

# Audit Committee Agenda



**Date:** Tuesday, 28 May 2019

**Time:** 2.00 pm

**Venue:** Room 1P05, 1st Floor - City Hall, College Green, Bristol, BS1 5TR

## **Distribution:**

**Councillors:** Mark Brain, Olly Mead, Anthony Negus, Liz Radford, Afzal Shah, Clive Stevens, Adebola Adebayo and Simon Cookson

**Copies to:** Mike Jackson (Executive Director of Resources and Head of Paid Service), Denise Murray (Director - Finance & Section 151 Officer), Nancy Rollason (Service Manager Legal), Melanie Henchy-McCarthy, Alison Mullis, Chris Holme (Interim Service Manager - Corporate Finance), Tony Whitlock and Lucy Fleming (Head of Democratic Engagement)

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**Date:** Friday, 17 May 2019



# Agenda

1. **Election of Chair 2019/20**
2. **Welcome, Introductions and Safety Information**
3. **Apologies for absence.**
4. **To note membership of the Committee**
5. **Election of Vice-Chair 2019/20**

## 6. **Declarations of Interest**

To note any declarations of interest from the 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 declarations of interest made at the meeting which is not on the register of interests should be notified to the Monitoring Officer for inclusion.

## 7. **To note the Committee's Terms of Reference**

**(Pages 5 - 10)**

## 8. **To confirm the dates and times of meetings**

All at 2pm.

29 July 2019;  
16 September 2019;  
25 November 2019;  
20 January 2020;  
23 March 2020.

## 9. **Minutes of Previous Meeting - TO FOLLOW**

To agree the minutes of the previous meeting as a correct record.



## 10. Action Sheet - TO FOLLOW

## 11. Public Forum

Up to 30 minutes is allowed for this item.

Any member of the public or Councillor may participate in Public Forum. The detailed arrangements for so doing are set out in the Public Information Sheet at the back of this agenda. Public Forum items should be emailed to [democratic.services@bristol.gov.uk](mailto:democratic.services@bristol.gov.uk) and please note that the following deadlines will apply in relation to this meeting:-

Questions - Written questions must be received 3 clear working days prior to the meeting. For this meeting, this means that your question(s) must be received in this office at the latest by 5 pm on **21 May 2019**.

Petitions and Statements - Petitions and statements must be received on the working day prior to the meeting. For this meeting this means that your submission must be received in this office at the latest by 12.00 noon on **24 May 2019**.

## 12. Draft Work Programme 2019/20

To consider draft work programme.

(Page 11)

## 13. External Audit - Update Report.

## 14. Draft Annual Governance Statement 18/19 - TO FOLLOW

## 15. Annual Counter Fraud Report 2018/19

(Pages 12 - 25)

## 16. Audit Committee Annual Report to Full Council (Draft)

(Pages 26 - 38)

## 17. Internal Audit Annual Report 2018/19

(Pages 39 - 65)

## 18. Draft Statement of Accounts 2018/19



**(Pages 66 - 68)**



## **Appendix A – Revised Terms of Reference for the Audit Committee (see paragraph 2.1)**

### **Composition of the Committee**

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.

The Committee may not appoint any person as an independent member who is an active member of any political party, defined as any person who engages in political activities which would not be permissible if that person was an officer holding a politically-restricted post within the Council. Independent membership may only be made if the person has particular knowledge or expertise in the functions for which the Committee is responsible.

The Committee will meet at least five times a year and will maintain the technical capability to discharge the Audit Committee responsibilities of the Council. The Chair of the Committee may convene additional meetings, as deemed necessary.

The Audit Committee may hold separate meetings with External / Internal Auditors without officer or executive representation. The Committee should hold at last one such meeting annually with External and Internal Auditors.

### **Objectives or Purpose**

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects governance, the authority's exposure to risk and weakness of the control environment, and to oversee the financial reporting process.
- To review matters relating to Internal Audit, external audit, risk management, governance, assurance statements, anti-fraud and anti-corruption arrangements.
- To enhance and promote the profile, status and authority of the Internal Audit function and to demonstrate its independence.
- To contribute towards making the authority, its committees and departments more responsive to the audit function.
- To review compliance with the relevant standards, codes of practice and corporate governance policies of the Council.

## **1. Audit Activity**

- 1.1 To approve the Internal Audit Charter and Strategy and monitor its progress.
- 1.2 To approve the Internal Audit annual plan of work and monitor unscheduled work that could potentially divert audit resources away from a plan, and monitor performance against those plans, ensuring that there are no inappropriate scope or resource limitations.
- 1.3 To suggest work for Internal and External Audit.
- 1.4 To consider the Annual Report and opinion of the Head of Internal Audit and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance arrangements prior to approving the Annual Accounts.
- 1.5 To oversee and provide assurance to the Council on the provision of an effective internal audit service and consider the main issues arising from summary Internal Audit reports, and seek assurance that action has been taken where necessary, particularly in areas of high risk.
- 1.6 To consider reports dealing with the management and performance of the Internal Audit function, including the external peer review and reports on the results of the Quality Assurance and Improvement Programme in order to gain assurance on the effectiveness of the Internal Audit function.
- 1.7 To monitor the implementation of agreed actions within reasonable timescales.
- 1.8 To consider the External Auditor's Annual Inspection Letter, relevant reports and the reports to those charged with governance in the process for the approval of the Annual Accounts.
- 1.9 To consider specific reports as agreed with the External Auditor to ensure agreed action is taken within reasonable timescales.
- 1.10 To comment on the scope and depth of the external audit work and to ensure it gives value for money.
- 1.11 To liaise with Public Sector Audit Appointments Limited over the appointment of the Council's External Auditor.
- 1.12 To consider the reports of inspection agencies relevant to the Council.
- 1.13 To undertake an annual review of the effectiveness of the system of Internal Audit.
- 1.14 To oversee the appointment / dismissal of the Chief Internal Auditor.



## **2. Regulatory Framework**

- 2.1 To receive assurance reports on the effectiveness of the Council's Constitution in respect of contract procedure rules, financial regulations, codes of conduct and behaviour and to periodically consider proposed changes to the Constitution in order to make recommendations for amendments to Full Council.
- 2.2 To review any issue referred to it by the Head of Paid Service or Executive Director or any Committee of the Council.
- 2.3 To monitor the effective development and operation of risk management and corporate governance throughout the Council.
- 2.4 To monitor Council policies on whistleblowing and anti-fraud and anti-corruption policies, including the Council's complaints process.
- 2.5 To review the Council's Annual Governance Statement prior to approval, considering whether it properly reflects the risk environment and supporting assurances, and recommend its adoption for publication with the annual accounts, together with associated plans for addressing areas of improvement and advising the Council as appropriate.
- 2.6 To review the arrangements for corporate governance, including the Code of Corporate Governance, to agree necessary actions to ensure compliance with best practice and to recommend to Full Council as appropriate.
- 2.7 To review the Council's framework of assurance, for example Assurance maps, and ensure that it adequately addresses the risks and priorities of the Council.
- 2.8 To review the Council's compliance with its own and published national standards and controls.
- 2.9 To review assurances and assessments on the effectiveness of the Council's arrangements to secure value for money.
- 2.10 To review the assessment of fraud risk and potential harm to the Council from fraud and corruption and to monitor the use of resources to address fraud risk.
- 2.11 To report as appropriate to Full Council on issues which require their attention or further action.

## **3. Accounts**

- 3.1 To approve the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns

arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- 3.2 To consider, in the context of approving the Accounts, the External Auditor's report to those charged with the governance issues arising from the audit of the accounts.
- 3.3 To review the Council's Treasury Management Strategy and policies, and make recommendations to Full Council for approval.

#### **4. Risk Management**

- 4.1 To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Policy and the Corporate Risk Register.
- 4.2 To provide assurance to the Council, in the Committee's Annual Report, on the effectiveness of risk management arrangements in place.
- 4.3 To seek assurances that action is being taken on risk-related issues.
- 4.4 To be satisfied that the Council's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

#### **5. Accountability Arrangements**

- 5.1 To report to Full Council on an annual basis on assurances received significant control issues, the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

#### **Values and Ethics**

The Audit Committee shall appoint a Values and Ethics Sub-Committee

#### **Composition of Values and Ethics Sub-Committee**

4 Elected members of the Audit Committee (one from each political group represented on the committee), and one independent member, chaired by an independent member.

#### **Terms of Reference for Value & Ethics Committee**

To deal with all matters relating to the ethical framework affecting members of the Council under Part 1 Chapter 7 Localism Act 2011 as amended and all other relevant legislation including regulations, directions and guidance. This shall include, but not be limited to:-

1. The promotion of the highest standards of behaviour by members of the Council, including the Mayor, councillors, independent members and co-optees.
2. Advising the Council on the adoption and operation of the Member Code of Conduct, making recommendations for change as the Committee sees fit.
3. Training all members in the operation of the Member Code of Conduct and ensuring it is well publicised both within and outside the Council.
4. The adoption, implementation and maintenance of a procedure for dealing with allegations of breach of the Member Code of Conduct; including monitoring and review and amending it from time to time as the Committee sees fit.
5. Dealing with allegations of Breach of the Member Code of Conduct, where these are referred to them by the Monitoring Officer, and the imposition of sanctions as appropriate in accordance with the law, the Council's Constitution and relevant procedures adopted by the Council.
6. Consideration of applications for dispensation to allow members to participate in consideration of matters in which they would, but for a dispensation, not be able to participate, in circumstances permitted by law.
7. To adjudicate on any dispute relating to the payment of Members' Allowances or expenses under the Members' Allowances scheme in force from time to time.
8. To review the Council's use of the powers available to it under the Regulation of Investigatory Powers Act 2000.
9. Conferring of Alderman/Alderwoman status and the criteria for such awards.
10. To lead on member development and enhance the role of members as city leaders and community councillors.
11. To review compliance of the Mayor and Councillors in terms of mandatory training.
12. To have oversight of the Register of Members' Interests.
13. All things necessary or in the opinion of the Committee appropriate to fulfil the role and remit of a Values and Ethics Committee as defined by law or the Council's Constitution.

AUDIT COMMITTEE  
WORK PROGRAMME 2019/20

Meeting Date	Report Author	Report Details	Routine Work Programme/ Other?	ToR Ref	Officer Providing Report	Comments:
Tuesday 28th May 2019 2:00 PM	<b>Proposed Training:</b>	<b>Statement of Accounts</b>	<b>Training</b>		<b>Finance to facilitate</b>	To provide committee member with an overview of Public Sector accounts and the key areas to examine.
	External Audit:	Update Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Draft Annual Governance Statement 2018/19 Annual Fraud Report Audit Committee Annual Report to Full Council (Draft) Internal Audit Annual Report 2018/19	Routine Routine Routine Routine	2.5/4.4 2.4/2.10 5.1 1.6	Deputy Chief Internal Auditor Deputy Chief Internal Auditor Deputy Chief Internal Auditor Deputy Chief Internal Auditor	
	Finance:	Draft Statement of Accounts 2018/19	Routine	3.1	Executive Director Resources / Director Finance	
	Legal:	<b>Member Standards items:</b> <b>Information Items: None</b>				
Monday 29th July 2019 Time to be agreed	<b>Proposed Training:</b>	<b>Overview of Risk Management</b>	<b>Training</b>		<b>Risk and Insurance Manager</b>	To provide the committee with an overview of risk management within the council at this time and details of the improvements in progress.
	External Audit:	Update Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Final Annual Governance Statement 2018/19	Routine	3.1	Head of Paid Service/S151 Officer	
	Risk & Insurance	Internal Audit Activity Report Corporate Risk Report	Routine Routine	1.5/1.7/2.1 4.1/4.3	Deputy Chief Internal Auditor Risk & Insurance Manager	
	Finance	Statement of Accounts 2018/19	Routine	3.1	Director of Finance	
September 2019 Date/Time to be agreed	<b>Proposed Training:</b>	<b>To be determined</b>	<b>Training</b>			
	Finance:	Treasury Management - Annual Report	Routine	3.3	Director of Finance	
	Risk Management: Customer Relations	Review of a Specific Corporate Risk Ombudsman Report	Routine Routine	4.1/4.3	Risk Owner/Risk Manager Head of Customer Relations	
	External Audit:	ISA260 Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Internal Audit Activity Report	Routine	1.5/1.7/2.1	Chief Internal Auditor	
	Legal:	<b>Members Standard Items</b> <b>Information Items:</b>				
November 2019 Date/Time to be agreed	<b>Planned Training:</b>	<b>To Be Determined</b>	<b>Training</b>			
	External Audit:	Update Report	Routine	1.8/1.10	External Audit Lead	
	Risk Management:	Review of a Specific Corporate Risk	Routine	4.1/4.3	Risk Manager / Risk Owner	
	Internal Audit:	Internal Audit Half-Year Activity Report Internal Audit - Half-Year Investigation Update Report and Anti-Fraud and Anti-Corruption Policy Internal Audit Quality Assurance and Improvement Plan Internal Audit Charter & Strategy Refresh	Routine Routine Routine Routine	1.5/1.7/2.1 2.4./2.10 1.6 1.1	Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor	
	Finance:	Treasury Management Half-Year Report	Routine	3.3	Director - Finance	
		<b>Information Items: None</b>				
January 2020 Date/Time to be agreed	<b>Proposed Training:</b>	<b>To Be Determined</b>	<b>Training</b>			
	External Audit:	External Audit Update Report	Routine	1.8/1.9	External Audit Lead	
	Internal Audit:	Annual Whistleblowing Review Annual Review of the effectiveness of the system of Internal Audit	Routine Routine	2.4 1.13	Chief Internal Auditor Director - Finance	
	Risk Management:	Corporate Risk Report and Policy	Routine	4.1/4.3	Risk Manager	
	Legal:	<b>Member Standards items:</b> Value and Ethics Sub-Committee Report/Minutes including Budget Dispensations	Routine		Director: Legal& Democratic Services	
		<b>Information Items: None</b>				
March 2020 Date/Time to be agreed	<b>Proposed Training:</b>	<b>Audit Committee Effectiveness Workshop</b>	<b>Training</b>		<b>Chief Internal Audit/Head of Internal Audit</b>	To take the opportunity to look back over the year and determine what went well and identify areas for improvement.
	Risk Management:	Review of a Specific Corporate Risk	Routine	4.1/4.3	Risk Owner/Risk Manager	
	External Audit:	Audit Update Grants Audit Report	Routine Routine	1.8/1.10 1.8/1.10	External Audit Lead External Audit Lead	
	Internal Audit:	Draft Annual Plan 2020/21 Internal Audit Development Plan Update Internal Audit Activity Report	Routine Routine Routine	1.2 1.6 1.5/1.7/2.1	Chief Internal Auditor Chief Internal Auditor Chief Internal Auditor	
	Legal:	Review of Committee Terms of Reference	Routine		Director: Legal& Democratic Services	
	Corporate:	Inspection Agency reports	Routine	1.12	Head of Corporate Finance	
		<b>Member Standards items:</b> <b>Information Items: None</b>				



# Audit Committee

31st May 2018

**Report of:** Deputy Chief Internal Auditor

**Title:** Annual Counter Fraud Report 2018/19

**Ward:** N/A

**Officer Presenting Report:** Deputy Chief Internal Auditor

**Contact Telephone Number:** 01179222063

## Recommendation

The Audit Committee note the Annual Counter Fraud report for 2018/19.

