system)				✓	Reasonable	Amber	0	6	6	See Appendix (1) to report
Corporate	Governance	Complaint Systems				✓	Reasonable	Amber		3	1	See Appendix (1) to report
Resources	Financial Controls	Bank Reconciliation/E Income Returns				✓	Reasonable	Amber		6	5	See Appendix (1) to report
Corporate	Governance	Business Case - Robustness and Delivery				✓	Reasonable	Amber		10	1	See Appendix (1) to report
Corporate	Commissioning and Procurement	Contracts Register and publication requirements				✓	Limited	Green		2		See Appendix (1) to report
Corporate	Commissioning and Procurement	Continual Audit - Contract management- renewals and awards				✓	Reasonable	Green	0	2	0	See Appendix (1) to report
Neighbourhoods	Fraud - Detection	Tied Properties				✓	Reasonable	Green				No sub-letting found, some residential addresses being used for storage and community rooms
Neighbourhoods	Governance	Memorandum Of Understanding between BCC and DWP				✓	Acceptable	N/A	0	0	0	Recommendations implemented in course of review
Neighbourhoods	Financial Controls	Catering Service - Audit Compliance				✓	N/A	N/A	0	14	0	Poor control, staff changes, outdated technology
Corporate	Fraud - Strategic	Open Data Reporting re Fraud (Transparency Code)				✓	N/A	N/A				Reported Annually.
Corporate	Fraud - Strategic	Annual Fraud Survey - CIPFA				✓	N/A	N/A				National report
Corporate	Fraud - Prevention	Fraud Web page review and fraud warning bulletins				✓	N/A	N/A				Web pages now up to date
Corporate	Fraud - Prevention	CIPFA Counter Fraud Benchmarking				✓	N/A	N/A				Received and used to inform plan
Corporate	Fraud - Prevention	CIPFA Counter Fraud Assessment Review				✓	N/A	N/A				Committee provided with details November 2017 meeting
People	Fraud - Prevention	Direct Payment Fraud - Fraud Awareness Training for Social Workers (E learning)				✓	N/A	N/A				1 session delivered - more planned in 2018/19
People	Fraud - Prevention	Fraud Awareness Training - Caretakers				✓	N/A	N/A				
Corporate	Risk Management	Policy, Co-ordination, Facilitations				✓	N/A	N/A				Policy have been reviewed and approved by Cabinet. Risk Manager resource has been sourced and to commence in
Corporate	Fraud - Prevention	CIPFA Fraud Hub - Proposal (provision of fraud overview)				✓	N/A	N/A				Offer reviewed. Planned own work for 2018/19
Corporate	Commissioning and Procurement	Monitoring of Contracts				✓						
Corporate	Fraud - Strategic	Fraud Policy Review				✓						Statement on fraud reviewed. Details provided to November Audit Committee
Corporate	Governance	Code of Governance Review				✓						Local code of governance redrafted and consulted - awaiting approval
Corporate	Governance	Web Page Control - ensuring governance policies etc routinely available				✓						
Place	HR and Asset Management	Investment Property Portfolio				✓						
Resources	HR and Asset Management	Employment Status and right to work				✓						
Corporate	Information Security/ICT	Operations Centre - Resilience and Security				✓						
People	Risk Management	Risk Based Review - Fitness for purpose of 3 Tier Model				✓						
People	Risk Management	Safer Recruitment - Children and Families Care and Support				✓						
Corporate	Fraud - Strategic	Fraud Policy Review		✓								
Resources	Fraud - Detection	Fiscal Fraud Module Review		✓								
Corporate	Commissioning and Procurement	Voluntary Sector Commissioning (avoidance of procurement regulations)		✓								
People	Commissioning and Procurement	Commissioning - Adult Care Provision - Commissioning and Monitoring of service delivery		✓								

Resources	Financial Controls	Payroll System Controls		✓								
Corporate	Financial Controls	Savings Tracker for Change Programme		✓								
Corporate	Financial Controls	Directorate Budgetary Control		✓								
Resources	Fraud - Detection	Fiscal Fraud Module Review		✓								
Neighbourhoods	Fraud - Detection	Housing Benefit Fraud - DWP Liaison		✓								
Neighbourhoods	Fraud - Detection	Council Tax Reduction		✓								
Corporate	Fraud - Investigation	Fraud Hotline		✓								
Corporate	Fraud - Investigation	GAIN/Police Enquiries		✓								
Neighbourhoods	Fraud - Investigation	Residual Benefit Fraud Prosecution Cases		✓								169 Gain, 70 pupil tracking requests completed as at -
Corporate	Fraud - Prevention	Fraud Awareness Induction		✓								
Corporate	Fraud - Strategic	Fraud Recording and Reporting		✓								
Corporate	Fraud - Strategic	Fraud Risk Register Review		✓								
Corporate	Governance	AGS Review - Periodical updates and annual collation		✓								In Progress. End of year assurances requested by 16/3/18
Corporate	Governance	Transparency and quality of Decision Making reports		✓								
Corporate	Governance	Partnership Governance		✓								
Place	HR and Asset Management	Market Operations		✓								
Place	HR and Asset Management	Fleet Investment Contract Award		✓								
Neighbourhoods	HR and Asset Management	Housing Stock - Planned Maintenance		✓								
Corporate	Information Security/ICT	Finance System - resilience and security		✓								
Corporate	Risk Management	Embedding Risk Management		✓								
People	Risk Management	Risk Based Reviews - People - Provider Failure		✓								
People	Risk Management	Risk Based Reviews - Savings delivery		✓								
Place	Risk Management	Risk Based Reviews - Major Project Delivery Overview		✓								
Corporate	Risk Management	Corporate Risk Register - Alignment to Corporate Strategy		✓								Corporate Strategy is now risk assessed as first step.
Corporate	Information Security/ICT	Future State Assessment	✓									
Corporate	Information Security/ICT	Digital Delivery	✓									
Corporate	Governance	Ethics and Culture	✓									
Corporate	Projects and Programmes	ITE New Housing System - watching brief		✓								Critical Friend to board role
	Risk Management	Risk register scrutiny arrangements and effectiveness	N/A	N/A	N/A	N/A						Involvement in risk management has ceased.
Resources	Financial Controls	Finance System - Interfaces - Audit Review scope change - See above	N/A	N/A	N/A	N/A						Scope of review changed to Resilience and Security of finance
People	Fraud - Prevention	Direct Payment - Follow up review	N/A	N/A	N/A	N/A						Decision taken to do analytics early next year to inform testing and produce updated report.

