



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR QUARTER (1)

1ST APRIL to 30TH JUNE 2017



1. Introduction:

- 1.1 The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Audit Committee and Management with the status of the work carried out by the Internal Audit (IA) team for the first quarter of 2017/18, together with an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:
 - Internal Audit Resources
 - Grant certification
 - Recommendation Implementation
 - Proposed changes to the Risk Management process
 - The work of the Investigations Team
- 1.4 The full details of all of the Internal Audit work completed or in progress in quarter (1) is provided at Section 4 of this report.

2. Key Messages

- Internal Audit Plan impacted by a significant increase in ad-hoc work requests. Temporary resource approved and being sourced to address this.
- Pro-active fraud work has already identified a good level of recoverable savings and recovered a number of council tenancies.
- 8 grants with a total value of £2.3m certified.
- Risk Management improvements are in progress.
- Recommendation implementation to be strengthened, following senior management undertaking.

3.

Updates:

3.1 Annual Risk Based Assurance Plan Status

Due to an increased number of ad-hoc work requests in the areas of control, as detailed below, the Internal Audit proposed planned assurance work for quarter one is behind schedule. With the engagement of additional temporary resources however the service will be better placed to deliver the work required to inform our annual audit opinion.

The status of the planned work for quarter one is provided in Section 4 below. Work complete or in progress has generally been finalising reviews commenced during 2016/17 or grant certification work. Limited work has been completed in respect of new audits in the 2017/18 plan.

Ad-hoc work requests – Internal Audit are investigating whistleblowing concerns raised and have been requested to conduct reviews including in the following control areas:

- Code of Conduct
- Tendering Process
- Grant Funding
- The use of Purchase Cards
- Cheque Controls
- Sale of Council Assets
- Governance in Decision Making

Work in these areas is currently ongoing; however the resulting outcomes will be reported to the Committee in due course.

3.2 Internal Audit Resources:

The Audit Service is currently carrying a number of vacant posts, the equivalent of 3.7 full time equivalent (FTE) posts in its structure. Approval has been provided however to recruit a number of temporary senior auditors to address current shortages and assist in the completion of the Audit Plan. The cost of the additional resources will be contained from savings from team vacancies during the first and second quarters with a temporary boost from central resources as requirements dictate

3.3 Grant Certification Work:

During the year, Internal Audit certifies a high volume of grant claims, with a resource requirement of approximately 1 x fte post. Resources are currently allocated to 21 grants, however requests to certify a number of “one-off” grants through-out the year are also received and as such are resourced within the Audit Plan. During the first quarter, Internal Audit has audited and certified 8 grant claims to the value of £2,304,806, and where appropriate, recommendations have been made to the service administering the grant for improvements to the grant administration process. These recommendations will be followed-up in line with the Internal Audit follow-up process. Section 4 below, provides details of the grants certified in quarter one.

3.4 Recommendations Implementation

With the Head of Internal Audit's annual opinion for 2016/17 being 'Limited' assurance on the control framework, Internal Audit will ensure that the areas within the control framework that were considered weak are strengthened in order to improve the framework overall.

As such, Internal Audit is working with management to ensure that recommendations made as a result of Internal Audit work during 2016/17 are effectively and efficiently implemented.

The first step towards this implementation is the undertaking by Strategic/Service Directors that the outstanding recommendations from 2016/17 will be expediently implemented.

Internal Audit will continue to follow up outstanding recommendations until they are implemented, as well as ensuring that recommendations made during 2017/18 are followed up in year as appropriate.

Figure (1) provides the Committee with a baseline status of recommendations at the end of 2016/17, from which to track progress during 2017/18. Updates will be provided each quarter.

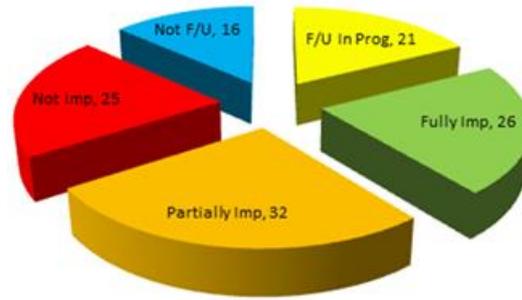


Figure (1): Year-End Status of Recommendations made in 2016/17.

3.5 Risk Management Update

A refresh of the Risk Management Policy has commenced, with officers across the organisation currently being consulted.

The Policy amendments aim to provide a foundation for a better understanding of risk with clearer definitions and a refreshed risk scoring matrix.

Consequently, Members will be consulted on the new policy at their September meeting.

3.6 Fraud Update:

Fraud investigation work continues at a pace, with the value of potentially recoverable savings currently at £325,648, and avoidable costs at £1,336 per week. Avoidable costs are where work has either stopped the funding leaving the Council or Audit actions have prevented further expenditure.

The Tenancy Fraud initiative has recovered six properties to date, which represents a nominal saving to the Council of £558,000, with many more cases to be reviewed as the year progresses the number of properties recovered will increase as the year progresses.

Responsive fraud work continues to be received by the Team, with a recent case resulting in the dismissal of an employee and the potential recovery of the misappropriated benefits.

The Teams work with the Department of Work and Pension's (DWP) Single Fraud Investigation Service (SFIS) continues to identify housing benefit cases for investigation and the recovery of overpaid benefits, amount identified in quarter (1) is £111,809 this figure is included in the recoverable savings total above. Additionally, the National Fraud Initiative (NFI) continues to provide us with sources of potential savings, amount identified in quarter (1) is £200,792 this figure is also included in the total recoverable savings above.