## Summary

This Report provides the Committee with summary of the work undertaken by the Internal Audit – Counter Fraud team and the savings generated from counter fraud work in 2018/19.

## Significant Matters Arising:

Key messages arising from this report at Appendix A;

- The Counter Fraud team has generated significant recoverable, ongoing and notional savings for the Council.
- The team covers a wide range of Counter Fraud and investigative work within its current structure.
- Developments within the service are ongoing and continuous.



**1. Policy**  
Audit Committee Terms of Reference

**2. Consultation**

Internal – Statutory Policy Board including S151 Officer, Cabinet Member for Governance, Resources and Finance and Monitoring Officer.

External – N/A

**3. Context**

3.1 This is the Annual Report outlining the Counter fraud work that has taken place in Bristol City Council. The report is provided to:

- Give an overview of the work of the Internal Audit – Counter Fraud and Investigations team and other anti-fraud work which has taken place within the Council;
- Present details of the savings identified through counter fraud work.
- Spotlight the volume and variety of investigation work that the Counter Fraud team undertakes and the competing priorities.
- Update Members on the actions taken in relation to the review undertaken of arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The full report can be found at Appendix A

**4. Proposal**

4.1 The Audit Committee notes the work of the Counter Fraud and Investigations team during 2018/19.

**5. Other Options Considered – N/A**

**6. Risk Assessment**

The work of Internal Audit Counter Fraud team reduces fraud losses and increases the potential for prevention and detection of such issues.

**Public Sector Equality Duties**

7a) 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.

7b) No Equality Impact anticipated from this report.

#### **Legal and Resource Implications**

**Legal – N/A**  
**Financial – N/A**  
**Land – N/A**  
**Personnel – N/A**

#### **Appendices:**

**Appendix A – Annual Counter Fraud Report 2018/19.**

#### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

#### **Background Papers:**

None.



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT ANNUAL COUNTER FRAUD REPORT 30 April 2019



## 1. Introduction

- 1.1 Bristol City Council's Counter Fraud and Investigation team was formed in 2012 and is based in Internal Audit.
- 1.2 The purpose of this report is to provide an update on the work and results of the Counter Fraud and Investigation team during the period 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019.

## 2. Key Messages

- 2.1 The Counter Fraud and Investigation team undertakes a variety of work. The team is dedicated and constantly strives to achieve a balance between proactive work that identifies savings and responsive investigation work.
- 2.2 The work of the team continues to contribute significant benefits across the Council:
  - Recoverable, on-going and notional savings of £3.9 million have been identified;
  - 32 council properties regained. Furthermore, the team provided advice and assistance which secured the return of another 15 properties by the Estates Team;
  - 2 false housing applications cancelled;
  - 1 false right to buy application cancelled.
  - 2 employees dismissed

## 3. Overview of the work of the team and results

- 3.1 The team undertakes a variety of work including:
  - Responsive investigation work – investigating allegations of fraud and irregularity in accordance with Anti-Fraud, Bribery and Corruption policy.
  - Proactive fraud work – undertaking data analytics and data matching to find fraud.
  - Fraud prevention work – reviews to identify weaknesses in fraud prevention controls.
  - Training and publicity – raising awareness of fraud with work colleagues and the public.
  - A co-ordination and liaison role with the DWP for benefit fraud work
  - Responding to enquiries from other enforcement agencies such as the police, NHS and other Local Authorities.
- 3.2 The team plans a work programme at the beginning of the year. A review of the plan mid-year led to 2 pieces of work being removed due to them no longer being required. The team have completed or have in progress 92% of the 2018/19 planned work.
- 3.3 As well as the planned work programme, the team deals with a number of internal investigations of fraud or irregularity. Some of these are complex and resource intensive investigations. The investigation of these is policy driven and provides assurance to management on concerns raised, along with actions for improvement. The team work

closely with Human Resources where disciplinary proceedings are considered appropriate.

- 3.4 The team aims to respond to all allegations promptly and is continually balancing priorities between the work that delivers savings and the work that protects the integrity of the council.
- 3.5 A further team aspiration (although not a formal performance indicator) is that it will pay for itself by way of identifying recoverable savings. This has been achieved this year with savings, identified below, more than twice the investigation team budget. Whilst it is not the team's role to recover the savings, further work will be undertaken to identify the amounts of recoverable savings that have actually been recovered to ensure team efforts remain appropriately focussed

#### Savings for 2018/19

Fraud area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£11,899	£2,796,000	£659
Right to Buy	0	£56,000	0
Benefits National Fraud Initiative (NFI)	£39,759	0	£2,280*
Benefits (DWP work)	£694,815	0	£1,955
Council Tax Reduction (BCC work)	£106,150	0	£1,315
Administrative Penalties (Adpens)	£6,432	0	0
Room hire payment	£180	0	0
School investigation	£840	0	0
Non Domestic Rates/Small Business Relief	£53,519	0	£761
Local Tax NFI/SPD	£129,834	0	0
<b>TOTAL</b>	<b>1,043,428</b>	<b>£2,852,000</b>	<b>£6,970</b>

Figures used for notional savings are:

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

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

\*NFI uses a 21 week multiplier to this figure and claim £47,880 as the total cost

- 3.6 In respect of Tenancy Fraud, the team has a performance target of 30 council property regains. The team have successfully regained 32 council properties through their investigation work.

### Workload facts and Figures

The Counter Fraud and Investigations team has the following caseload as at 23 April 2019:

- 66 Benefit (assisting DWP investigations)
- 88 Tenancy Fraud
- 13 Council Tax Reductions investigations
- 13 Procurement
- 8 Social Care
- 2 Local Taxation/Non Domestic Rates
- 2 Blue badge
- 5 Employment
- 1 Credit card
- 1 Other
- 1 Assets
- 1 Grant Funding

Since 1/4/18 it has received:

- 277 Tenancy Fraud referrals
- 464 Requests for information from the DWP
- 35 other fraud referrals including Procurement, Social Care, Blue badge and employee fraud.
- 212 requests for information from the Police or other enforcement body.
- 206 pupil tracking requests for information.
- Over 150 advice queries on benefit fraud from colleagues
- Other advice requests from a range of colleagues

The graph at section 7 of this report shows how the level of referral for each type of fraud compares with previous years. Overall referrals have increased slightly with referrals in respect of social care payments, council tax reduction and blue badge/concessionary travel increasing this year.

### Results facts and figures

- 32 Council properties regained.
- 15 Cases where we have assisted Estates to secure a regain.
- 1 Right to buy application cancelled due to false information.
- 2 false housing applications cancelled.
- 2 blue badge prosecutions (conclusion of the 2017/2018 enforcement exercise) and one formal caution for misuse of a blue badge
- 2 employees dismissed
- 7 Investigations resulting in a report with recommendations being issued

### Fraud Awareness Training

Significantly, the team has this year launched an online fraud awareness training package that has been completed by approx. 2600 colleagues across the council to date. (refer to para 4.9 for further details). Additionally, fraud awareness training sessions have been delivered to:

- Caretakers
- Benefits administration teams.
- Call centre colleagues.

This included organised Home Office document verification training.

## Responsive Investigations:

- 3.7 The team receive a number of allegations of suspected fraud and irregularity. The investigations have included suspected fraud and irregularity at a nursery and childrens centre, breaches of procurement regulations, direct payment fraud and inappropriate grant expenditure. These investigations are often long and complex by nature. One example of a case that has taken considerable time to progress, but also demonstrates the tenacity and resolve of the team is below:

### ***Non Domestic Rates (NDR)***

*In collaboration with colleagues in Local Taxation and Legal Services , the team have worked for a lengthy period to try and find a solution to a case of repeated evasion of NDR by the apparent use of sham companies.*

*The council have limited powers to investigate in this area and so have been inventive in finding ways to challenge and end the practice.*

*After collating a significant amount of evidence the matter was referred to the Avon and Somerset Police.*

*After securing further evidence the Police arrested and interviewed the owner under caution. Whilst the matter is ongoing, it is hoped that a significant amount of retrospective NDR in excess of £100k can be recovered. The practice has now ceased and the owner is now liable for the full amount of NDR . The team continue to work to assist the Police.*

## **4. Proactive Work**

- 4.1 The Investigation Team continually strives to embrace the corporate value of 'curiosity' and being 'innovative' by always looking at new ways to prevent and identify fraud. Various proactive fraud work has been undertaken and the increased use of data analytics is being undertaken to identify fraud risks and highlight irregularities. Data matching has also been used to help sift and prioritise work and lessons learned from this can help preserve data integrity and shape the development of a 'data hub' project for the prevention and detection of fraud.

### **Direct Payments.**

- 4.2 The team has undertaken some initial data analytic work in this area with a view to identifying and sample testing high value and high risk cases. This included recipients of Direct Payments who have made no use of the money they receive, and a data match to identify persons who have continued claiming after they have left the area. The analytics will compliment and shape the work in this area by the Assurance Team and will seek to identify any improvements in control to minimise the risk of fraud.

### **Tenancy Fraud Campaign**

- 4.3 This is a significant project to work with some Registered Social Landlords to both publicise the cost and effects of housing fraud to the citizens of Bristol. It offers the opportunity to those who no longer need their social housing or who are committing tenancy fraud to relinquish their tenancy without any further legal ramifications.
- 4.4 Significant preparation for this took place during 18/19: the team engaged and consulted with Legal Services, Equalities and the Communications Team as well as colleagues across Housing and Landlord Services. Following a briefing to the West of England Housing Group, the team are working closely with United and Solon Housing Associations. The campaign will run during April and May 2019. The results will be collated and reported on in 2019/20.

### **Data Hub**

- 4.5 This is a longer term development project which will look at routinely matching and analysing data sets held by BCC and some external datasets, with the aim of preventing and detecting fraud and error. Ongoing data matching and analysis can identify fraud trends . It can also help clean and improve the data held by Bristol City Council and promote efficient data processing. This may also reduce overpayments and aid their recovery. The team are in the early development and planning stages and are engaging stakeholders.

### **Right to Buy**

- 4.6 The team continue to check all right to buy applications in bulk using the data hub software which includes access to credit reference information. This work can also identify benefit fraud issues and helps to ensure compliance with money laundering regulations.

### **NFI HMRC Pilot exercise**

- 4.7 In addition to the biannual Cabinet Office data matching exercise, Bristol City Council received an invitation in December 2018 to take part in a pilot National Fraud Initiative project using data from HMRC. This work was not planned, but was the first time that HMRC data has been available so it was an exciting opportunity and the team agreed to take part. The initial matches were released in February 2019 and the team are currently

sifting and analysing the data. Early indications suggest that the exercise will produce some significant results which will be collated and reported on for the 19/20 year.

### **Blue Badge Exercise**

- 4.8 The team continued to work closely with Parking Services, the Blue Badge Team and Avon and Somerset Police to investigate blue badge mis-use. An enforcement exercise took place in December 2018 which resulted in penalty charge notices being issued. Two persons suspected of blue badge mis-use were invited to attend interviews under caution for offences. One case is pending legal action and the other admitted an offence and accepted a formal caution. The team received positive feedback from the public, including badge holders, during the exercise.

### **Fraud Awareness Training**

- 4.9 A mandatory fraud prevention awareness online training package was launched across the council for all employees. After completing the course employees will understand the broad nature of fraud and why preventing it is important. The training explores the key indicators that may highlight fraud may be occurring and also informs of the main aims and methods for identifying money laundering.

### **4.10 Non Domestic Rates (NDR) Small Business Relief (SBR)**

Savings have been identified by proactive data matching in respect of SBR. In collaboration with Local Taxation, the team have identified:

- £53.5K of recoverable savings from the removal of Small Business Rate relief wrongly claimed.
- The annual relief that was cancelled and will result in an on-going saving is approximately £26.7k (based on 2018 NDR rate)
- 481 Charities were confirmed as such and entitled to charitable relief by matching to charity commission information. Leaving a reduced number (448) to be confirmed by manual means.
- Identification of 2 Phoenix Companies which are currently being further investigated. (where the assets of one Limited Company are moved to another legal entity so that a debt is written off, but the company is effectively the same company).
- Agreement to undertake a similar exercise on NDR with South Gloucestershire Council.

## 5. Counter Fraud Activity Across the Authority

- 5.1 The Local Taxation Team carry out a rolling review of all council tax discounts and exemptions and have several counter fraud initiatives.

### **Council Tax - Single Persons Discount Relief (SPD)**

- 5.2 The Local Taxation team is currently reviewing National Fraud Initiative (NFI) 2017/18 output which reports on Council Tax accounts receiving SPD where Electoral Role data indicates more than one individual resides at the property. To date 182 SPD's have been cancelled resulting in a recoverable saving of £129,834.
- 5.3 The NFI now undertake this exercise annually and the Counter Fraud team are looking to utilise the data hub software to automate the process of checking the output and reduce the volume of instances that require manual checking.

### **Empty Property Business Rates Relief**

- 5.4 Empty Property Business Rates Relief provides 100% relief from business rates during the first 3 months in which any office or retail premises are empty, or the first 6 months in which any warehouse or industrial premises are empty. This is an area that Local Taxation is monitoring. Some companies have been identified as following the practice of stating intermittent occupancy to take advantage of business rate relief. Local Taxation have introduced a procedure to pick up cases when they see a pattern appear and will write for proof of occupation and visit the premises when occupied to satisfy us that actual occupation is taking place.