Grant Certifications

Directorate	Gov, Risk or Internal Control Area		Initial Planning/TOR	In Prog/Ongoing	Complete	Value of Grant Claim	Assuranc Level	Risk Level
Chief Executive	Governance	URBACT III			✓	8,404.30 Euro	Reasonable	Green
Corporate	Governance	IBB - Investing in Bath and Bristol - 2015/16 (Review work of BDO Certification). Two reports issued - 1 specific to 15/16 claim 1 concerning overall administration of claim.			✓	£ 938,876	None	Red
Corporate	Governance	IBB - Investing in Bath and Bristol - 2016/17 (31 July 2017)			✓	£ 998,464	Partial	Amber
Neighbourhoods	Governance	Scambusters Grant - NTS Funding Grant Sub-Grant 2016/7 - Trading Standards Institute			✓	£ 339,270	Reasonable	Green
Neighbourhoods	Governance	Disability Facilities Grant - 30 September - Peter Bee			✓	£ 2,400,000	Reasonable	Green
People	Governance	AGS Grant 16-17			✓	£ 27,410	Reasonable	Green
People	Governance	West of England- AGE - Apprenticeship Grant for Employers			✓	£ 126,000	Reasonable	Green
People	Governance	Local Authority Bus Subsidy Ring –Fenced (Revenue) Grant			✓	£ 448,348	Reasonable	Green
People/A&S Police	Governance	Troubled Families - July - Employment Claim			✓	N/A Verification of Families being assisted	Reasonable	Green
People/A&S Police	Governance	Troubled Families - September main claim			✓	N/A Verification of Families being assisted	Reasonable	Green
People/A&S Police	Governance	Troubled Families - October 17 - Employment Claim			✓	N/A Verification of Families being assisted	N/A	N/A
People/Resources	Governance	SFVS Return 2016/17			✓	N/A Certification that Returns have been completed.	Reasonable	Green
Place	Governance	Cattle Market Road - Demolition LEP Grant 2016/17			✓	£ 278,231	Reasonable	Green
Place	Governance	Cattle Market Road LEP Grant 2017/18 Q1			✓	£ 95,019	Reasonable	Green
Place	Governance	CRC Energy Efficiency Scheme Review and Certification			✓	N/A	Reasonable	Green
Place	Governance	EDF TQEZ - Infrastructure Package - Monitoring of Job Outputs			✓	N/A	Reasonable	Green
Place	Governance	EDF TQEZ - Infrastructure			✓	£ 1,936,043	Reasonable	Green
Place	Governance	EDF TQEZ - Programme Team			✓	£ 500,000	Reasonable	Green
place	Governance	LEP/WECA -Sustainable transport subregional projects			✓	£ 1,900,000	Reasonable	Green

2 Errors on disbursement of Grant

Place	Governance	PCN Penalty Charge Notice certification x2			✓	N/A	Reasonable	Green
Place	Governance	TQEZ - WoE Economic Development Fund 15/16			✓	£ 500,000	Reasonable	Green
Place	Governance	A403 Challenge Fund Project due 30/9/17			✓	£ 12,700,000	Reasonable	Green
Place	Governance	TQEZ RIF jobs reporting - Jack Allan			✓	N/A	Reasonable	Green
Place	Governance	Local Growth Fund (LGF) Capital 2016/17 (Douglas Sole)			✓	£ 963,889	Reasonable	Green
Neighbourhoods	Governance	Scambusters Grant - NTS Sub-Grant for Regional Intelligence 2016/17 - Trading Standards Institute			✓	£ 340,000	Reasonable	Green
Place	Governance	TQEZ - WoE Economic Development Fund 16/17			✓	£ 500,000	Reasonable	Green
Place	Governance	Cycling Ambition Fund capital spend for 2015/16, 2016/17 and 2017/18 by 30th March 2019			✓	£ 5,244,000	Reasonable	Green
People/A&S Police	Governance	Troubled families- March 2018 claim		✓				

Schools Financial Governance Plan:

Directorate	Gov, Risk or Internal Control Area	Audit Plan Name of Review	Stage of Review			Outcome		Recommendations			Summary of Findings: Key Issues arising from the Report
			Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	High	Medium	Low	
People	Governance	School Funds Audit Certificates		✓							
People	Governance	SFVS		✓							
People	Internal Control	Bristol Gateway Special School			✓	Good	Green		3	1	Retrospective orders, school funds, leases
People	Internal Control	Woodstock Special School and Woodway School			✓	Reasonable	Green	2	9		See Appendix (1) to report
People	Internal Control	Bristol Hospital Education Service b/f			✓	Reasonable	Green	1	8	4	Committee provided with details September 2017 meeting
People	Internal Control	St Mary Redcliffe Primary School			✓	Good	Green		3		Committee provided with details September 2017 meeting
People	Risk	Support LL work at Redcliffe Nursery		✓							

Recommendations Follow Up Plan Status:

Directorate	Gov, Risk or Internal Control Area	Name of Review	No. of reccs. Not due F/Up	No. Of Reccs. Due F/Up	In Progress	Complete	Revised Assurance Level	Revised Risk Level	Implemented/ Superceded	In Progress/ Partial	Not Implemented	Key Issues Arising from the report
Neighbourhoods	Internal Control	Housing Rents (Follow-Up)		14		✓	Reasonable	Amber	9	3	2	
Resources	Financial Controls	Bank Reconciliations		8		✓			2	6	0	Superceded by Feb 2018 Audit Review. See Appendix 1
People	Governance/Internal Control	Compass Point South Street Primary School		10		✓			6	2	2	
Neighbourhoods	Internal Control	Leisure Centre Contracts		3		✓	Reasonable	Green	3			
Neighbourhoods	Internal Control	Housing Benefits		11		✓	N/A	N/A		11		
Corporate Matters	Governance	Customer Relations System (Complaints/Compliments)		11		✓	Reasonable	Amber	8	1	2	
Neighbourhoods	Fraud - Prevention	Right to Buy - Fraud Prevention review		12		✓	Reasonable	Green	10	0	2	
Resources	Information Security/ICT	Data Loss Prevention System		7		✓			6		1	
Neighbourhoods	Financial Controls	NNDR Collection b/f		7		✓			7			
Resources (Fin.)	Internal Control	VAT		9		✓	Reasonable	Amber	3	5	1	
People	Internal Control	Safeguarding Adults - Deprivation of Liberty Assessments		3		✓	limited	Amber	1	2		
Corporate Matters	Risk	Business Continuity		10		✓	limited	Red	5	5		
Resources	Governance	Recruitment & Selection DBS Checks		5		✓			3	2		
Resources (Fin.)	Internal Control	General Ledger - Journal Movements		7		✓			4	3		
Corporate	Commissioning and Procurement	Purchase Card Review		13	✓							
Neighbourhoods	Governance	b/f Budgetary Control Neighbourhoods		7	✓							
People	Internal Control	b/f Foster Care Payments		3	✓							
Resources	Governance	Declarations of Business Interests		4	✓							
People	Governance/Internal Control	SS Peter & Paul Primary School		6	✓							
People	Governance	HR Process Review		4	✓							
Place	Governance/Internal Control	Sale and Disposal of Council Assets, including St Agnes Lodge and POB		16	✓							
People	Internal Control	Budgetary Control (People)		15	✓							
Corporate	Governance	Bristol is Open		11								
Resources	Internal Control	PSN Compliance and Network Security		13	✓							
Resources	Internal Control	Website Resilience		28								
Resources	Internal Control	Cyber Security		10								
Place	Financial Controls	Security Services (Cash In Transit)		11	✓							
Resources	Financial Controls	Accounts receivable follow up		11	✓							
Neighbourhoods	Internal Control	Catering Service - Audit Compliance		14	✓							

Directorate	Gov, Risk or Internal Control Area	Name of Review	Stage of Review				Outcome		Recommendations			Summary of Findings: Key Issues arising from the Report
			Initial Planning/TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	Risk Level	High	Medium	Low	
Place	Risk and Internal Control	Contract Procurement Process				✓	None	Red				Committee provided with details November 2017 meeting
Resources	Consultancy/Governance	Holding Companies cons/rec and Corp Gov.				✓	N/A	N/A				
Place	Governance	Sale of property Issues-St Agnes				✓	None	N/A		3		Committee provided with details September 2017 meeting
Place	Governance	Sale of the Port of Bristol				✓	N/A	N/A		4		Committee provided with details September 2017 meeting

People	Governance	Early Years Funding				✓	N/A	N/A		6		Committee provided with details November 2017 meeting
Resources	Governance	Insurance Tender				✓	N/A	N/A	4	4	2	Committee provided with details November 2017 meeting
Resources	Consultancy/Governance	b/f Financial Regulations				✓	N/A	N/A				Consultancy - Feedback provided to inform refreshed regulations
Corporate	Governance & Fraud	Purchase Card Review (extended scope)				✓	N/A	N/A	9	4	0	Committee provided with details September 2017 meeting
People	Various	Anonymous allegations				✓	N/A	N/A				Investigations concluded, reported for management action
Resources/ Place	Governance	Green Deal Grant				✓	N/A	N/A		7		Committee provided with details November 2017 meeting
Corporate	Internal Control	Duplicate Cheques				✓	N/A	N/A		4		See Appendix (1) to report
Corporate	Information Security	Information leak				✓	N/A	N/A		1	1	Audit trail capability of systems. Confidentiality issues.
People	Governance	Education Capital Investment Reports Review	✓	N/A	Not Pursued	N/A	N/A	N/A				

APPENDIX B – SUMMARIES OF COMPLETED AUDITS

A. CORPORATE

A1 Complaints Management

The objective was to review the adequacy and effectiveness of the Council's Complaint handling arrangements since new procedures and structures were put in place in July 2017. Specifically, the audit:

- Evaluated the effectiveness of new complaint handling procedures, with regard to turn around times.
- Followed up recommendations from the previous Internal Audit report.
- Assessed any issues which impact upon the efficiency and effectiveness of the process.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- The improving trend in turn-around times for responses to complaints.
- ISO accreditation was renewed in July 2017 following a British Standards Institution audit.
- Adequate reporting and monitoring arrangements have been put in place and management reports are made available to Directorate Leadership Teams.

The audit also identified the following **areas for improvement**, for which 4 recommendations were made, which included:

- The core application system utilised is complex, not user-friendly, limited in functionality and a review of capability is required.
- The need for consistency in the formal recording of closed complaints.
- The 2016/17 Annual Report on Statutory complaints relating to social care and children's services had not been published at the time of the audit.

All recommendations were agreed for implementation.

A2 Contract Waivers

Council Procurement Regulations may only be waived, by express written authorisation and consultation as set out in the Regulations, when one or more of the following situations exist:

- Only one contractor can provide the goods, services or works required and there is no reasonable alternative contractor.
- The need for the goods, services or works is so urgent that the time needed to comply with the procurement procedure would be prejudicial to the Council's interest.
- The award of the contract falls within the in-house ("Teckal") exemption in procurement law.
- The purchase is through an auction that is conducted in accordance with the requirements of relevant procurement law; and/or
- The best interests of the Council are being secured.

The objective of the audit was to review waivers to Procurement Regulations in the following areas:

- The role of the Commissioning and Procurement Group (CPG) in monitoring and considering all requests for waivers.
- Review of Governance and Guidance in respect of waivers.
- The level of waivers to the Council's Procurement Regulations by both volume and value.
- Adherence to the Council's Procurement Regulations regarding waivers.
- Reviewing progress against relevant issues on the AGS Tracker.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- The Governance framework regarding the use of waivers is theoretically sound as is the role of the CPG in the monitoring and consideration of all waiver requests.

The audit also identified the following **areas for improvement**, for which six recommendations were made:

- The review looked in detail at a sample of 20 individual waivers selected from across Directorates, of which 50% did not fully comply with the waiver process, for example with no supporting or incomplete documentation.
- The number of contract waivers processed is high:
 - 277 contract waivers with a value of approximately £30.5m were processed during the period 1st April 2016 to end October 2017 (source 'ProContract' – the Councils procurement systems and contracts register).
 - In 2017/18, 27% of requests to the CPG were in respect of waivers.
 - Sample testing indicated that up to 35% of waivers may have been avoided if planning for re-tendering had commenced earlier; functionality available within 'ProContract' is not utilised that would help manage this.
 - 10% of waiver requests to CPG are retrospective requests where contracts have already been placed.