Under the Spotlight!

With each quarterly activity report, IA will turn the spotlight on the audit reviews where the residual level of risk was considered to be **'Red'**, providing the Audit Committee with a summary of the issues identified and the number of high and medium recommendations made, thereby giving the Committee the opportunity to explore further, should it wish to do so. However, as the Committee will note from section 4 below, there are no 'Red' risk reports for this quarter.

4. Status of Internal Audit Work in Quarter (1): (1st April to 30th June 2017)

Risk Based Assurance Plan:

Audit Plan			Stage of Review			Outcome		Summary of Findings:
Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	Key Issues arising from the Report
Place	Financial Controls	Security Services (Cash In Transit)			✓	Acceptable	Amber	Ageing equipment that could impact on bus continuity
Neighbourhoods	Fraud - Detection	Tied Properties			✓	Acceptable	Green	
Corporate	Fraud - Strategic	Annual Fraud Survey - CIPFA			✓	N/A	N/A	
Resources	Financial Controls	Accounts Receivable		✓				
Neighbourhoods	Financial Controls	Directorate Budgetary Control bf/follow up		✓				
Neighbourhoods	Financial Controls	(b/f) NNDR Collection		✓				
People	Internal Control	(b/f) Foster Care Payments		✓				
Resources	Internal Control	Catering Service - Audit Compliance		✓				
Resources	Projects and Programmes	HR/Payroll - New System Implementation		✓				
Corporate	Governance	(b/f) Budgetary Control Neighbourhoods		✓				
Corporate	Governance	(b/f) BIO		✓				
Corporate	Governance	AGS and Review - Quarterly Governance Dashboard plus annual elements		✓				
Neighbourhoods	Governance	Memorandum Of Understanding between BCC and DWP		✓				
Corporate	Fraud - Strategic	Open Data Reporting re Fraud (Transparency Code)		✓				
Corporate	Fraud - Prevention	Fraud Web page review and fraud warning bulletins		✓				
People	Fraud - Prevention	Direct Payment Fraud - Fraud Awareness Training for Social Workers (E learning module + New Social Workers)		✓				
People	Fraud - Prevention	Fraud Awareness Training - Caretakers		✓				
Place	Fraud - Detection	Residents Parking Zone		✓				
Neighbourhoods	Fraud - Detection	Housing Benefit Fraud - DWP Liaison		✓				
Neighbourhoods	Fraud - Detection	Council Tax Reduction		✓				
Corporate	Fraud - Investigation	Fraud Hotline		✓				
Corporate	Fraud - Investigation	GAIN/Police Enquiries		✓				
Neighbourhoods	Fraud - Investigation	Residual Benefit Fraud Prosecution Cases		✓				
Corporate	Fraud - Prevention	Fraud Awareness Induction		✓				

Grant Certification Plan:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	Value of Grant Claimed
Place	Governance	IBB - Investing in Bath and Bristol - 2015/16 . Two reports issued - 1 specific to 15/16 claim. 1 concerning overall administration of claim.			✓	None	TBC prior to issue of final report	£938,876

People	Governance	AGE Grant 16-17			✓	Acceptable	Green	£27,410
Neighbourhoods	Governance	Scambusters Grant - NTS Funding Grant Sub-Grant 2016/7 - Trading Standards Institute			✓	Acceptable	Green	£339,270
Place	Governance	Cattle Market Road LEP Grant 2016/17			✓	Acceptable	Green	£278,231
Place	Governance	Cattle Market Road LEP Grant 2017/18 Q1			✓	Acceptable	Green	£95,019
People	Governance	West of England- AGE - Apprenticeship Grant for Employers			✓	Acceptable	Green	£126,000
Place	Governance	PCN Penalty Charge Notice certification x2			✓	Acceptable	Green	N/A Certificatin of amount payable to Department of Transport
Place	Governance	WoE Economic Development Fund 15/16			✓	Acceptable	Green	£500,000.00
Chief Executive	Governance	URBACT III		✓				
Place	Governance	CRC Energy Efficiency Scheme Review and Certification		✓				
People/A&S Police	Governance	Troubled Families - July - Employment Claim		✓				
People	Governance	Troubled families certification		✓				
Place	Governance	Invest in Bristol & Bath- 16-17		✓				

Pro-active Fraud Savings:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial assessment	In Prog/Ongoing	Complete	2017/18 Savings		
						Cost Avoidance (weekly figure)	Recoverable Savings	Properties Recovered
Corporate	Fraud - Detection	National Fraud Initiative		✓		£480	£200,792	
Neighbourhoods	Fraud - Investigation	Tenancy Fraud		✓		£270	£3,431	6
Neighbourhoods	Fraud - Detection	NNDR Proactive Testing		✓				
Corporate	VFM/Targeted Savings	Telephones - (Ceased numbers)		✓		£165		
Corporate	VFM/Targeted Savings	Card payment - Charge Backs		✓				
Place	Fraud - Detection	Residents Parking Zone		✓				
Neighbourhoods	Fraud - Detection	Housing Benefit Fraud - DWP Liaison		✓		£251	£111,809	
Neighbourhoods	Fraud - Detection	Council Tax Reduction		✓		£200	£2,602	

Schools Financial Governance Plan:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	Key Issues arising from the Report
People	Governance	SFVS		Ongoing				
People	Internal Control	Bristol Gateway Special School		✓				

People	Internal Control	Woodstock Special School		✓				
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Risk Management Improvements:

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	Key Issues arising:
Corporate	Risk Management	Policy, Co-ordination, Facilitations		Ongoing				Policy Refresh in draft and being consulted