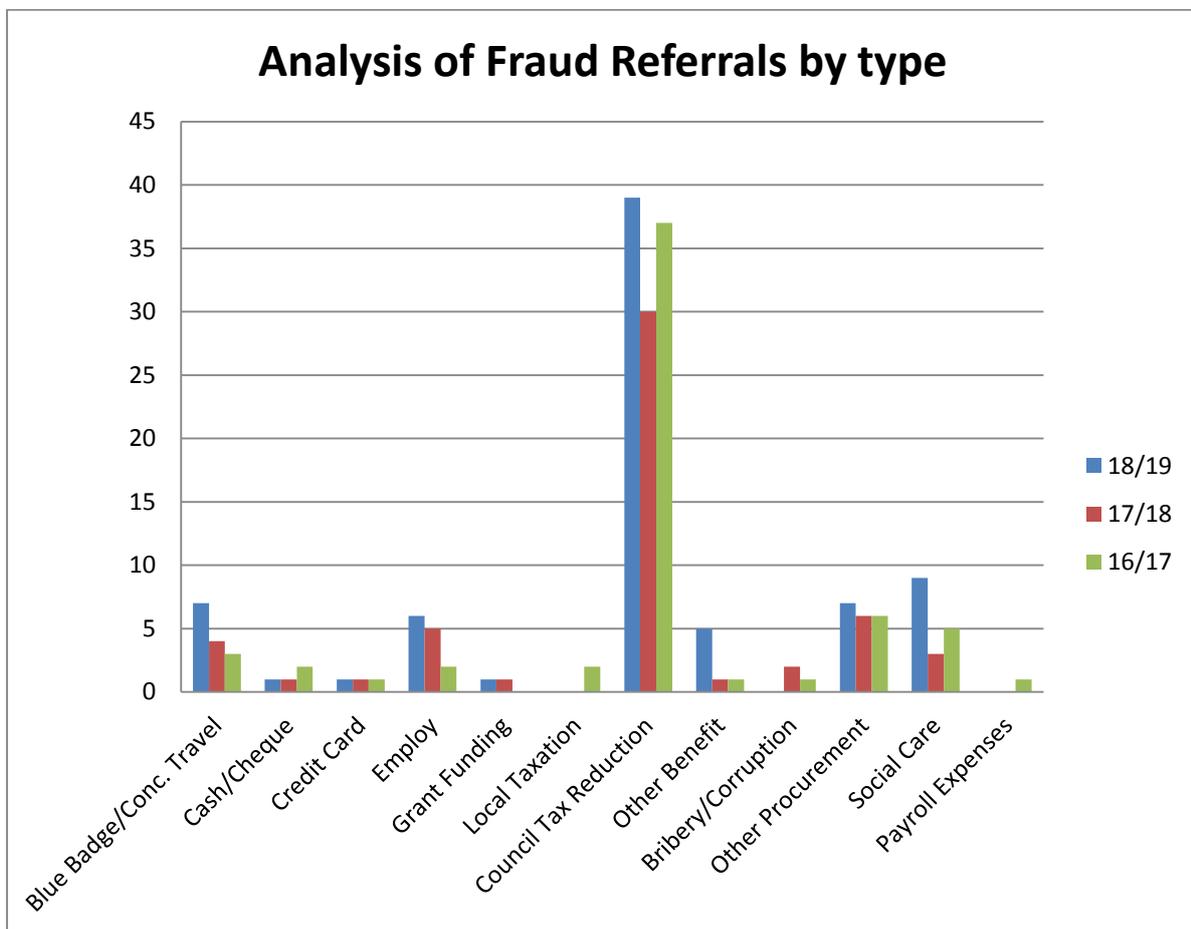
## 6. Counter Fraud Strategy and Policy

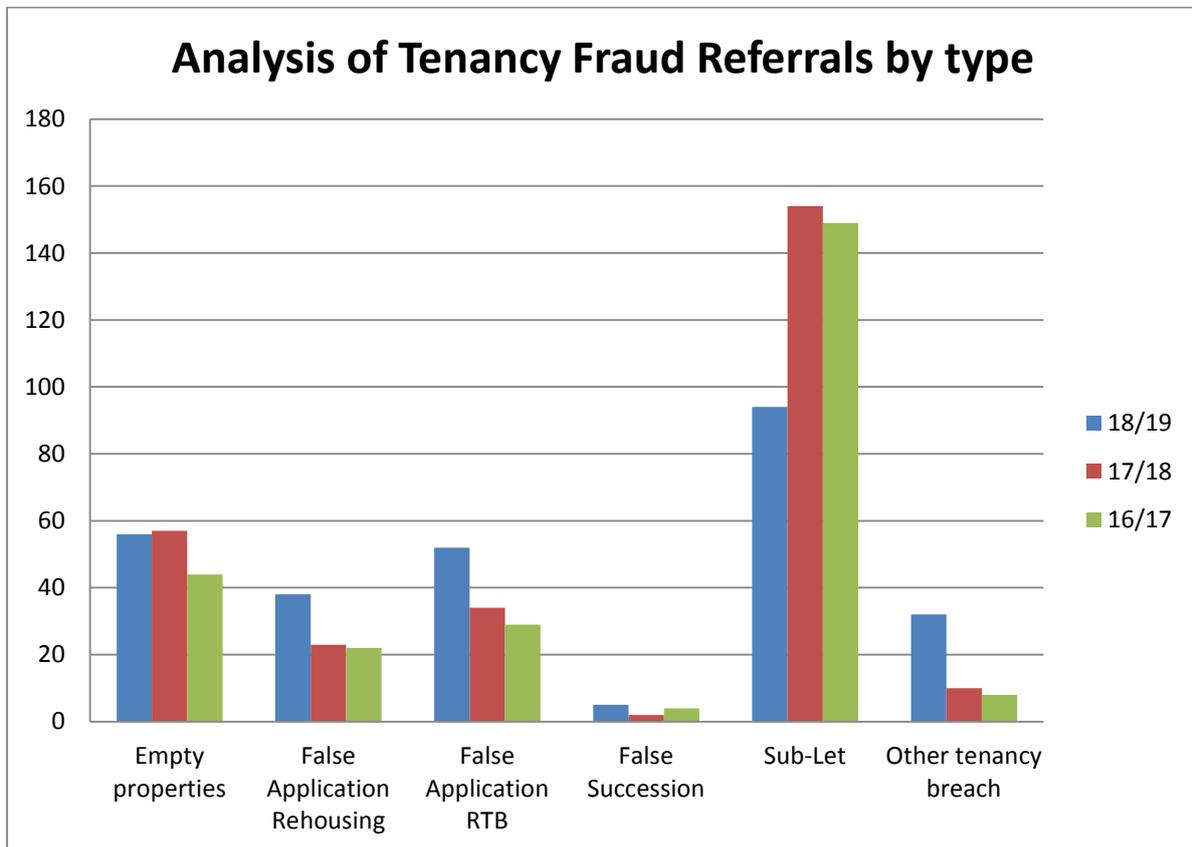
- 6.1 The team have reviewed and published a revised Anti-Money Laundering Policy and accompanying guidance.
- 6.2 The Council has a robust Anti-Fraud, Bribery and Corruption Policy which is reviewed and updated as considered appropriate. Following a review of fraud awareness in schools, the need to reinforce and raise awareness that the policy applies to schools was identified. This work has been planned for the forthcoming year and will be reported to Audit Committee in 2019/20 once complete.
- 6.3 In 2017, the Council's Counter Fraud arrangements were assessed against the CIPFA Counter Fraud Assessment toolkit. The following table provides a summary of the key actions resulting from the assessment and the action taken to date:

	ASSESSMENT GAP	ACTION TAKEN SO FAR
1	<i>More work to be done on fraud risk assessment.</i>	Now planned for 2019/20.
2	<i>Fraud and Investigation team strategy to be reviewed in line with authority's requirements. Resources to be aligned to strategy.</i>	<p>Complete.</p> <p>The new team structure agreed from 1 April 2019 includes increased counter fraud and investigative resource as well as Data Analysis resources.</p> <p>The strategy is to:</p> <ul style="list-style-type: none"> <li>• Deliver a comprehensive Counter Fraud and Investigations Service</li> <li>• Continually improve and develop the service.</li> <li>• Grow the volume of the business via the generation of increased levels of external income or recharging of services internally.</li> </ul> <p>This to be achieved by:</p> <ul style="list-style-type: none"> <li>• Continuing to provide a wide range of counter fraud and investigative services</li> <li>• Improving liaison with Registered Social Landlords on tenancy fraud work through the key amnesty and other work</li> <li>• Development of a data warehouse and data hub</li> <li>• Taking advantage of opportunities to work with other Local Authority fraud sections.</li> </ul>
3	<i>Other areas of the council to be reviewed, where resource issues are impacting on the success of fraud work (ie Legal Services, Debt recovery). Service level agreements to be put in place, where appropriate.</i>	<p>Complete and ongoing</p> <p>Quarterly meetings are held with Legal Services. Quarterly meetings to be held with Housing and Landlord Services</p> <p>Service Level agreement is in place with Housing and Landlord Services</p>
4	<i>Review the rights of access that authority investigators have to outsourced activities, shared services and partnership arrangements. A standard approach to be adopted for all externally provided services.</i>	An audit review of access rights to contractor records is in progress.
5	<i>Greater publicity needed around fraud work and raising awareness of fraud.</i>	<p>Complete</p> <p>Mandatory E learning module launched. Approx. 2600 colleagues have completed to date.</p> <p>Other opportunities for publicity will be considered as they arise:</p> <ul style="list-style-type: none"> <li>• Key amnesty</li> <li>• Any prosecution cases</li> <li>• Blue Badge exercise</li> <li>• Fraud update reports</li> </ul>
6	<i>Money laundering policy and guidance needs to be</i>	Complete

	<i>published and some refinements needed to whistleblowing arrangements.</i>	Money Laundering Policy and Guidance has been published. Whistleblowing arrangements reviewed and subject to annual audit.
7	<i>Communication with directorate management needs to be improved to manage expectations around internal investigation work.</i>	Complete and Ongoing. Monthly management updates being provided on certain investigations.
8	<i>Future options for assessing the efficiency and effectiveness of counter fraud operations, to be considered.</i>	CIPFA fraud survey completed.

## 7. Fraud Trends and 19/20





## 8. Summary

8.1 The Council benefits from a busy and successful Counter Fraud Team that has sound knowledge and experience of investigating the key fraud risks that face the Council. The team has been further strengthened this year to increase its resource and enhance analytics skills available in the pursuit of fraud. With these new skills and resources the team is looking forward in 2019/20 to:

- Progressing the data hub
- Maximising positive outcome from the NFI and other data matching exercises
- Building on the direct payment investigation work by carrying out some proactive data analysis work
- Publicising the key amnesty and working with registered housing providers to target tenancy fraud

8.2 The number of corporate fraud referrals has increased from 2017/2018 figures, particularly in the areas of blue badge misuse and direct payment fraud. Internal Audit will continue to work with management to review control processes in these areas.

# Audit Committee

28<sup>th</sup> May 2019



**Report of:** Chair of the Audit Committee

**Title:** Audit Committee Annual Report to Full Council – Draft Report

**Ward:** N/A

**Officer Presenting Report:** Deputy Chief Internal Auditor

## Recommendation

The Committee Members consider and approve the Audit Committee’s Draft Annual Report to Council for 2018/19.

## Summary

The report provides a summary of the work of the Committee during 2018/19 and its conclusions following oversight of the assurance, governance and risk management frameworks within which the Council operates.

## The significant issues in the report are:

The work of the Committee together with conclusions from that work as detailed in section four of Appendix A.

The Committee’s adherence to its Terms of Reference as detailed in paragraph 4.17



## Policy

The Audit Committee's Terms of Reference are determined by Full Council. The City Council has a duty to ensure adequate and effective risk management, internal control and governance arrangements and the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.

## Consultation

1. **Internal**  
Audit Committee Members
2. **External**  
N/A

## Context

3. The Committee's Terms of Reference include a requirement to provide full Council with an Annual Report summarising its conclusions from the work it has undertaken during the year. The report is provided at Appendix A.

## Proposal

4. Committee members review the Annual Report to Full Council and approve it for submission to Full Council, subject to any amendments required identified at the Committee meeting.

## Other Options Considered

5. None

## Risk Assessment

6. The assurances provided to the Council by the Audit Committee are an important element of the Council's governance arrangements.

## Public Sector Equality Duties

- 7a) 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.

7(b) No Equality Impact anticipated from this report.

#### **Legal and Resource Implications**

**Legal – N/A**

**Financial – N/A**

**Land – N/A**

**Personnel – N/A**

#### **Appendices:**

Appendix A – Audit Committee Report to Full Council 2018/19 (draft)

#### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

##### **Background Papers:**

Audit Committee papers throughout 2018/19.

CIPFA Guidance on Audit Committee Effectiveness 2013



# BRISTOL CITY COUNCIL

## AUDIT COMMITTEE

(DRAFT)

ANNUAL REPORT  
2018-19

DRAFT

## 1. Introduction:

- 1.1 This is the annual report of the Audit Committee and covers the municipal year 2018/19. The format of the report has been developed to enable the reader to form a view about the effectiveness of the Committee's activities during the year and its oversight of the Assurance and Risk Management Frameworks within which Bristol City Council operates.

## 2. Role of the Committee:

- 2.1 The Committee's approved Terms of Reference for 2018/19, which are detailed on the Bristol City Council website ([Terms of Reference](#)), can be summarised as providing independent assurance to the Council in relation to the:
- Effectiveness of the Council's governance arrangements, risk management framework and internal control environment;
  - Overseeing of the work of Internal and External Audit, while at the same time enhancing the profile, status and authority of the Internal Audit function and its independence;
  - Effectiveness of the Council's financial and non-financial performance to the extent it affects exposure to risk and poor internal control;
  - Reviewing of the Annual Statement of Accounts and the Annual Governance Statement and the Council's compliance with its Code of Corporate Governance.
- 2.2 A commentary on the Committee's work during 2018/19 is set out in section 4 below.
- 2.3 The Audit Committee is the primary means by which Full Council obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety. The Audit Committee's responsibilities are additional and supportive to those of the Section 151 Officer.

## 3. Membership and Meetings of the Committee:

- 3.1 The Committee was chaired during 2018/19 by Councillor Olly Mead. The Committee comprised of nine members - the Chair and Councillors Clive Stevens (Vice Chair), Liz Radford, Mark Brain, Anthony Negus, Afzal Shah and Steve Pearce, with independent members, Adebola Adebayo and Simon Cookson. Unfortunately, the Committee lost Councillor Pearce at the beginning of 2019 as he was called to the Cabinet.
- 3.2 The Committee met formally on six occasions during 2018/19, with two additional extraordinary meetings held in July and October 2018 to consider the progress of the external audit of the Council's draft Statement of Accounts 2017/18. All meetings were quorate.