- ProContract', became fully operational in June 2016. Since then, the Procurement and Commercial Solutions Service have begun to establish processes to ensure that the system for granting waivers is a robust one. This work is ongoing and proactive but is not yet complete. The following processes have been, or are being, implemented:
 - Migration of all previous data from the predecessor system 'Proactis' to 'ProContract'.
 - Data cleansing of migrated data.
 - All waiver requests authorised by CPG with decisions/comments being recorded on CPG tracker (AGS improvement tracker Ref 6.1).
 - Requirements scoped and work in progress to add a common field to 'ProContract' and ABW to facilitate data matching reports to identify payments out of contract (AGS improvement tracker Ref 6.2).
 - Process now in place to ensure that purchase requisitions without a contract/waiver number are not automatically processed, but escalated for scrutiny and investigation (AGS improvement tracker Ref 6.2).
- Once this occurs, a culture of ownership needs to be established together with clear, enforceable sanctions for non-compliance with BCC Procurement Regulations, to put in place and maintain a robust system for the granting of waivers by exception (AGS tracker Ref 6.2).
- Only 58 officers across the Council have completed the Procurement e-learning modules.

All recommendations were agreed for implementation.

A3 Contracts Register and Publications Requirements

ProContract, the Council's Procurement systems and contract register, became operational in June 2016 and is interfaced with the "Contracts Finder."

The objective of the audit was to review the following areas:

- The ownership /governance in relation to Contracts Register & publication requirements within BCC.
- Compliance with Procurement governance and guidelines disseminated throughout the Council (AGS tracker Ref 6.2).
- Completeness of the Council's contract register – 'ProContract'.
- Processes in place to ensure adherence to the Public Contracts Regulations 2015, in relation to publication requirements on "Contracts Finder".

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- The governance framework and processes in relation to ProContract and publication requirements are sound in theory and appropriate guidance is available on the Source.
- BCC's Procurement and Commercial Solutions Service have begun to establish processes to ensure that 'ProContract' is complete and accurate and contracts are correctly published on 'Contracts Finder'. This work is ongoing and proactive but is not yet complete. The following processes have been, or are being, implemented:
 - 'ProContract'.
 - Data cleansing of migrated data.
 - Requirements scoped and work in progress to add a common field to 'ProContract' and ABW to facilitate data matching reports to identify payments out of contract.
 - Process now in place to ensure that purchase requisitions without a contract/waiver number are not automatically processed, but escalated for scrutiny and investigation.
 - Responsibility to Procurement Leads (within the Procurement and Commercial Solutions Service) to enforce correct completion of work flow within 'ProContract'.
 - Staff training for new staff and refresher training where required on the use of 'ProContract'.
- Tender advertisements are correctly published on "Contracts Finder" and the subsequent contract award notice is also published.

The audit also identified the following **areas for improvement**, for which two recommendations were made:

- It cannot be assured that "ProContract" is complete and accurate as there is no interface between ProContract and ABS (Administration and Business Support) to compare actual contract payments for those contract recorded on ProContract.
- Where there is no requirement to advertise under BCC Procurement Rules, contract award notices should still be published on 'Contracts Finder', as required by the Public Contracts Regulations 2015. This is not occurring consistently due to the work flow within 'ProContract' not being correctly completed by Contract Managers in Directorates to facilitate the correct upload to 'Contracts Finder.'
- Until the matters above are resolved, the AGS Tracker issue (6.2) which states "contract monitoring and guidelines to be reviewed and disseminated throughout the Council" is not considered fully addressed.

Both recommendations were agreed for implementation.

A4 Contract Management – Renewals and Awards

The objective of the audit was to review the following aspects of the Contract Renewals and Awards process:

- The management of Contract Renewals and Awards with regard to Council Procurement Regulations and Social Value Policy.
- Sample testing of (34) Contract Renewals and Awards.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- All of the contracts reviewed demonstrated compliance with the requirements for tenders and the methodology for assessment and award.
- Since June 2016, the Procurement and Commercial Solutions Service have begun to establish processes to ensure that the system for renewing and awarding contracts is a robust one. This work is ongoing and proactive but is not yet complete. The following processes have been implemented:
 - Since December 2016, it has been a requirement for all contract awards to be approved by the Commissioning and Procurement Group (CPG) before being set up on the Council's Contract Register, 'ProContract' to ensure compliance with the Council's Procurement Regulations and Social Value Policy, EU Procurement and UK Public Contracts Regulations.
 - Social value questions have been embedded into the CPG and Tender processes.
 - Every record on 'ProContract' now mandatorily requires a 'review date' to be entered which automatically sends an automated reminder to the Contract Manager to prompt the retendering process if required.
 - From February 2018, the CPG process has been streamlined, and contract award delegated to the Director of the relevant service.

The audit also identified the following **areas for improvement**, for which two recommendations were made, including:

- There are still contracts where details have not migrated from 'Proactis' (the former Contract Register) causing details on 'ProContract' to be incomplete and, as a consequence, Award Notices not subsequently being uploaded to Contracts Finder, as required by the Contracts Publication Requirements 2015 (issue covered in separate Internal Audit Report on 'Waivers to Procurement Regulations and Contract Publication Requirements').
- There were three instances where Award Notices had not been uploaded to Contracts Finder due to incomplete completion of Work Flow on 'ProContract' (issue covered in detail in separate Internal Audit Report 'Contract Publication Requirements'.)
- A review of Contract Manager details held on 'ProContract' has recently been undertaken by the Procurement and Commercial Solutions Service; accuracy is improving but is still not 100%.

Both recommendations were agreed for implementation.

A5 Business Cases – Robustness and Delivery

A number of improvements to the compilation and presentation of business cases were identified from the 'Bundred Review', and in response, a new business case process has been implemented which covers all development gateway stages and adopts the principles of the Her Majesty's Treasury (HM Treasury) Green Book best practice methodology. This puts an emphasis on the identification, management and realisation of benefits.