Table 2- Audit Committee Attendance 2018/19:

Member	No. of Meetings Held	No. of Meetings Attended	% of Meetings Attended(sub)
Olly Mead (Chair)	8	8	100%
Clive Stevens – Vice Chair	8	7 + 1 Sub	100%
Mark Brain	8	7	88%
Steve Pearce	7	4	57%
Anthony Negus	8	7 + 1 Sub	100%
Liz Radford	8	7 + 1 Sub	100%
Azfal Shah	8	5	63%
Adebola Adebayo	8	5	63%
Simon Cookson	8	7	88%

- 3.3 There were two declarations of a non-pecuniary interest during the municipal year, and the relevant Committee members did not take part in the discussions appertaining to those interests at any of the relevant meetings.
- 3.4 In addition to the Committee Members, the Section 151 Officer, Chief Internal Auditor, Deputy Chief Internal Auditor, Monitoring Officer, representatives from the outgoing External Audit (BDO LLP) and the incoming External Audit (Grant Thornton) and other officers, as appropriate, attended Committee meetings.
- 3.5 A total of fifty one reports were considered during the year, the details of which are provided in Appendix 1. Additionally, at each committee meeting, the Committee's work programme was reviewed for continued relevance and progress against actions required by the Committee was monitored.

#### 4. The Work and Activity of the Audit Committee in 2018/19:

- 4.1 The specific objectives of the Committee relate to overseeing the following arrangements. Papers received by the Committee to enable them to provide that oversight are recorded below:

Table 1 - Audit Committee Key Oversight:

Area	Papers Considered to Enable Oversight
Internal Control Environment	<ul style="list-style-type: none"> <li>Internal Audit Activity Reports. These were provided throughout the year and included enhanced summary information regarding individual audit reviews and details of the control environments.</li> <li>Internal Audit Annual Report, including annual opinion on governance, risk management and internal control.</li> <li>Local Government Ombudsman Report</li> <li>BCC Wholly owned Companies Audit &amp; Assurance Arrangements</li> </ul>
Corporate Risk Management	<ul style="list-style-type: none"> <li>Risk Management Policy Review;</li> <li>Corporate Risk Report;</li> <li>Reports on a specific Corporate Risk at three of the six scheduled meetings.</li> <li>Risk Management Report</li> </ul>
Regulatory Framework	<ul style="list-style-type: none"> <li>Annual Governance Statement.</li> <li>Bundred Report Actions and Annual Governance Statement Tracker.</li> <li>Constitution Updates</li> <li>Senior Officer Remuneration Report by External Auditor</li> <li>Update on the Council's compliance with GDPR requirements</li> <li>Annual Review of the Effectiveness of the System of Internal Audit</li> <li>External Inspection Reports</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>Internal Audit Charter, Terms of Reference and Strategic Statement.</li> <li>Internal Audit Plan 2019/20. Amendments to the Plan.</li> <li>Internal Audit Activity and Performance Reports.</li> <li>Internal Audit Peer Review – Action Plan Implementation Updates.</li> <li>Internal Audit Quality Assurance and Improvement Programme.</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>External Audit Planning and Update Reports from both outgoing and incoming external auditors.</li> </ul>
Financial Reporting	<ul style="list-style-type: none"> <li>Annual Statement of Accounts –for 2017/18</li> <li>External Audit ISA 260 Report.</li> <li>External Audit Grants Report.</li> </ul>
Treasury Management	<ul style="list-style-type: none"> <li>Treasury Management Annual Report</li> <li>Treasury Management Half Year Update Report</li> </ul>
Members Conduct	<ul style="list-style-type: none"> <li>DBS Check Requirement for Members</li> <li>Councillor Referral to Audit Committee</li> </ul>

Area	Papers Considered to Enable Oversight
Anti-Fraud Arrangements	<ul style="list-style-type: none"> <li>Internal Audit – Counter- fraud reports and Internal Audit Activity Reports.</li> <li>Whistleblowing Annual Review.</li> </ul>

### **Key Messages from the work of the Committee:**

#### Internal Control Environment:

- 4.2 The Committee received an Annual Report from Internal Audit, in line with best practice in the CIPFA Public Sector Internal Audit Standards (PSIAS) at the start of the municipal year. This drew attention to the continued reduction in the control environment for areas reviewed by Internal Audit.
- 4.3 The Committee has continued to emphasise the importance of implementing Internal Audit's recommendations and has supported Internal Audit in its work to ensure control weaknesses are effectively dealt with. The Committee has received regular updates on the status of outstanding recommendations, and where appropriate has requested further information from the relevant responsible officers.
- 4.4 Internal Audit activity reports received by the Committee throughout the year continue to identify areas where control environment improvement is identified upon audit, however the Committee has received assurance that the rate of recommendation implementation has considerably improved as the year has progressed, moving from 40% fully implemented at the end of 2017/18 to 60% fully implemented at 2018/19 year-end.

#### Corporate Risk Management:

- 4.5 The Committee oversaw revision to the Council's Risk Management Policy and reviewed the revised Corporate Risk Register (Report) once during the year, together with an update report on the Risk Management process from the Risk and Insurance Manager. Committee members remain concerned regarding scrutiny of Directorate Risk Registers to ensure this element of strategic risk management arrangements is effective.
- 4.6 The Committee also received report presentations from three corporate risk owners during the year, thereby allowing the Committee to drill down into a particular risk, expressing concerns and discussing the mitigations with the owner. This approach further strengthened the Committee's oversight of corporate risk within the Council.

#### Regulatory Framework/Financial Reporting:

- 4.7 The final Annual Governance Statement (AGS) for 2017/18 was considered prior to its production. The AGS identified significant governance issues, which were incorporated into the Governance Improvement Action Plan, which collated both the recommendations from the external governance review in 2016/17, and the proposed actions to address the significant issues as identified in the AGS. The action plan is monitoring throughout the year, with updates provided to the Committee at its September 2018 and January 2019 meetings.
- 4.8 Although the Committee reviewed the draft Statement of Accounts (SOA) for 2017/18 at its May 2018 meeting, it did not sign-off the final accounts by the original deadline of July 2018, but rather agreed the accounts at its March 2019 meeting. The Committee receive regular updates from BDO on the progress being made on the audit of the accounts and the reasons for the extended delay. To that end the Committee held two extraordinary meetings during the year.

- 4.9 In their Annual Report for 2017/18, the external auditors issued an unmodified true and fair opinion on the financial statements. It also made an “except for” modified opinion on the Council’s arrangements in place for securing economy, effectiveness and efficiency in its use of resources, this was in relation to the matters arising with regard to Senior Officer Remuneration, and the findings from the review undertaken by BDO on behalf of the Council.

Audit Arrangements:

- 4.10 The Committee received regular reports from both the internal and external auditors to enable them to monitor performance and effectiveness of the Council’s audit arrangements.
- 4.11 The interim Chief Internal Auditor continued with the Internal Audit Team during the year, taking on the role permanently in January 2019. This inclusion of strategic management within the team has had a positive impact on the performance of the team and its profile through-out the Council.
- 4.12 The Audit Committee wish to highlight to the Council the importance of the work undertaken by the Internal Audit team and express its gratitude to the Chief Internal Auditor and the Director of Finance for securing an increased Internal Audit budget in the latter part of 2018/19 and into 2019/20, thereby allowing the team to secure sufficient resources to provided appropriate audit coverage across the Council. However, as the team continued to cope with many vacancies during the early part of 2018/19, at the November meeting the Audit Committee approved amendments to the Internal Audit plan, reducing coverage, to reflect both the changing priorities across the Council and the reduced resources available to the team early in the year.
- 4.13 The Audit Committee have also monitored external audit provision by way of update reports from the external auditor, both in terms of BDO’s progress on the audit of the SOA for 2017/18 and the audit plans of the incoming external auditor (Grant Thornton) for the 2018/19 SOA.
- 4.14 The Committee expressed its concern with regard to the length of time it took to achieve audited accounts for 2017/18, however it received a number of update reports from BDO on the status of the audit.

Counter Fraud Arrangements:

- 4.15 The Committee received regular updates on the counter-fraud work undertaken by Internal Audit and noted the continued good results concerning proactive fraud identification work. The Committee was pleased to note that additional resource for the Investigations Team has been included in the revised Internal Audit structure, thereby demonstrating the Council’s commitment to fraud prevention, detection and investigation, as well as Value for Money.

Summary:

- 4.16 In summary, the Committee has generally met its terms of reference in this municipal year, the terms of reference having been revised in consultation with the Committee and approved by Full Council in July 2018. The Committee also received a report on the revised terms of reference at its March 2019 meeting in order to ensure they remained fit-for-purpose.
- 4.17 In order to be effective, members of the Committee have recognised that, when serving on the Committee, they should be apolitical, objective, engaged, and have a clear understand-

ing of risk management, internal control and governance issues, and how the arrangements in place across the City Council operate. During 2018/19, the Committee has considered items of a contentious nature which because of the potential impact on governance within the Council, required in-depth consideration. The Committee recognise that there is a continued need to ensure that, where appropriate, agenda management should be applied in order to ensure that all agenda items receive the depth of consideration relevant to the item being discussed.

4.18 The Committee has been presented with a wide range of issues during the year, adding value by providing scrutiny of the governance within the Council. Outlined below are examples of where the Committee has contributed to improved governance of the Council:

- The Committee has received regular updates on the status of recommendations made as a result of Internal Audit reviews, both in terms of numbers implemented and details of actual recommendations outstanding. The Committee has continued to support Internal Audit in its condemnation of those who do not implement recommendations made. This support has helped to increase the implementation rate considerable during 2018/19.
- The Committee has continued to receive summary reports from all Internal Audit reviews throughout the year, this has not only served to provide the Committee with a greater understanding of the activities within the Council, but to also further raise the importance of the internal audit process and the need for management to effectively engage.
- The Committee has continued its watching brief with regard to the governance arrangements within the Council's wholly owned companies, receiving reports during the year the progress the companies are making.
- During the course of the year, the Committee agreed to establish a sub-committee to consider Values and Ethics matters. This sub-committee will take on the responsibilities with regard to Member standards and breaches thereof.

## **5. Training and Develop Activity to Support the Committee.**

5.1 A key requirement of an effective Audit Committee is a well-informed membership who has substantial experience of the key areas to be considered by the Committee. The training plan for 2018/19 was aimed at assisting members to improve their knowledge and understanding of some of the complex issues they consider. A training/workshop session was provided for Committee members prior to each Committee meeting throughout the year as follows:

- June 2018 Annual Statement of Accounts Workshop
- July 2018 Assurance arrangements for Major Projects and Programmes
- September 2018 Information Technology & Information Security Risks
- November 2018 Performance Management – Assurance Arrangements
- January 2019 Partnership Governance Arrangements
- March 2019 Audit Committee Effectiveness Workshop

5.2 The Committee has considered its effectiveness in 2018/19 against the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on Audit Committees' 'Good Practice' checklist to ensure it operated in line with generally accepted practices. The results from the assessment will be used to inform the Committee's training strategy going forward as well as its work programme.

5.3 Each member of the Committee was asked to complete the good practice checklist; however at this stage the response to the checklist was limited and will need further responses by the time this report is submitted to Full Council.

- 5.4 Whilst Committee members considered that the Committee made a strong contribution to counter-fraud arrangements and development of effective control environments, other areas require further development/attention to assist the Committee becoming more effective going forward. Key areas identified from the self- assessment and how these gaps will be filled will be highlighted when further responses are received from members.
- 5.5 The Council has an established budget for Member development and training in 2019/20 and this can be accessed to support external trainers or facilitators, or to fund members' attendance on external training programmes where this is considered beneficial.

## **6. Priorities for 2019/20**

- 6.1 Looking forward, the Committee will strive to enhance the assurances it can provide by:
- Regularly reviewing its work programme in line with the Committee's robust terms of reference going forward.
  - Continuing a programme of training at each meeting which can be offered to other Members.
  - Increased engagement with the risk management process in order to understand the effectiveness of the risk management arrangements.
  - Supporting and reviewing progress being made to address the areas of concern identified by Internal and External Reports
  - Developing the Committee's role in reviewing governance arrangements where the Council works in partnerships.
  - Summary reporting of Audit Committee activity to Full Council during the municipal year
  - Improved engagement for Independent Members

## **7. CONCLUSION**

- 7.1 The Committee's primary contribution to the Council's objectives is to ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Council are sound, reliable, robust and secure.
- 7.2 This review gives an overview of the range of work undertaken by the Committee, which has enabled it to conclude that the Council's system of checks and balances are not consistently as robust as required and further improvements are planned going forward.
- 7.3 A review of Committee effectiveness against its terms of reference, taking into consideration the skills required to meet new requirements; opportunities to enhance the effectiveness of the Committee have been identified for implementation in 2019/20. The Committee recognises that the challenges facing the Council are ongoing and as such aims to continue to promote and support good governance throughout the Council.
- 7.4 I would like to thank my fellow Committee members and Officers for their support in enabling the Committee to achieve its objectives in 2018/19.

## Appendices:

- Appendix 1 – Reports considered by the Audit Committee in 2018/19
- Appendix 2 - CIPFA 'Good Practice' Self -Assessment Checklist for Audit Committees (To be provided when reported to Full Council).

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## APPENDIX (1)

### Reports Considered by the Audit Committee in 2018/19

At each meeting, the Committee's work programme was reviewed for ongoing relevance. Additionally, actions agreed at meetings were recorded in an action sheet which was again reviewed at each meeting to monitor progress of agreed actions. Other reports considered during the year are recorded below:

Meeting:	Report:
May 18	<ul style="list-style-type: none"> <li>• BDO Progress Report</li> <li>• Internal Audit (IA) Annual Report 17/18</li> <li>• Draft Annual Governance Statement (AGS) 2017/18</li> <li>• Fraud Annual Report 2017/18</li> <li>• Draft Audit Committee Annual Report to Full Council</li> <li>• Draft Statement of Accounts 17/18</li> <li>• Councillor Referral to Audit Committee</li> <li>• DBS Checks for Members of the Council</li> </ul>
July 18	<ul style="list-style-type: none"> <li>• Final SOA - BDO Verbal update</li> <li>• External Auditor ISO 260 Progress Report</li> <li>• IA Activity Report</li> <li>• Final AGS for 2017/18</li> <li>• Corporate Risk Register &amp; Risk Management Report</li> <li>• Audit Committee TOR Update and Establishment of Values and Ethics Committee</li> <li>• BCC Wholly Owned Companies Update</li> <li>• GDPR Update</li> </ul>
July 18 Extraordinary	<ul style="list-style-type: none"> <li>• Final SOA - BDO written update</li> </ul>
September 18	<ul style="list-style-type: none"> <li>• IT Corporate Risks (Exempt)</li> <li>• AGS and Governance Tracker Update</li> <li>• IA Activity Report (2)</li> <li>• Peer Review Implementation update</li> <li>• Treasury Management Annual Report 2017/18</li> <li>• Update on the draft SOA 2017/18</li> </ul>
October 18 Extraordinary	<ul style="list-style-type: none"> <li>• Final AGS 2017/18</li> <li>• SOA for 2017/18 Position</li> <li>• Final ISO 260 Report - Update</li> </ul>
November 18	<ul style="list-style-type: none"> <li>• Risk Focus - BCP Report</li> <li>• IA Half-year Report</li> <li>• Investigation and Counter Fraud half- year report</li> <li>• IA Quality Assurance Improvement Plan Update</li> <li>• IA Charter, Terms of Reference and Strategic Statement</li> <li>• Treasury Management half- year report</li> </ul>

Meeting:	Report:
	<ul style="list-style-type: none"> <li>• Annual Report of Local government and Social Care Ombudsman Decisions</li> </ul>
January 19	<ul style="list-style-type: none"> <li>• Grant Thornton (GT) Update</li> <li>• Annual Whistleblowing Report</li> <li>• Annual review of effectiveness of the system of IA</li> <li>• CRR &amp; Policy</li> <li>• Companies Audit &amp; Assurance Arrangements</li> <li>• Governance Tracking Report</li> </ul>
March 19	<ul style="list-style-type: none"> <li>• GT Update</li> <li>• BDO 2017/18 Annual Accounts Update</li> <li>• BDO- Grants Report for 2017/18</li> <li>• Risk Focus - Safeguarding Vulnerable Children</li> <li>• External Inspection Reports</li> <li>• Internal Audit Draft Plan for 2019/20</li> <li>• IA Peer Review Implementation Update</li> <li>• IA Activity Report April 18 to Feb 19</li> <li>• Audit Committee TOR Review</li> <li>• Constitution Review</li> <li>• Senior officer Remuneration Review by BDO</li> </ul>

# Audit Committee

28<sup>th</sup> May 2019



<b>Report of:</b>	Deputy Chief Internal Auditor
<b>Title:</b>	Internal Audit Annual Report 2018/19
<b>Ward:</b>	Citywide
<b>Officer Presenting Report:</b>	Melanie Henchy-McCarthy/Alison Mullis – Deputy Chief Internal Auditor
<b>Contact Telephone Number:</b>	01179222063/01 179222448

## Recommendation

The Audit Committee receive and note this report as a source of assurance regarding the risk, control and governance environment across the Council. The Committee may wish to consider the issues identified in section 3 of the report as potential areas relevant to their annual work programme.

## Summary

The report provides details of the work completed by Internal Audit during 2018/19 and the Internal Audit opinion on the control, risk and governance environment. The report was presented to the Cabinet Member for Finance, Governance and Performance and the Statutory Policy Board on 23<sup>rd</sup> May 2019.

## The significant issues in the report are:

- The Internal Audit opinion on the control, risk and governance environment, (Section 2 of the report)
- The work completed by the Internal Audit Team from which that opinion is derived (Section 3 and Appendix A to the report)
- Areas of risk exposure identified by the Audit Team (Section 3)
- The Audit Teams Performance and compliance with their professional standards (Section 4)

## Policy

1. Audit Committee Terms of Reference.

## Consultation

2. **Internal**  
Not Applicable.
3. **External**  
Not Applicable.

## Context

4. Public Sector Internal Audit Standards (PSIAS) require that a report on the work of Internal Audit should be prepared and submitted to Audit Committee annually. Accordingly, the Internal Audit Annual Report is prepared and submitted to both the Executive and the Audit Committee. Additionally, in year update reports have periodically been provided to the Committee and the Executive detailing key issues arising throughout the year. The report being submitted at this time is the Annual Report of Internal Audit activities during the financial year 2018/19.
5. The PSIAS detail the following requirements in respect of annual reporting: “The Chief Audit Executive must provide an annual report to the organisation timed to support the Annual Governance Statement. This must include:
  - An annual opinion on the overall adequacy and effectiveness of the organisations governance, risk and control framework;
  - A summary of audit work from which the opinion is derived;
  - A statement on conformance with the PSIAS and the result of the audit quality assurance and improvement programme;
  - Disclosure of any qualifications to the opinion, together with the reasons for the qualification;
  - Disclosure of any impairments (in fact or appearance) or restriction in scope;
  - A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
  - Any issue the Chief Audit Executive judges particularly relevant to the preparation of the Annual Governance Statement.”
6. The issues detailed in the attached report have been considered by the City Council in the formulation of the draft Annual Governance Statement for 2018/19. The report has also been considered by the Statutory Policy Board (SPB) who will support and monitor improvement actions required.
7. The Audit Committee’s Terms of Reference include ensuring that Internal Audit is effective. Section 4 of the Annual Report sets out performance information to enable the Committee to continually assess and consider the effectiveness of internal audit.

**Proposal**

8. The Audit Committee receive and note this report as a source of assurance regarding the risk, control and governance environment across the Council. The Committee may wish to consider the issues identified in section 3 of the report as potential areas relevant to their annual work programme.

**Other Options Considered**

9. Not applicable

**Risk Assessment**

10. 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**

- 11a) 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.

11b) No equality impact assessment is necessary for this report. The matters concern internal control, governance and risk management processes only.

### **Legal and Resource Implications**

#### **Legal**

**No advice sought.**

**(Legal advice provided by N/A)**

#### **Financial**

##### **(a) Revenue**

None arising from this report.

##### **(b) Capital**

None arising from this report

**(Financial advice provided by N/A)**

#### **Land**

Not Applicable

#### **Personnel**

Not Applicable

**(Personnel advice provided by N/A)**

### **Appendices:**

Appendix 1- Internal Audit Annual Report 2018/19

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

### **Background Papers:**

- Various Audit Files
- Public Sector Internal Audit Standards 2017 and Local Government Application Note 2019



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT: ANNUAL REPORT 2018/19

Date: May 2019

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## 1. Purpose of this Annual Report

1.1 This Annual Report provides a summary of the work completed by Internal Audit (IA) during 2018/19. Its purpose is to:

- Provide the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance; risk management and control framework during 2018/19 to support the preparation of the Annual Governance Statement;
- Provide a summary of the work completed from which the opinion is derived;
- Draw attention to areas of significant risk exposure which need corrective action to improve the control framework;
- Consider the performance and contribution of the Internal Audit service.

## 2. Internal Audit Opinion and Key Headlines:

2.1 This report provides a summary of the work undertaken by Internal Audit in the financial year 2018-19 and the results of that work. From the work undertaken during the year, our overall opinion on the adequacy of the Council's arrangements for Corporate Governance, Risk Management and Internal Control is that:

Table 1

- Limited assurance** only can be given that the framework of control is adequate. Overall, 50% of planned reviews undertaken concluded that reasonable assurance could be provided that controls were in place and operating effectively, in comparison to 63% of reviews in 2017/18. In 50% (37% during 2017/18) of reviews, **Limited** or **No** assurance could be provided that controls were in place and effective. Table 1 demonstrates that the downward trend of previous years has not improved.

- In formulating the annual opinion, the Chief Internal Auditor reviews the level of residual risk in eight key areas within the Council's risk, governance and control environment, allocating a RAG rating to each assessed level of residual risk, namely:

- o Governance
- o Risk Management
- o Financial Control
- o Programme & Project Management
- o Procurement & Commissioning
- o Information Technology & Security
- o HR/Asset Management
- o Counter Fraud

The level of residual risk for the past two years has been that of **Medium** across five of the eight key areas, with the level in 2018/19 as **Medium** over six of the eight key areas, as demonstrated by figure (1) on the right.

- Overall, this demonstrates minimal improvement in the control environment over the past three years, and while recommendation implementation has increased over the same period, as demonstrated by table (2) below, there remains a need for greater management buy-in to the control environment and the internal audit process, in order to achieve further improvement going forward.

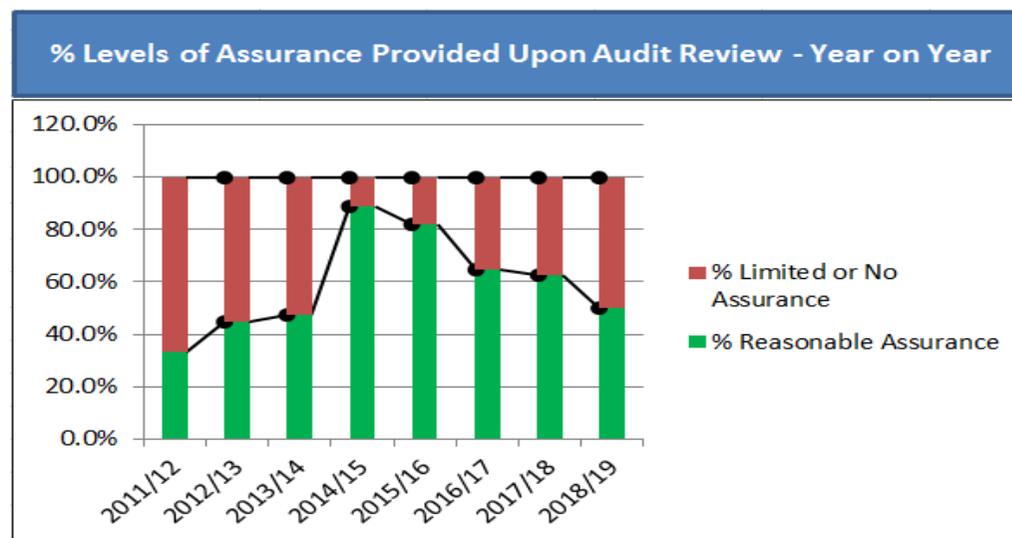
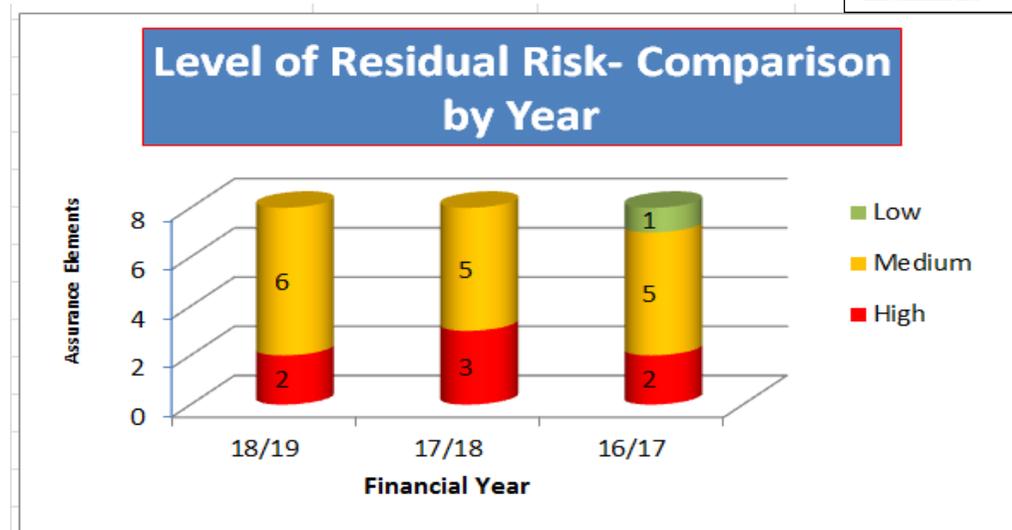


Figure (1)



- 2.2 Our opinion is based on evidenced assessment of the control framework in a number of areas in accordance with our annual plan. It should be noted that in devising the annual plan, a risk based approach is taken and such areas of highest risk are targeted for review of the mitigation and controls in place in these higher risk areas. Full details of the work we have completed that has informed this opinion can be seen in Appendix A together with the assurance levels we have been able to provide for each review. For each audit review completed, the assurance level is determined based on the level of control found as set out in Appendix B.
- 2.3 Using the audit opinion/assurance level as an indicator of how likely things are to go wrong and considering the impact of the area under review on achievement of the Council's objectives, a level of risk to the Council is determined using the Corporate risk matrix. In making this assessment the guidance parameters in the Risk Management Policy are used. Those areas in Appendix A where the level of risk is indicated as amber should be considered for inclusion in the relevant Directorate Risk Register for monitoring and review in accordance with the refreshed approach required by the new Risk Management Policy.

### 3. Areas of Risk Exposure:

- 3.1 In planning to be able to conclude an opinion on the whole risk management, governance and internal control framework, audit work is framed around 8 key lines of enquiry, as detailed in section two above. Our conclusions, with regards to the residual level of risk, in each area are as follows:

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Corporate Governance Arrangements	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
Internal Audit programme of work with regards to governance arrangements included four pieces of work, as detailed below.			
A review into the area of <b>Homelessness</b> which examined the effectiveness and progress of the implementation of the decisions made at Cabinet in May 2017 in respect of funding to support Homelessness Prevention and Reduction. The review determined that there were <b>Good</b> controls in place and that <b>Reasonable</b> assurance could be concluded that the controls were effective.			
A number of Internal Audit reviews planned during the year have identified issues around governance processes that needed improvement including:			
<ul style="list-style-type: none"> <li>• <b>Senior Officer Decision Recording:</b> A review of the Council's compliance with the publication legislation required for Executive Officer Decisions under £500,000 which are not considered to be a key decision, identified that there was a need to improve the guidance available to officers on the requirements when an executive officer decision is made, as well as a need to communicate that guidance to a wider audience. A number of recommendations were made as a result of the review, which a subsequent follow up review confirmed had all been implemented.</li> <li>• <b>Schemes of Delegation:</b> A review of the Council's Scheme of Delegation, both within its Constitution and in the wider directorates was undertaken</li> </ul>			

in terms of fitness for purpose and level of compliance with said schemes. The review identified that both Part 3 of the Constitution, “Responsibility for Functions” section, and the wider directorate schemes have failed to take account of the revised directorate structure. There was also a need for a more structured approach to the revision of the Schemes of Delegation in an expedient and effective manner. All recommendations made were well received and agreed.

- **Whistleblowing Procedures.** An annual review of the Council’s whistleblowing procedures was undertaken during the year, which included the follow up of the thirteen recommendations made as a result of the 2017/18 review, all of which had been implemented. However, the 2018/19 review concluded that improvements are required to enhance confidence and support the reporting of suspected concerns, as such the review concluded **Limited** assurance that controls were in place and effective.
- **Follow up reviews:** Recommendations made as a result of audit reviews previously completed have been followed up in 2018/19 for the following:
  - **Business Case Robustness** – All recommendations had been implemented;
  - **Customer Relations System** – One recommendation implemented and two in progress;
  - **Web Page Control** – Five recommendations implemented and one in progress
  - **Recruitment and Selection (DBS Checks)** – All recommendations implemented
  - **Schools Financial Governance** – Recommendations currently in progress
- **Annual Governance Statement** – there has been insufficient progress on the outstanding actions to resolve significant issues in previous years. A number of actions identified in the 16/17 AGS have not progressed.