The objective of the review was to review the robustness and delivery of business cases being presented for decision making. Specifically, the audit:

- Considered the process for compiling business cases, the adoption of the new decision pathway, and the level of support available to produce qualitative business cases.
- Assessed the governance arrangements in place for reviewing the purpose and quality of business cases prior to being presented for decision making.
- Considered the extent of the feedback provided on business cases, and the arrangements in place to record and monitor the levels of feedback to allow action to be taken to improve on future cases.
- Sample tested business cases since the Bundred report was published, to assess the quantitative and qualitative aspects of the business cases being presented for decision making, to allow fully informed decisions to be made.
- Assessed the progress made on implementing the recommendations within the Bundred report relevant to business cases, in particular the revised approach to business cases and the role out of the training.
- Assessed any issues which impact upon the efficiency and effectiveness of the process.

Based on the completion of the fieldwork, a **Reasonable Assurance Audit Opinion** was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Professional views provide insightful commentary.
- All relevant recommendations from the Bundred Review in respect of Business Cases, including the standardising of cases relating to revenue expenditure, were considered to be fully implemented with the exception of the delivery of training.

The audit also identified the following **areas for improvement**, for which eight recommendations were made, which included:

- The format and quality of business cases varies, for example for capital expenditure cases, with varying information identified by programme assurance reports.
- Professional views would add further value with clear conclusions and recommended actions to address concerns/mitigate key risks.
- More succinct and focused assurance reports would help to focus on the key messages/risks and there should be clear conclusion on whether key risks are being addressed.
- Clearer documentation of each stage of the approval process would help to demonstrate the business case is reviewed via the correct channels and in line with the decision pathway.

All recommendations were agreed for implementation.

A6 General Data Protection Regulations (GDPR) – 2nd Review

This second Internal Audit review of GDPR preparedness was undertaken in December 2017 – January 2018. This was undertaken utilising the Embedded Assurance approach for major projects and transformation schemes, which incorporates a review and assessment of the following areas:

- Governance and Decision Making
- Benefits Realisation
- Project Resources
- Risk Management
- Issue Management
- Procurement
- Time Management
- Cost Management
- Quality Management
- Communication

Summary of Findings and Conclusions

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key findings from the audit, included within the 12 recommendations made in the report, were:

- The Project Board has been advised that the Council will not be able to fully demonstrate compliance with GDPR by 25th May 2018. The risks of non-compliance required escalation to SLT and the Monitoring Officer for evaluation and consideration of actions to be taken and it was recommended that the specific elements where there will not be full compliance be specified and reported.
- As a result of the GDPR Project Manager commencing in post, the Project team has made progress since the previous Audit report. Furthermore, there was a proactive response to the findings contained within the response to the audit. Despite this, the Project is not on track for delivery.
- The project has made arrangements to seek assurances from Council owned companies and for support to be provided to LA schools in preparations for GDPR.
- There were considerable resourcing concerns which impact upon the delivery of the project and a review was required.
- Effective leadership from the Senior Information Risk Owner (SIRO) is crucial in the final few months of the project.
- The Data Protection Officer recruitment still needs to be addressed.
- Project costing information was incomplete, for example it included “unknowns” and consequently more detail was required for senior management of the financial implications of GDPR.
- Timelines for delivery need to be reviewed and updated.

All recommendations were agreed for implementation. A separate report from the SIRO is included within this agenda in respect of GDPR status.

B. NEIGHBOURHOODS / COMMUNITIES

B1 Housing Voids

The objective of the audit was to review the arrangements to manage void properties to ensure they are promptly and effectively brought into use, thus mitigating the loss of rental income and the cost of homelessness. This included arrangements to ensure the reporting of data is accurate and sufficiently scrutinised.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Regular management meetings take place which bring management together from the various parts of the end to end void process to monitor void turnaround times and to address underlying issues resulting in delays.
- Work has been undertaken to help improve the start of the tenancy, with the aim of making it a longer tenancy which increases the likelihood of the property being maintained and looked after.

The audit also identified the following **areas for improvement**, for which 14 recommendations were made, which included:

- Turnaround re-let times were significantly higher than the national average. It is acknowledged that the age of the stock lends itself to higher maintenance costs and therefore longer turnaround times. The re-let time has increased from 44 days in March 2017 to 59 days in June 2017. (The national average is 25 days and the average for the South West is 22 days). The increase in turnaround time equates to an additional costs of £373k based the level of voids in June 2017 and the rental costs of placing a family of four in temporary accommodation.
- In the reporting of Voids and Void Unavoidables (VUNs), there has been:
 - Inaccuracies in the reporting to Councillors and senior management;
 - Undocumented / reconciled manual adjustments between the Housing Management System output and reported figures, and consequently no clear audit trail between the original system data and reporting;
 - Reported void data not being independently checked or reviewed for accuracy.
- The current management system, which is due to be replaced in 2018, does not facilitate effective management of data relating to voids, which leads to the need for manual adjustments to monthly and quarterly reporting.
- Reporting needs require review to ensure reporting is focused, only on required data and that it remains fit for purpose.
- Supplier delay on repairs can have adverse impacts on turnaround times and there is a need for more efficient response times from suppliers and the need for robust contract management with sub-contractors to ensure efficiencies are made on turnaround times.
- The option to upskill trades persons to being multi-skilled to reduce turnaround times should be reviewed on a cost/benefit basis.
- Processes to be reviewed relating to prospective tenants and refusals of offered properties including reviewing whether having single viewings with multiple prospective tenants with a view to improving efficiency in the process.
- The implementation of ongoing assessments of the state of repair of a property through the lifetime of a tenancy to reduce the cost of repairs in the long term.
- Improvement opportunities identified within the service for the end to end void process to be consolidated into an overarching plan.

- VUN's are void properties which require major work to bring the property up to an appropriate standard for letting (there were 60 recorded as such in June 2017) but there is not definitive definition of what constitutes a VUN.

All recommendations were agreed for implementation.

C. PEOPLE (now CARE AND SAFEGUARDING)

C1 The Woodway Federation

The objective of the audit was to provide an independent audit opinion on the effectiveness of internal controls relating to financial arrangements at both Bristol Gateway Special School and Woodstock Special School, which comprises the Woodway Federation, including the following arrangements:

- Governance arrangements
- Expenditure
- Income
- Budgetary Control
- Payroll monitoring arrangements
- Asset Management
- Information Security
- Unofficial Funds
- Business Continuity Planning

Based on the completion of the fieldwork, audit opinions were assigned to each school with, a **Reasonable Assurance** Audit Opinion assigned for both schools.. The key **areas of compliance / good practice** identified during the review are summarised as follows:

Bristol Gateway:

- Budget monitoring
- Preventing unauthorised spend and /or obtaining best value
- Income Collection
- Data Protection
- Business Continuity arrangements
- Disposal of School Assets.