Risk Management	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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A review of the Risk Management arrangements within the Council by Internal Audit is currently being concluded, however a summary of the key findings is provided below:

- There is now a permanent Risk & Insurance Manager;
- Risk Management has been recognised as a key part of managing the Council’s delivery of services;
- There is an expanding level of buy-in from senior management and Members;
- A revised Risk Management Policy which sets out the principles, framework and policy statement of the Council has been approved;
- There is a Corporate Risk Report (CRR) that provides an overview of the significant risks facing the Council and how they are being managed. This report is considered by senior management and Members, where appropriate.

However, while some progress has been made in the embedding of risk management within the Council, there remains a body of work which needs to be advanced in order for the Council to move further towards risk maturity. This includes:

- The need to communicate the revised policies and guidance more widely across the Council;
- The provision of more training resource in order to move Risk Management from an isolated task to business as usual;
- The need for a management culture shift which can be achieved by buy in from all stakeholders (management, members, staff and partners);
- The investment of adequate resources in order for the Council to gain full benefit that risk maturity can achieved, including reducing risk aversion and promoting a greater risk appetite which in turn highlights greater opportunities.

The Risk and Insurance Manager is aware of the areas which need to be addressed, and that resolution is a long term project, therefore a long-term development plan has been put in place. The Committee will receive periodic updates on the progress of the development plan during the year.

Reviews of some of the mitigations contained in the CRR were also completed with the following results:

- **Schools Places Planning and Allocation Processes (Limited Assurance):** This audit reviewed the effectiveness and compliance with the Council's policies for school admissions, and that schools places were allocated in line with legislation. The review found that although the School Admissions Team had operated effectively in ensuring all pupils were allocated places in line with requirements, the IT System in use to aid the process was no longer fit for purpose resulting in an increased risk that the allocation process for 2019/20 school places may be impacted if the system is not upgraded.
- **Adult Social Care – Care Homes (Limited Assurance):** The audit review focussed on the frequency of Care Reviews, which under the Care Act 2014 are required to be undertaken annually. The review found that there had been improvements in the frequency of care reviews since the last Internal Audit review. However, some care home users are still experiencing delays in their mandated annual reviews.
- **Taxi Licencing (Limited Assurance):** The purpose of the audit review was to establish that, licences are appropriately issued, compliance and enforcement issues are effectively applied and income from licencing is used for its intended purpose. The reviewed concluded limited assurance that controls were in place and effective. Areas for improvement included DBS checks, the increase in temporary licences and the control of duplicate licences.
- **Children's and Safeguarding** – Assurance Mapping exercise on a corporate risk, to identify whether the design of assurance framework was reasonable.
- Follow up reviews: Recommendations made as a result of audit reviews completed previously have been followed up in 2018/19 as follows:
  - **Safer Recruitment – Children's and Families Care and Support** – One recommendation implemented, three in progress and one not implemented.
  - **Business Continuity** – One recommendation implemented, four in progress and one not implemented.
  - **Security Services – Cash in Transit** – Further follow up concluded two recommendations fully implemented, with one in progress.

<b>Financial Control</b>	<b>2018/19 Assessment</b>	<b>2017/18 Assessment</b>	<b>2016/17 Assessment</b>
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A number of reviews around financial governance and control have been completed with varied results. In total 56% of reviews in this area concluded that reasonable assurance could be provided. This represents a slight drop from 2017/18 at 58%, but still favourably comparable to 43% of reviews in 2016/17.

Reviews in the following areas provided **Reasonable** assurance that control arrangements are in place and effective:

- **Council Tax Collection**
- **Payroll Systems Controls**
- **Care Services – Accuracy of Billing**
- **Directorate Budgetary Control**
- **Car Parking Income**

Additionally, testing in support of grant claims largely concluded that evidenced spend is in accordance with grant terms and conditions which enabled grants to the value of circa. £22m to be claimed by the Council.

Key areas of risk exposure, where the level of assurance concluded was **Limited** included the following, details of which have all been provided to Audit Committee previously:

- **Grant Application Process**
- **Development Control Contributions (s106 plus)**
- **Direct Payments – Prepayments Cards**
- **Security Services – Use of Imprest**

In addition, the level of financial understanding and experience within schools was reviewed via a survey, response analysis and school visits. The early results from this programme of work are summarised in Section 3.2 below.

Follow up of recommendations relating to financial control, made as a result of previous audit reviews have concluded as follows:

<b>Review:</b>	<b>No. Recs. Implemented</b>	<b>No. Recs. Partially Implemented</b>	<b>No. Recs. Not Implemented</b>
Accounts Payable	2	4	2
Foster Care Payments		2	1
CHAPS	5		1
Housing Benefits Further Follow Up	4	2	
Accounts Receivable (Incl. further follow up)	6	7	1
Bank Reconciliation/E Income Returns	3	2	6
Security Services- Cash in Transit	3	3	
Budgetary Control - Directorate	7	2	
General Ledger Movement (Further Follow Up)	1	3	
Financial Controls within Schools	31	6	
<b>Totals:</b>	<b>62</b>	<b>31</b>	<b>11</b>

Implementation of partially and not implemented recommendations has been slow in many cases, with a number of recommendations being in progress over a protracted amount of time. Internal Audit will continue to work with managers and directorate EDMs' to seek resolution of these outstanding actions, thereby improving the control environment.

Change Programme and Project Management	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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A wider programme of audit reviews within Change Programme and Project Management has been undertaken in 2018/19, with 66% concluding a **Reasonable** level of assurance that the controls are effective. The areas covered included:

- **Strengthening Families Transformation** – phase one of the testing in this area concluded that the initial set up was **Reasonable**
- **HR Payroll Project** – An initial review of the tendering and procurement process for this project concluded **Reasonable** assurance that controls were effective. Further testing of the new payroll system is scheduled for early in 2019/20.
- **Transition from Care (Care Leavers)** – The audit review found acceptable controls in terms of support to young people transitioning from care, with only minor weaknesses identified resulting in a **Reasonable** assurance opinion.
- **Replicate (EU Grant funded Project)** – A review of the administration of this grant concluded **Reasonable** assurance that the controls in place were effective.

However, the following areas were identified as providing only **Limited** assurance that the controls in place are effective:

- **Housing System Implementation** – Internal Audit acted as a critical friend on the project board for this programme, recommendations were made while the programme was in progress, including advice/guidance on the risks associated with going live. The implementation of the new system was significantly delayed, with it going live in October 2018, almost two years after the initial date of December 2016; additionally it has continued to experience issues since go-live. Internal Audit continues to attend the Housing Services Project Board, to continue its critical friend role.
- **Project Management Office** – The effectiveness of the Project Management Office (PMO) was reviewed as part of the Internal Audit planned coverage for 2018/19. The review concluded **Limited** assurance that the controls in place were working effectively. Recommendations to resolve control issues were made and accepted, with a number already included in the PMO improvement action plan. A summary of the findings from this review will be provided to the Committee at its July 2019 meeting.
- **IT Project Management (Design/Approach)** - A review of Information Technology project management was completed during the year. The review concluded **Limited** assurance that controls in place were working effectively. A summary of the findings and conclusion from this review will be provided to the Audit Committee at its July 2019 meeting.

Procurement and Commissioning	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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There have been a number of positive outcomes from the areas in Procurement and Commissioning reviewed in 2018/19, as detailed below:

- **Voluntary Sector Commissioning** – A **Reasonable** level of assurance was concluded from this review, in that avoidance of procurement regulations was not found in the sample of contracts tested, there was adequate management oversight with good commissioning and monitoring systems.
- **Fleet Contract Award** – this review concluded **Reasonable** assurance that controls are effective, with no recommendations made.
- **Adult Social Care Commissioning** – while the original review in this area concluded **Limited** assurance with regard to the existing controls, the follow up of the recommendations made has found that all have been implemented resulting in a positive outcome.

While it is a positive outcome that three of the four reviews completed in 2018/19 have concluded a reasonable level of assurance, what is of paramount concern is that a review of **Contract Management/Monitoring** within the Council, an area Internal Audit have looked at on a number of occasions, has concluded **Limited** assurance that the controls in place are effective. Specifically, the review concluded the following:

- Contract Management arrangements require further improvement with 48% of contracts sampled failing to have adequate management arrangements;
- Inconsistent use of the Council's contract management system - Pro-Contract;
- The Pro-Contract contract monitoring module is not fit for purpose
- Insufficient training available for contract managers
- Insufficient level of measurable outcomes (KPIs)

A number of these areas were highlighted by Internal Audit in previous audit reviews on contract management and monitoring, the most recent being in 2017/18. Failure to address these issues could result in poor value for money, contract overruns, failure to address poor performance on the part of the contractor.

The intended changes to improve procurement arrangements have impacted upon the extent to which corrective actions can be implemented to improve control and governance in Council procurement arrangements.

**Information Technology and Security**

**2018/19 Assessment**

**2017/18 Assessment**

**2016/17 Assessment**

An embedded assurance approach is being taken to support the Programme Board in delivery of the IT transformation programme (previously – the Future State Assessment (FSA) programme). An early audit review concluded that whilst work on producing a high level programme blueprint had been carried out, the Council was having difficulty defining detailed requirements and an appropriate route to delivery. Consideration of a single delivery partner approach was felt an appropriate response to re-align the programme, with approximately 80% of the programme to be delivered in conjunction with an experienced delivery partner. However the audit review concluded only **Limited** assurance could be provided as this approach was being developed at pace, to extremely tight timescales and with limited resources. Many of the deliverables and development of overarching strategy, including restructuring the Council's IT team, were being progressed simultaneously. There were a number of risks inherent with this approach that could have resulted in delivery partner proposals not meeting requirements. A number of recommendations were made and accepted by the board.

Audit attendance at the FSA board has provided the opportunity for independent assurance and challenge as this route to delivery has progressed. An assessment of risk was completed and considered by board members in advance of a decision being made – the highest of those risks being around affordability of elements not being provided by the delivery partner, ongoing costs as a result of the programme and capacity to deliver.

In conclusion, Internal Audit consider the correct approach is being taken to IT Transformation but there are significant risks attached. Consideration of these risks have informed management decision making. Internal Audit will continue to support the programme board during

2019/20.

Further reviews all concluded **Limited/No** assurance:

- **Privileged Access Management** - While evidence was sighted that generally high level access to systems and data is restricted, there are inconsistent approaches used to address control over privileged access accounts.
- **Third Party Assurance** - No assurances obtained from 3rd party providers at either commissioning stage or throughout the contract re: resilience and security of their service. No control over shadow IT. An in-year follow up of the recommendations made as a result of this review concluded that two recommendations had been implemented, one was in progress and three were not implemented, therefore the level of assurance remains as **Limited**.

Follow up work on recommendations made as a result of previously carried out reviews concluded the following:

- **Financial Systems Security and Resilience** – Three recommendations implemented, one in progress and ten not implemented
- **Future State Assessment** – Three recommendations in progress and one not implemented
- **Digital Strategy** – Two recommendations implemented, two in progress and four not implemented
- **Mobile Devices** – Two recommendations implemented, one in progress and seven not implemented

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## Asset Management

2018/19 Assessment

2017/18 Assessment

2016/17 Assessment

From the work that Internal Audit has completed, as detailed below, and the knowledge that the Asset Management System implementation has been delayed, the assessed residual level of risk remains at **Amber**.

A review of **Planned Maintenance** within Estates was undertaken during 2018/19, which concluded **Reasonable** assurance that controls in place were effective with the following key controls highlighted:

- There is a long-term Housing Planned Maintenance programme
- Health & Safety inspections are regularly undertaken
- Regular capital and revenue performance and budget monitoring

There were however some areas where improvements would strengthen the control framework, these included:

- The need to analyse the reasons for non-completion of works so that issues can be identified and resolved
- Review of issues with regards to gaining access to properties in order to complete repairs
- Formalisation of a risk based approach to property surveys.

A number of Follow Up reviews were also undertaken in this area, the outcomes of which are detailed below:

- **HR Review Process** – All recommendations made as a result of the initial review have now been implemented.
- **Investment Property Portfolio Is BCC** – Four recommendations have been fully implemented, with one in progress and one not implemented.

- **Sale of Council Assets** - Eight recommendations have been implemented, with five are in progress. A further review of the five outstanding is currently in progress.

## Counter Fraud Arrangements

2018/19 Assessment

2017/18 Assessment

2016/17 Assessment

The Council has a strong counter fraud policy and a proactive approach is taken to fraud. Whilst, the risk of fraud is ever present, arrangements are in place to ensure it is investigated and control improvements recommended where processes are found to be needing improvement.

Following assessment in 2017/18 of counter-fraud arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, whilst there was a good level of compliance, eight improvement actions were identified to strengthen arrangements in 2018/19. Of these, all but two have been addressed as detailed in the Annual Counter Fraud Update report also being considered at this committee meeting. Most notably, increased counter fraud and investigative resource has been provided to enhance skills and capacity available to the team.

An audit review of Bribery and Corruption controls concluded **Reasonable** assurance could be provided that appropriate controls were in place. In a sample of higher risk areas, management demonstrated good understanding of the potential bribery and corruption risks and had implemented appropriate control measures to manage these risks. A number of recommendations were made to strengthen arrangements regarding gifts and hospitality, declarations of interest and increasing awareness. As reported above, improvements required to whistleblowing arrangements were also identified.

The number of fraud referrals received by the team has increased from 2017/18 levels, particularly in the areas of direct payment and blue badge fraud. Internal Audit will continue to work with management to review control processes in these areas during 2019/20.

Full details of the work and results of the counter fraud team can be found in the Annual Counter Fraud Update report which is also being presented to the Committee at this meeting.

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3.2 The level of financial understanding and experience within schools was reviewed via a survey to all Council maintained schools (77) with a 79% response rate (61). The responses were analysed and a sample of schools was identified for a visit. The initial outcomes in terms of financial acumen are provided below, with further details to be provided to the Committee at its July 2019 meeting.

- 78% of schools surveyed indicated they had an approved Scheme of Delegations policy;
- 54% of Head Teachers surveyed had received training on financial matters, with 51% of Governors receiving the same;
- 66% of Heads of Finance felt they had the skills to challenge proposals and make hard decisions;
- 57% School Governors felt they had the relevant financial skills to make informed decisions;
- 64% of schools surveyed had a School Development Plan, however further testing identified that the timespan of the plans varied as did the level of costing;
- 73% of respondents indicated that the school had a clear and accessible whistleblowing Policy.

The data collated from this exercise will be further analysed to identify areas of good practice and areas for improvement for which appropriate recommendations will be made. The results from the exercise will be utilised to drive the Schools audit programme for 2019/20.