Woodstock Special:

- Budget monitoring
- Data Protection
- Business Continuity arrangements.

The audit also identified the following **areas for improvement** at one or both of the schools, for which 11 recommendations were made, including:

- The raising of retrospective Purchase Orders for invoices.
- Lack of segregation of duties in the entering and ordering of a purchase order.
- School Funds are not been independently audited.
- Cheque or fund transfers from the School Fund could be authorised by one signatory.
- An independent review of the asset inventory.
- The need for the staff pecuniary and other interest register to be adopted consistently across the Federation

All recommendations were agreed by management for implementation.

D. RESOURCES

D1 Cash Receipting System Contract Monitoring

The cash receipting system refers to the service provided to the Council for the receipt of debit and credit card payments, including via chip and pin, telephone & internet. The objective of the audit of this system was to review:

- Contractual arrangements in place.
- Contract management processes in place.
- Adherence to Council Procurement Regulations.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The audit also identified the following **areas for improvement**, for which four recommendations were made, which included:

- The contract relating to the transaction costs of the Cash Receipting system was not recorded in the Council's Contract Register, ProContract or the Public Procurement Register.
- The contract had not been re-tendered since its initial award in 2003 and, given the value of the contract, this is in breach of procurement regulations.
- There was no assigned contract manager and contract delivery and payments to the supplier were not being monitored.
- Consequently, assurance could not be provided that value for money was being obtained from the contract.

All recommendations were agreed for implementation.

D2 Bank Reconciliation

The objective of the audit was to review the bank reconciliation process, specifically:

- The responsibility for completion, review and sign-off.
- Year end 2016/17 and 17/18 to date.
- Reporting and governance of bank reconciliations.
- Sample checking of all the Council's nine main bank accounts.
- Income manager and E income returns processes.
- Follow Up from previous audit report.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Considerable progress has been made in this area, for example the Cash Office has considerably reduced unallocated Cashbook and Bank Statement items. Bank Reconciliations are produced on a monthly basis and were up to date as at December 2017.

The audit also identified the following **areas for improvement**, for which 12 recommendations were made, including:

- Unallocated items on some accounts remained high – predominantly in relation to creditors. Finance advised that the key reason for the number of unallocated items is cheques that remain unpresented. This will not change until either the cheque is presented or is written back once it is 'out of date'. However, monitoring of levels of unallocated items remains important.
- The number and value of unreconciled credit card receipts fluctuates and requires regular monitoring. Priority needs to be given to clearing and resolving unmatched/unreconciled credit card takings at the earliest opportunity, with the aim of resolving within two months. Whilst management are of the view that this risk is now fully controlled, sufficient time had not lapsed at the time of the audit to confirm consistent improvement in this area and this will be revisited at a later date.
- Receipting, recording and posting of income and payments by staff (outside the Corporate Finance Team) is not always in accordance with prescribed policy and procedures and results in a high number of mismatched item and time resource to resolve.
- Another officer should be trained to carry out the bank reconciliation process to cover the eventuality of the absence of the responsible Accountant.
- The level of outstanding and unresolved Income Management items (and posted through the suspense account and cleared to a holding balance sheet code at year-end) was 1363 items as at 19 October 2017, some dating back to 2014/15.
- Unallocated items in the income manager system need investigation and correction in a timely manner. Description fields in the income manager system which may assist with this are lost between the income manager system and the bank account statement. The Finance Team have raised this as an issue with the finance system provider for resolution and a resolution is awaited.

Under Public Sector Internal Audit Standards, upon the completion of the audit process where management have accepted the level of risk and do not intend to implement the recommendation, then the matter should be specifically

communicated to the Audit Committee. In this review, two further such matters arose:

- A recommendation concerning the frequency of the Loans Fund journal was not agreed. Internal Audit recommended this should be undertaken more frequently given the value of transactions that run through the fund (e.g. £17m in July 2017). However the Finance Team are content that monthly journals are appropriate and ties in with other monthly control processes. Resourcing more frequent postings is not currently a priority as they do not perceive significant benefits would be achieved in doing so. This will be reviewed again at future audit reviews.
- A recommendation was made relating to the fact that journals raised by Corporate Finance are not independently approved to provide adequate separation of duties and this was not agreed. Separation of input and authorisation of journals is a requirement of the finance manual/user guide however the Finance Team are of the opinion that staff in corporate finance are appropriately qualified professionals and such separation is not required. Delays in processing journals may be experienced if this was a requirement which could jeopardise achieving statutory deadlines. Clarity over the requirements is therefore required and manuals/user guides reviewed if necessary.

D3 Clearing House Automated Payment System (CHAPS)

Clearing House Automated Payment System (CHAPS) is an electronic bank-to-bank technology that enables same-day payments to be made within the UK. This differs from standard bank transfers as amounts are transferred immediately with no opportunity to reverse the transaction.

The system is designed to enable, when appropriate, the Council to make emergency/short term payments, for example in the performance of treasury functions. Its use should be limited with other methods of payment (e.g. BACS) more appropriate in the majority of payments made by the Council.

The objective of the audit was to review / undertake the following:

- CHAPS payment policy (when such payments are appropriate, payment limits).
- Analytical review of payments made in this manner.
- Process – authorisations, payment limits, faster payments, supporting documentation retention.
- Bankline process and equipment/card security.
- Posting payments to the general ledger/clearance of suspense accounts/bank reconciliation processes.
- Processes to ensure transparency data is collected and published in line with requirement.
- Accuracy and review of management information regarding the use of the CHAPS system.

Based on the completion of the fieldwork, a **Reasonable Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- CHAPS transactions were processed within set limits and authorisation levels.
- The recording officer is always separate from the authorising officer.
- Transactions are recorded and processed promptly.

The audit also identified the following **areas for improvement**, for which 12 recommendations were made, including:

- A payment of £957k in June 2016 was not posted, via journal, for 12 months.
- The number of CHAPS transactions which are not for treasury management purposes, was an average of 17 items and £15m in value per month. Several care related payments were made as emergency care payments even though the payee was already on the Accounts Payable systems and this method of payment should have been utilised and CHAPS payments minimised.
- There is no formal guidance on “acceptable and unacceptable” reasons or a minimum level for CHAPS payments or a set minimum amount for which CHAPS payments should be used.
- Several Bankline Card Readers were unaccounted for.
- There was no up to date Fraud Risk Assessment for CHAPS payments at the time of the audit. Internal Audit has been informed subsequently that an assessment has been undertaken and that the identified risks remain the same. The revised assessment will be reviewed as part of the follow up process.
- As the CHAPS system and the Accounts Payable payment systems are not integrated, duplicate payments could potentially arise.
- Monthly reporting of Council’s spending over £500 did not include CHAPS payments until September 2017 due to ABW system limitations.

Under Public Sector Internal Audit Standards, upon the completion of the audit process where management have accepted the level of risk and do not intend to implement the recommendation, then the matter should be specifically communicated to the Audit Committee. In this review, three further such matters arose:

- As all CHAPS transactions are subject to journal posting, therefore the matter regarding separation of duties between input and authorisation of the journal arose. This is the same matter as arose under the bank reconciliation audit and is detailed above in summary D2.
- Given that the CHAPS payments processing is separate from the Accounts payable system, Internal Audit were concerned that potential duplicate payments may occur across both systems and recommended checks should be undertaken against the Accounts Payable system to detect potential duplicates. Finance Team however believe this to be a low risk and advise that minimal checking only (confirmation of bank account details with accounts payable) is necessary.
- The presence of errors on the CHAPS spreadsheet was identified. Finance staff indicated that this is not a prime record in the process and errors resulting from this would be picked up by the bank reconciliation process. An Audit recommendation relating to sample checking the spreadsheet was not considered a priority by Finance Management.

Additionally, part of a recommendation relating to the provision of formal guidance on what are acceptable and unacceptable reasons for making CHAPS payments was not considered "*appropriate*" in the management response.

D4 Accounts Payable

The objective of the audit was to review the following aspects of the Accounts Payable process:

- Roles, responsibilities and resource allocation to accountable payable processes
- Purchase order, invoice receipt and authorisation processes
- Invoice payment process
- Credit note posting
- New supplier setting and updating existing suppliers
- Accounts payable systems controls and non-automated controls outside of the accounts payable system
- Systems Access set up controls
- Interfaces and reconciliation against feeder systems
- Posting of transactions to the general ledger
- Use and clearance of suspense accounts
- Accuracy and appropriateness of management information to monitor efficiency and effectiveness of the accounts payable service.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The key **areas of compliance / good practice** identified during the review are summarised as follows:

- Purchase orders with duplicate supplier IDs have reduced between 2016/17 and 2017/18.

The audit also identified the following **areas for improvement**, for which 11 recommendations were made, including:

- The Accounts Payable (AP) team is not achieving its business objectives to pay 96% of all invoices on time and to pay invoices within 30 days. Currently 78.6% of invoices are paid on time and average payment days are 38; there is no plan at present to reduce the average number of days to pay or the percentage of invoices paid on time, to achieve the targets.
- Retrospective orders are the main cause of late payments at the rate of 55% of all late payments in December 2016 and 68% in July 2017. The monthly AP Key Performance Indicator report identifies the services with persistently high number of retrospective orders but no corporate action has been taken to address the issue.
- "Stray" invoices (sent in error to Service Departments rather than AP) also contribute to late payments and communications need to be refreshed to both suppliers and managers that invoice should be directed to the AP Team.
- Not all new Suppliers or changes to Suppliers' bank accounts and other details have adequate supporting documentation.
- There are no clear documented policy/procedures for changing Supplier Bank Account details.
- There is no up to date Fraud Risk Assessment for Accounts Payable.
- The authorisation of orders within the AP system is not robust enough to ensure all required levels of authorisation are always recorded.

All recommendations were agreed for implementation and management are reviewing all aspects of the process on an end to end review basis to target specific improvements to address the process.

D5 Duplicate Cheques and Associated Print and Mail Service Issues

Background

In March 2017, Members and the Chief Executive were notified that 240 duplicate cheques were issued due to system failure and it was communicated to Audit that there had been a separate incident relating to cheques.

The printing of cheques for the reimbursement of payments for the Council's services (mainly Council Tax and Business Rates reimbursements) was among the in-house printing team's daily tasks. The team was part of the Council's Print and Mail Services in the (former) Place Directorate. In August 2016, following submission of a report on a proposal, which included projected savings, to outsource the Council's Print and Mail Services, Cabinet confirmed:

- *"That the commencement of a tendering process for Print and Mail Services be approved.*
- *That approval for the award of this new contract be delegated to the Strategic Director for Place on completion of the successful procurement process."*

In August 2016, the Print and Mail team consisted of two sections with distinct responsibilities for printing and mail services, with 10 staff (9.5 FTE) in total. In anticipation of the service outsourcing, some staff took voluntary severance. By the end of March 2017, the entire Print section had left the Council with only four members of staff from the Mail team remaining.

Scope

This was a retrospective review commissioned by the Head of Corporate, Finance to examine and /or review:

- Why the issues with the duplicate cheques arose.
- Whether the issues were likely to reoccur.
- Processes concerning the issue of cheques.
- Cheque printing process.
- Transactions with the cheque payment method for 2016/17.
- The current position relating to the decision to outsource Print and Mail Services.

Summary of Findings and Conclusions

- Internal Audit reviewed the two incidents and concluded that both occurred due to human error.
- The Cabinet decision, in August 2016, to outsource Print and Mail Services from 1st April 2017, had not been implemented. At the time of the audit, there was no confirmed implementation date and Cabinet had not been updated on the delay.
- Allowing staff to take severance before services are outsourced has put service delivery at risk and increased workload for both Mail and Print Services and the Cash Office.
- The repeated use of waivers for these services means that value for money is less likely to be achieved.
- It was ascertained that the reimbursement of payments originally made by BACS is currently via cheque rather than BACS.

Lessons Learnt

Internal Audit identified the following lessons that may be learned:

- If Print and Mail Service outsourcing is to take place this needs to be prioritised; alternatively if in-house provision is to continue then additional resource should be considered.
- The timing of voluntary severance should be dependent on alternative service delivery models being in place.
- Contracts should be retendered rather than waivers being continually used.
- The reimbursement of payments, originally made by BACS, should be made also by BACS, rather than cheque, to minimise transaction cost.

Additional controls have been put in place by the Cash Office and Print and Mail Services and management will be updating Cabinet on the matter.