- 3.3 In concluding audit reviews, where gaps in the control framework are identified, recommendations are made for improvement. It is the responsibility of management across the Council to ensure that those recommendations are implemented in line with the action plans and timeframes agreed when concluding each Audit Report.
- 3.4 There has been a steady increase in the implementation rate of recommendations made as a result of an audit review, with 60% of recommendations made and followed up in 2018/19, being fully implemented and 26% partially implemented. This increase in implementation has been achieved in a number of ways:
- Increased senior management engagement to drive improvement forward, with outstanding recommendations discussed at Management meetings on a quarterly basis;
  - Continued support for the Audit Committee with regards to actual implementation and calling officers to account;
  - Continued follow up by Internal Audit until implementation has been achieved. This has resulted in up to three follow-up reviews, in some cases.

Table (2) below provides detail of the implementation rates over the last three years:

Table 2

Recommendations	Implemented	Partially Implemented	Not Implemented
2018/19	60%	26%	14%
2017/18	40%	43%	17%
2016/17	31%	39%	30%

## 4. Internal Audit Service – Contribution and Performance:

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to Members and management via its programme of work and also offers support and advice to both on a range of governance, risk and control matters making recommendations to improve the value for money for the service under review. The value of this element of our work is difficult to measure. However, in addition the team also demonstrates value as follows:

### **Savings Identification and Value for Money:**

- 4.2 The Internal Audit Investigations Team provide the Council's counter fraud response, covering not only the investigation of allegations of fraud but also proactive fraud work, and proactive fraud prevention work. Full details of the work and benefits delivered by the Investigations team are provided in a separate report at this Committee – the Annual Counter Fraud Update 2018/19.
- 4.3 Significant benefits are generated for the Council from Counter Fraud work undertaken as detailed below:

- **Recoverable payments in excess of £1m have been identified.** This is greater than the budget for the entire Internal Audit Section demonstrating that, if recovered, these savings will more than pay for both the investigations and the assurance services provided by the team.
- **32 Council housing properties have been recovered** following investigation of tenancy fraud or abuse.
- **1 Right to Buy application has been cancelled.**
- **2 False Housing Applications Cancelled**
- **2 Blue Badge Prosecutions and 1 formal caution for misuse of a Blue Badge**
- **2 Employees who were dismissed and 7 reports where recommendations for improvement have been made**

Additionally, during a recent audit review of schools, members of the Assurance team identified a significant amount of money owing to the Council's schools from other neighbouring authorities. The amount outstanding equated to a settlement of £488k. In this instance the role of Internal Audit was to shine a light on an issue that had not been resolved, and to encourage the Council to pursue it especially given the financial position of some of our schools. Recovery of an amount of the outstanding funds has already been achieved by one school.

**Grant Certification:**

4.4 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. 27 such grant claims were certified during 2018/19 with a value in excess of circa £22m. Details are provided in Appendix A.

**Consultancy and Advice:**

4.5 As well as completing planned audit reviews, the team also provide ad hoc advice and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc. details are provided in Appendix (A) to this report in the Ad Hoc Advice section.

**4.6 Income Generation:**

Whilst the Internal Audit service was not set an income target for 2018/19, it has achieved an income total of circa £28,000, which is a slight increase on its achievement of circa £27,000 in 2017/18. The achievement of this income in 2018/19 has been positive when the non-retention of the Avon Fire and Rescue Service Internal Audit contract is taken into account.

**Performance Against Targets:**

Performance of the Internal Audit Team is measured and monitored throughout the year. Performance is summarised in Table 3 below:

Table 3

	2018/19 Actual	2018/19 Target	2017/18 Actual	2016/17 Actual
% of planned work completed/in progress	96%	90%	86%	90%
High/Medium recommendations Implemented	86%	90%	68%	31%
No. of Properties recovered by tenancy fraud work.	32	30	26	37
% of QAQs with a score of 4 or more (Customer Satisfaction)	76%	85%	77%	92%
% of Positive Responses in respect of perceived benefits and value of Internal Audit work (Management perception)	100%	90%	71%	N/A
Delivery of 2017/18 Audit Opinion to management and Audit Committee in time to inform the AGS	Yes	Yes	Yes	Yes
Delivery of Agreed Counter Fraud Awareness Training Plan*	80%	90%	N/A	N/A
Annual Governance Statement delivered within statutory deadlines	Yes	By 31 <sup>st</sup> May 2018	N/A	N/A

\*Please see separate Counter Fraud/Investigation Report for details

% Planned Work Completed/In Progress:

- 4.8 Significant resourcing pressures (detailed at section 6 below) saw the team having to review and revise the plan at the mid-year point in agreement with management and the Audit Committee. These pressures were addressed by recruitment of additional resources to the Assurance Team both permanent and temporary. The additional resources have resulted in the team achieving 96% of the revised plan, thereby providing sufficient coverage to support the opinion provided above.

High/Medium Recommendations Implemented: (Refer also to Paragraph 3.2 for fuller details.)

- 4.9 Follow up work is completed for all high and medium priority recommendations identified for audit work that concludes a red or amber level of risk. Implementation of recommendations is a key measure of the team's effectiveness in engaging with management to secure control framework improvements.
- 4.10 During the year, the team have completed 40 follow up audits to confirm the extent to which the 263 recommendations made in the original audit reports had been implemented or identified as superseded. Whilst performance against this indicator is not quite to target, the rate of implementation has doubled when compared to 2016/17. This demonstrates a significant improvement and is reflective of work undertaken both by the team to raise the profile of its work, and the level of senior management support to improving control and governance arrangements where deficiencies are identified.

Tenancy Recoveries:

- 4.11 Tenancy recoveries have surpassed those of last year. This level of recovery, equates to a nominal saving to the Council of £2.8m (as per basis recommended by the Cabinet Office). The team continually reviews its approach to tenancy fraud investigation, including the approach to triaging referrals right through to presenting cases to the court. A Housing Officer has now been permanently appointed to the team, as this level of expertise has proved very effective in the recovery of Council properties. The Annual Counter Fraud Update 2018/19 provides further detail.

Customer Feedback Measure:

- 4.12 At the end of each audit review, a Quality Assurance Questionnaire (QAQ) is sent to the auditee to request feedback on their experience of Internal Audit during the review. The aim is to use this information to inform service improvement if themes are identified. Questions scoring 4 (out of 5) or above are considerably lower than target this year and our actual in 2017/18. Return rates in 2018/19 were at 34% and as such cannot be relied upon as a true measure of customer satisfaction as one 'low' score significantly affects the overall result. Further development is planned for 2019/20 in order to identify a more reliable measure of customer satisfaction.

Individual customer feedback has been very positive with the following quotes having been articulated:

*"Thank you for this thorough and clear assessment" (Head of Paid Service)*

*“Many thanks this has been a very helpful report and I am reassured that the recommendations have been implemented” (Service Director Care & Support – Adults)*

*“My team and I were impressed with the professionalism shown in carrying out this audit” (Head of Revenues)*

*“Internal Audit is my critical friend” (Monitoring Officer)*

4.13 In addition to the QAQ surveys, an annual perception survey has been completed requesting views of senior management and a selection of Members on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses received will be utilised as part on the continuous improvement for the service.

4.14 There was a 33% response rate, which is a slight reduction on the 35% response rate last year. Summary details of the key responses are provided below together with the scores from 2017/18:

- 100% Strongly Agree/Agree that the Service adds value (71% in 17/18)
- 86% Strongly Agree/Agree that the Service works with the Council to assist in the achievement of its objectives (71% in 17/18)
- 100% Strongly Agree/Agree that the Service consistently demonstrates competence and due professional care (86% in 17/18)
- Only 42% Agreed that the Service provided timely reports (71% in 17/18)
- 86% Agreed that the service demonstrated quality and continuous improvement in the Audit service

There are some clear messages for the Internal Audit service to review and where appropriate improve, not least the timeliness of its reporting. Areas of reduced performance will be investigated further and improvements will be incorporated into the Internal Audit Development/Improvement Plan for action in 2019/20.

Internal Audit Peer Review Improvement Plan Status:

4.15 A number of actions from the IA Peer Review Improvement Plan have been completed including:

- Revised Audit Report Formats
- Revised Audit Process
- Internal Peer Review Process
- Service Training & Development Strategy, Skills Assessment and Training Plan

A number of these actions will assist in addressing the issue as identified by the survey above with regards to the timeliness of reporting, as well as the response rates to our Quality Assurance Questionnaires (QAQ) and the annual perception survey.

Development within the Service will continue in 2019/20.

- 4.16 Internal Audit completes an annual self-assessment of its compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the relevant CIPFA's Local Government Application Note (LGAN). The purpose of the self-assessment is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.
- 4.17 Overall, the self-assessment has concluded that Internal Audit was generally compliant with the PSIAS/LGAN requirements but areas for improvement have been identified and included in its Quality Assurance and Improvement Plan which is brought to the Audit Committee to monitor improvements:
- The Chief Internal Auditor facilitates the collation of assurances/evidence to support the Annual Governance Statement. Whilst this work aligns well to the work undertaken to by Internal Audit, it does mean the team is functionally involved in these areas which could limit its independence in these areas. However, the Annual Governance Statement is assessed by External Audit providing an independent view on the accuracy of the statement.
  - The Chief Internal Auditor is line managed by the Director of Finance, this arrangement could therefore create a conflict of interest, however the appointment of the Chief Internal Auditor is in conjunction with the Chair of the Audit Committee as would the dismissal should that need arise. The Chief Internal Auditor has unfettered access to the Chair and Vice Chair of the Audit Committee, should they identify the need.
  - Timely reporting remains an issues for the Internal Audit Service, however a revised internal audit process is currently being rolled out in order to address the identified issues with reporting, this includes a revised report format, a revised approach to formulating recommendations and seeking management agreement to recommended action.

## 5. Escalation Matters:

- 5.1 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.
- 5.2 There are no matters to escalate other than those detailed within this report.

## 6. Resources:

- 6.1 As the Committee are aware, the Internal Audit service has been progressing through a restructure during 2018/19, working towards a structure that was approved by the S151 Officer and the Cabinet Member for Finance, Governance and Risk during the year. As a result of this process the service has carried a number of vacancies through the year which necessitated both the reprioritisation of the Audit plan and the engagement of external temporary resources. However, recruitment to both the existing and revised structure commenced during the latter part of the year resulting in the appointment to a number of posts.
- 6.2 The combination of the increase resources from both temporary and permanent appointments has significantly impacted on the Service's achievement of the plan coverage, as detailed above. However, some vacancies within the revised structure remain and the Service would look to recruit to them early in 2019/20, but in the meantime temporary resource has been retained to the end of the first quarter in order to assist with the completion of assignments carried forward from 2018/19.

## 7. Context and Compliance:

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- 7.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).
- 7.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
  - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 7.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Elected Mayor, Head of Paid Service, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Audit Committee.
- 7.4 The Chief Audit Executive must report that there has been some restriction on the scope of internal audit work or reporting of audit findings during 2018/19, however the restriction has not impacted on the Internal Audit's ability to form an evidenced annual opinion.

Status of Internal Audit Work for the Period of: (1st April to 31st March 2019)

A. Risk Based Assurance Plan:																
Directorate	Gov, Risk or Internal Control Area	Audit Plan	Name of Review	Stage of Review			Outcome		No. of Recommendations			Follow up Status				
				Initial Planning/TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	Risk Level	H	M	L	No. Imp.	No. Part Imp.	No Not Imp.	Revised Ass. Level
Corporate	Governance	Senior Officer Decision Recording				✓	Limited	Amber	1	5			6			Reasonable
People	Commissioning and Procurement	Adult Social Care Commissioning				✓	Limited	Amber	1	5			6			Reasonable
Corporate	Information Security/ICT	Third Party Assurance				✓	None	Amber	5	1	0		2	1	3	Limited
Resources	Information Security/ICT	Delivery of Future State Assessment - 1				✓	Limited	Amber	8	2	0			3	1	Limited
Corporate	Governance	Schemes of Delegation				✓	Limited	Amber	7	6	1					To be followed up in 2019/20
Corporate	Governance	Whistleblowing Review (Annual Review for 2018/19)				✓	Limited	Amber		2	2					To be followed up in 2019/20
People	Risk Management	School Places Planning and allocation processes.				✓	Limited	Amber	1	1	1					To be followed up in 2019/20
People	Risk Management	Adult Social Care - Care Homes				✓	Limited	Amber	1		1					To be followed up in 2019/20
Growth and Regeneration	Risk Management	Taxi Licensing				✓	Limited	Amber	3	3	3					To be followed up in 2019/20
Corporate	Financial Controls	Grant Application Process				✓	Limited	Amber		4						To be followed up in 2019/20
Corporate	Financial Controls	Development contributions (\$ 106 plus)				✓	Limited	Amber	2	5						To be followed up in 2019/20
People	Financial Controls	Direct Payments - Prepayment Cards				✓	Limited	Amber	5	2						To be followed up in 2019/20
Resources	Financial Controls	Security Services - Use of Imprest				✓	Limited	Amber	1	1	3					To be followed up in 2019/20
Resources	Projects and Programmes	Project Management - PMO				✓	Limited	Amber	2	7						To be followed up in 2019/20
Resources	Information Security/ICT	Privileged Access Management				✓	Limited	Amber	7	4	0					To be followed up in 2019/20
Corporate	Commissioning and Procurement	Contract Monitoring - Continual Audit Testing (Testing new contracts)				✓	Limited	Amber								
Resources	Information Security/ICT	IT Project Management Approach (design and security)				✓	Limited	Amber								
Resources	Financial Controls	Council Tax Income Collection				✓	Reasonable	Amber	1	1	2					To be followed up in 2019/20
Resources	Financial Controls	Payroll System Controls				✓	Reasonable	Amber		15						To be followed up in 2019/20
People	Financial Controls	Care Services - Accuracy of Billing				✓	Reasonable	Amber		4						To be followed up in 2019/20
People	Projects and Programmes	Embedded assurance - Strengthening Families Transformation (Phase 1)				✓	Reasonable	Amber		5						To be followed up in 2019/20
Corporate	Financial Controls	Directorate Budgetary control				✓	Reasonable	Amber	1	10						To be followed up in 2019/20
Growth and Regeneration	HR and Asset Management	Planned Maintenance				✓	Reasonable	Amber		6						To be followed up in 2019/20
Growth and Regeneration	Governance	Homelessness				✓	Reasonable	Green			2					
Growth and Regeneration	Financial Controls	Car Parking Income				✓	Reasonable	Green		5	1					
Resources	Projects and Programmes	Embedded Assurance - HR Payroll Project (Phase 1)				✓	Reasonable	Green		4	1					
People	Projects and Programmes	Transition from Care (Care leavers)				✓	Reasonable	Green		2						
Growth and Regeneration	Projects and Programmes	Replicate (EU Grant funded Project)				✓	Reasonable	Green		2	1					
Corporate	Commissioning and Procurement	Voluntary Sector Commissioning (Avoidance of Procurement Regulations)				✓	Reasonable	Green		7						
Resources	Commissioning and Procurement	Fleet Investment Contract Award				✓	Reasonable	Green	N/A	N/A	N/A	N/A				
Corporate	Governance	Annual Governance Statement and Review Process (2017/18)				✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Growth and Regeneration	Governance	New Commercial Investments - Embedded Assurance approach				✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Growth and Regeneration	Projects and Programmes	New Housing System Implementation				✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Corporate	Governance	Supporting Governance Improvement - General Provision				✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
People	Governance/Financial Controls	13 x Schools Financial Controls/Governance Reviews				✓										
People	Risk Management	Children's and Safeguarding - assurance mapping (CRR)				✓										
Corporate	Risk Management	Audit of Risk Management				✓										
People	Financial Controls	Apprentice Levy Account				✓										