Audit Committee

29th March 2018



Report of: Shahzia Daya, Service Director Legal and Democratic Services and SIRO since 15th February 2018

Title: Update on the General Data Protection Regulation (GDPR) readiness

Ward: All

Officer Presenting Report: Shahzia Daya

Recommendation

To note progress being made with regard to the Council's compliance with the General Data Protection Regulations

Summary

The report outlines progress of the Council's preparations for the new data protection rules that come into effect on 25th May 2018.

The significant issues in the report are:

The project as originally defined had an ambitious plan to achieve full compliance by the 25th May. Due to capacity, a risk based approach is now being taken which will see the key building blocks in place by the 25th May. The project has moved into 'exception' status and an action plan is being worked on to bring the project back on track to enable the Council to be GDPR compliant by 25th May. Key to this will be stronger project governance, resource allocation across the authority and an assessment of risk to identify key priorities to improve compliance on an on-going basis.



Policy

1. Compliance with legislation is a statutory requirement

Consultation

2. **Internal**
Deputy Mayor and Cabinet member for Finance, Governance & Performance
3. **External**
Not applicable to this report

Context

4. This report outlines the Council's plans, current progress and risks regarding preparations for the new Data Protection rules under the EU's General Data Protection Regulation (GDPR).
5. GDPR becomes directly applicable across the EU on the 25th May 2018. These new rules are the biggest change to data protection for twenty years and are designed to harmonise across the EU and to bring them up to date in the 'Information Age'. GDPR applies to any organisation trading with the EU and as a result GDPR will be enacted into UK law; a draft Data Protection Bill is currently passing through Parliament.
6. The UK's Information Commissioners Office (ICO) has set out twelve steps that organisations should be taking to prepare for compliance and this is the basis of the Council's comprehensive project plan. The ICO advise that compliance is an ongoing effort in which organisations have to show they have put the key building blocks in place:
 - Understanding the information already held;
 - Implementing accountability measures;
 - Ensuring appropriate security; and
 - Providing appropriate training for staff.
7. Progress has been made towards putting these in place. Actions taken to date:
 - Updated data protection and GDPR training has been launched across the Council. This is mandatory for all staff and the end of March has been set as the deadline for everyone to complete the training which sets out the basic principles of GDPR;
 - The audit of personal data has progressed with eighty-four percent drafts and fifty-four percent final completed thus far. There are over one hundred audits being completed and some contain details of over three hundred different data sets. This audit will be completed before 25th May 2018;
 - Privacy Impact Assessments (PIA) have been introduced and integrated into the business case process for **new** change initiatives. This has resulted in five completed with a further eleven currently in progress. There will be about eighty to complete for existing ICT systems which hold very sensitive personal data;
 - New contracts involving processing of personal data are being made GDPR compliant and over one thousand existing suppliers have been contacted to initiate the necessary changes

to existing contracts and gain assurances over suppliers' ability to meet the new rules. There are over two thousand one hundred existing contracts to be updated;

- New and updated privacy notices are being drafted and so far thirty percent of services have completed these. There will be approximately five hundred new privacy notices needed;
- The way we handle subject access requests is under review with an assessment of the 'as-is' nearing completion. This work will then focus on the key changes required under the new rules. This will be concluded in April;
- A Data Protection Lawyer has been appointed to provide independent advice to schools under the trading with schools programme;
- The visibility of the project has significantly increased with weekly reporting to the Deputy Mayor, Executive Directors and Service Directors as a standing agenda item at their meetings. The project board itself is now meeting weekly.

8. In terms of direction of travel, there remains a significant amount of work to be done. What we are doing next is:

- Completing key documentation and record keeping requirements supported by action plans which will be produced by tier three managers. This work includes the data audit, Privacy Impact Assessments, data sharing protocols, data retention and deletion, and reviewing and refreshing consents;
- Holding focussed workshops to train data custodians across the organisation on these specific areas of competence;
- Completing the data protection training across the Council. This requirement will include Members, who access Council systems to carry out their roles;
- Progressing contractual changes for existing suppliers, prioritising this on a risk managed basis (i.e. contracts processing the highest volumes of the most sensitive-personal data the council holds being targeted first);
- Seeking assurance from council owned companies and understanding what support may be required;
- Progressing definition, evaluation and recruitment of a statutory data protection officer and their team to carry out the required functions created by GDPR;
- Introducing a centralised process for handling the expanded range of subject access rights.

9. The project as initially defined had an ambitious plan to achieve full compliance by the 25th May. Due to capacity a risk based approach is now being taken which will see the key building blocks in place by the 25th May, including:

- Training completed council-wide
- Processes for handling subject access requests
- Record of processing activity
- New contracts will be GDPR compliant
- Updated privacy notices
- Privacy Impact Assessment (PIA's) completed
- Consent forms updated
- Old data reviewed and deleted

10. The project has moved into 'exception' and an action plan has been developed to bring the project back on track to enable the Council to be GDPR compliant by 25th May. This will address the key findings of the internal audit report. Key to this will be stronger governance, resource allocation across the authority and an assessment of risk to identify key priorities to improve compliance on an ongoing basis.

Other Options Considered

11. Not applicable to this report

Risk Assessment

12. Project risks are managed by the project board and a log of risks is maintained

Public Sector Equality Duties

13. The project Board takes account of the Equalities Act duties when considering implementation of the GDPR legislation

Legal and Resource Implications

Legal

The date for GDPR compliance is 25 May 2018. Any gaps in the Council's compliance highlighted in this report and as a result of the ongoing project will need to be addressed.

Legal advice provided by Shahzia Daya, Director – Legal & Democratic Services

Financial

(a) Revenue

We set up a reserve of £91k for expenditure planned for this year but as we are able to contain this year's expenditure in revenue we do not need to draw down from it. We are also planning to boost the reserve up at year-end depending on outturn.

(b) Capital

GDPR has received the requested £91k funding from reserves and further expenditure will be authorised through the ongoing revenue budget and GDPR reserve. The appropriate levels of funding will be reviewed in-line with the business case.

Financial advice provided by Kevin Lock, Finance Manager

Land/Property

Not applicable

Human Resources

Staffing requirements will be agreed in the business case and any appointments to new roles will be made in accordance with the Council's Recruitment and Selection Policy.

HR advice provided by Mark Williams, Head of Human Resources 14 March 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None