People	Information Security/ICT	Data Sharing with Partners ( GDPR)			✓	
People	Projects and Programmes	Embedded assurance - Strengthening Families Transformation (Phase 2)			✓	
People	Governance/Financial Controls	2 x Schools Financial Controls/Governance Reviews		✓		
People	Governance/Financial Controls	Schools Programme - Governance Review		✓		
Corporate	Governance	New Directorate and Departments - Governance and Financial Control		✓		
Corporate	Governance	Strategic Business Planning		✓		
Corporate	Governance	Service Planning and Performance Management (focusing on outcomes)		✓		
Corporate	Risk Management	CRR - Leadership and Management		✓		
Corporate	Risk Management	CRR - Safety of Citizens		✓		
People	Financial Controls	Care Act - Deferred Payments		✓		
People	Financial Controls	Public Health - Sexual Health Spend or Children's health spend		✓		
Corporate	Commissioning and Procurement	Review of Specific Contracts		✓		
Resources	Commissioning and Procurement	Access rights to information - Partnerships/Contracts (GDPR)		✓		
Resources	Commissioning and Procurement	Effectiveness of New Procurement Arrangements		✓		
Corporate	HR and Asset Management	Individual Performance Management		✓		
Resources	Financial Controls	Financial Systems Interfaces (Phase 2)		✓		
People	VFM/Targeted Savings Identification	Direct Payments - Full Study		✓		
Corporate	Financial Controls	Savings Tracker for Change Programme		✓		
Growth and Regeneration	Risk Management	CRR- Commercial Investment and Capital Programme	✓			
Resources	Financial Controls	Financial Systems Interfaces (Phase 1)		✓		
Growth and Regeneration	Commissioning and Procurement	Housing Options - payments to voluntary groups	✓			
Corporate	Projects and Programmes	Embedded Assurance GDPR	✓			
Resources	Projects and Programmes	Embedded Assurance - HR Payroll - Phase 2	✓			
Growth and Regeneration	Projects and Programmes	Embedded Assurance - Major Project	✓			
Corporate	Information Security/ICT	E Procurement system - security	✓			
Corporate	Information Security/ICT	Operations Centre - Resilience/Cloud	✓			

#### B. Planned Proactive Fraud work

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Commentary
Corporate	Fraud - Prevention	Bribery and Corruption Review - Fraud Controls Framework Review			✓	
Corporate	Fraud - Prevention	E learning roll-out			✓	Raising Awareness
Corporate	Fraud - Prevention	Fraud Web page updates			✓	Raising Awareness
Resources	Fraud - Prevention	Fraud Awareness Training - Benefits Administrators			✓	Raising Awareness
People	Fraud - Prevention	Education Team Requests			✓	Pupil Finder
People	Fraud - Prevention	Fraud Awareness Training - Schools			✓	Raising Awareness
Corporate	Fraud - Proactive Detection Exercises	National Fraud Initiative (NFI) Download			✓	
Corporate	Fraud - Proactive Detection Exercises	NFI Output			✓	
Resources	Fraud - Proactive Detection Exercises	National Non-Domestic Rates (NNDR)			✓	
Resources	Fraud - Proactive Detection Exercises	AP Forensics - Accounts Payable fraud testing			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Blue Badge Enforcement exercise - Joint Exercise with Blue Badge Team			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Key Amnesty			✓	Complete for the year
Growth and Regeneration	Fraud - Proactive Detection Exercises	Housing Partnership - working with RSLs on Tenancy Fraud			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Tenancy Fraud Case work			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Tenancy Fraud - Right to Buy (RTB)			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Gain work			✓	
Corporate	Fraud - Strategic Fraud Risk Management	CIPFA Fraud Survey			✓	Benchmarking
Corporate	Fraud - Strategic Fraud Risk Management	Analysis of CIPFA Benchmarking			✓	Benchmarking
Resources	Fraud - Strategic Fraud Risk Management	Transparency Data Reporting - Fraud			✓	Statutory Requirement
Corporate	Fraud Investigation	Fraud hotline management			✓	

Resources	Fraud Investigation	Benefit Fraud casework			✓	
Resources	Fraud Investigation	CTR Casework			✓	
Growth and Regeneration	Fraud Investigation	Blue Badge - on going investigations and publicity			✓	
Resources	Fraud Investigation	National Fraud Initiative SPD download			✓	
Corporate	Fraud - Strategic Fraud Risk Management	Fraud Risk Registers - Engagement with risk owners		✓		
People	Fraud - Prevention	Schools Fraud Health Check		✓		
Growth and Regeneration	Fraud - Prevention	Social Housing Gateway Review (allocations)		✓		
Corporate	Fraud - Proactive Detection Exercises	Continuous Matching/Data Warehouse		✓		
People	Fraud - Proactive Detection Exercises	Direct Payment - Analytical Review & Testing		✓		
Resources	Fraud - Proactive Detection Exercises	Procurement - Analytical Review	✓			
Growth and Regeneration	Fraud - Proactive Detection Exercises	Empty Property Relief	✓			

C. Grant Certifications						
Directorate	Gov, Risk or Internal Control Area	Grant Details:	Initial Planning/TOR	In Prog/Ongoing	Complete	Value of Grant Claim
Growth and Regeneration	Financial Controls	NTS Funding and Grant (Scambuster)			✓	£ 300,000.00
Growth and Regeneration	Financial Controls	NTS Funding and sub Grant (Scambuster)			✓	£ 81,000.00
Growth and Regeneration	Financial Controls	IF 13 Development of Hengrove			✓	£ 400,000.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT			✓	£ 20,574.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT			✓	£ 3,941.70
Growth and Regeneration	Financial Controls	GBVS - GIGABIT (November)			✓	£ 2,032.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT (January)			✓	£ 1,292.60
Growth and Regeneration	Financial Controls	Disabled Facilities Grant			✓	£ 261,338.91
Growth and Regeneration	Financial Controls	TQEZ Jobs			✓	£ -
Growth and Regeneration	Financial Controls	Bristol Temple Quarter Enterprise Zone (TQEZ) RIF 008			✓	£ 7,185,792.89
Growth and Regeneration	Financial Controls	WECA Highways and Capital Grant			✓	£ 7,632,000.00
Growth and Regeneration	Financial Controls	Pothole Action Grant			✓	£ 218,434.62
Growth and Regeneration	Financial Controls	Cattle Market Grant			✓	£ 502,225.00
Growth and Regeneration	Financial Controls	Local Sustainable Transport Package Grant			✓	£ 970,626.83
People	Financial Controls	Future Bright Programme			✓	£ 27,711.00
Growth and Regeneration	Financial Controls	A4-A4174 Challenge Fund			✓	£ 152,944.67
Growth and Regeneration	Financial Controls	WECA Community Transport			✓	£ 886,000.00
Growth and Regeneration	Financial Controls	Disabled Facilities Grant (DFG)			✓	£ 2,651,566.00
Growth and Regeneration	Financial Controls	Carbon Reduction Commitment (CRC)			✓	£ 258,920.00
Growth and Regeneration	Financial Controls	Challenge Fund Grant - Flood resilience Project			✓	£ 53,034.07
Growth and Regeneration	Financial Controls	Bus Service Operators Grant (BSOG)			✓	£ 448,348.00
Growth and Regeneration	Financial Controls	(LEP) (LGF) Local Sustainable Transport Package 2017/18			✓	
Growth and Regeneration	Financial Controls	Feas B Southern Orbital Grant			✓	£ 154,753.74

Growth and Regeneration	Financial Controls	RIF- South Bristol - SUD			✓	£ 55,536.00
Growth and Regeneration	Financial Controls	WECA Lockleaze FEAS J			✓	£ 437,122.00
Growth and Regeneration	Financial Controls	Temple Quarter Enterprise Zone Programme Team EDF - 0			✓	£ 273,555.05
Growth and Regeneration	Financial Controls	URBACT III			✓	€ 19,304.86
						<b>£ 22,978,729.08</b>

#### D. Recommendations Follow Up Plan Status:

Directorate	Gov, Risk or Internal Control Area	Name of Review	In progress	Complete	Implemented:		Partially Implemented		Not Implemented		Superseded	Total
					H	M	H	M	H	M		
Corporate	Governance	Decision Making Process - follow up		✓	1	5						6
Resources	Financial Controls	Accounts Receivable (Including further follow up)		✓	1	5	2	5		1		14
Resources	Financial Controls	Accounts Payable		✓		2		4		2		8
People	Financial Controls	Budgetary Control - People (Including Further Follow Up)		✓	1	5		1			1	8
Growth and Regeneration	Financial Controls	Budgetary Control - Neighbourhoods (Including Further Follow Up)		✓		1		1				2
Resources	Financial Controls	Security Services Cash -in- Transit		✓		3		3				6
Growth and Regeneration	HR and Asset Management	Sale and Disposal of Council Assets, including St Agnes Lodge and POB		✓		8		5				13
People	Financial Controls	Foster care Payments (Further follow-up)		✓				2	1			3
Corporate	Commissioning and Procurement	Contract Waivers		✓		4		2				6
Resources	Fraud - Prevention	Purchase card review		✓	9			0			2	11
Resources	Information Governance and ICT	Mobile devices		✓	1	1		1	6	1	6	16
People	Schools	Primary School		✓	1	10						11
Resources	HR and Asset Management	HR Process Review		✓		4						4
Corporate	Governance	Whistleblowing Effectiveness Review		✓	13							13
People	Risk Management	Provider Failure (People)		✓		1						1
Resources	Commissioning and Procurement	Cash Receipting System Contract		✓	3	1						4
People	Risk Management	Safer Recruitment - Children and Families Care and Support		✓	1			3		1		5
Corporate	Risk Management	Corporate and IT Business Continuity (Including further Follow Up)		✓		2	1	2		1		6
Resources	Financial Controls	General Ledger Movement (Further follow-up)		✓	1			3				4
Resources	Financial Controls	Housing Benefits (Further follow-up)		✓		4		2				6
Corporate	Governance	Customer Relations System (Further follow-up)		✓		1		2				3
People	Governance	Schools Financial Governance Overarching		✓		3		3				6
Resources	Financial Controls	Bank Reconciliation/E Income Returns		✓		3		2		1		6
People	Financial Controls	Schools Financial Governance- Individual Schools		✓		17		3			4	24
Resources	Financial Controls	CHAPS		✓		5				1		6
People	Risk Management	DOL Assessments Full review to be repeated in 20/21		✓				2				2
Corporate	Governance	Business Case Robustness		✓		8						8
Growth and Regeneration	HR and Asset Management	Investment Property Portfolio Is BCC		✓		4		1		1		6
Corporate	Governance	Web Page Control		✓		5		1				6
Corporate	Commissioning and Procurement	Contract Monitoring		✓				6				6
Resources	Governance	Recruitment & Selection DBS Checks		✓		2						2
Resources	Information Governance and ICT	Financial Systems Security and Resilience		✓	3		1		6	4	1	15
Resources	Information Governance and ICT	Future State Assessment		✓			3		1			4
Resources	Information Governance and ICT	Digital Strategy		✓	2		2		4		2	10
Corporate	Information Security/ICT	Third Party Assurance (b/f)		✓	2		1		3			6
People	Commissioning and Procurement	Adult Social Care Commissioning		✓		6						6
					<b>39</b>	<b>110</b>	<b>10</b>	<b>54</b>	<b>21</b>	<b>13</b>	<b>16</b>	<b>263</b>

#### E. Adhoc Work Requests/ Consultancy & Advice

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning	Stage of Review				Summary of Findings/Advice Provided: Key Matters:
				TOR	In Prog/ Ongoing	Draft Report	Complete	
Resources	Information Governance and ICT	Changes to payment terms					✓	Issues around unauthorised changes to contract terms
Resources	Information Governance and ICT	Information Security Policy Review				Advice	✓	Review of Information Security Policy Statement, assoc
Communities	Governance	New Housing System Project (Advice)				Advice	✓	Project Board Attendance, Critical Friend and Guidance
Resources	Financial Controls	Cheque Control					✓	Disposal of Cheques.
Resources	Financial Controls	Purchase Cards					✓	Advice on use of purchase cards for various matters ar
Growth & Regeneration	Governance	DVLA checks				Advice	✓	
Growth & Regeneration	Financial Controls	Rent Deposit Bonds				Advice	✓	
Growth & Regeneration	Procurement & Commissioning	Void/Re-let framework contract				Advice	✓	

## Audit Opinion Definitions

Opinion	Meaning
Good Control	There is a good system of governance and internal control to assist achievement of the identified objectives and manage the associated risks. Only minor weaknesses were identified and management can have <b>reasonable assurance</b> that areas covered by the review are effectively managed and controlled.
Acceptable Control	Overall the system of internal control and governance is satisfactory and management can have <b>reasonable assurance</b> that many areas covered by the review are effectively managed and controlled. <b>There are however weaknesses which put some of the identified objectives at risk.</b>
Partial Control	Missing or failing controls were identified which have a substantial impact on the extent to which management can rely on the systems of internal control and governance. Only <b>limited assurance</b> can be given that the risk areas covered by this review are effectively managed and controlled
No Control	Internal control and governance is weak and management can place no reliance on it. This leaves the system open to significant risk, error or abuse. <b>No assurance</b> can be given that the risk areas covered by this review are properly managed and controlled

# Audit Committee

28th May 2018



**Report of:** The Interim Director of Finance

**Title:** Draft Statement of Accounts 2018/19

**Ward:** City Wide

**Officer Presenting Report:** Denise Murray

**Contact Telephone Number:** 0117 3576255

## Recommendation

The Audit Committee note, and comment as appropriate, on the draft, unaudited, Statement of Accounts for 2018/19

## Summary

The Statement of Accounts sets out the Council's financial position as at the 31 March 2019 along with a summary of its income and expenditure for the year to 31 March 2019. The financial statements are the main method of demonstrating financial accountability and stewardship.



## **Policy**

None affected by this report. Grant Thornton 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:**

Draft Annual Statement of Accounts 2018/19.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:**

None