



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

April to August 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 period of 1st April to 22nd August 2017, building on the information which was provided to the Committee at its meeting in July 2017, and thereby allowing the Committee to track the progress of Internal Audit work through the year.
- 1.4 Additionally, the report provides an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:
 - Summaries of completed audit reviews
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
 - Grant certification
 - Recommendation Implementation status
 - An update on the Proposed changes to the Risk Management process
 - The work of the Investigations Team.
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 31st August 2017, is provided at Section 5 of this report.

2. Key Messages

- Audit Plan – Temporary resources are supporting the completion of the planned audit work, however Audit resources have been further reduced due to recent resignations;
- Enhanced reporting to the Audit Committee with the inclusion of summaries of completed audit reviews;
- Pro-active fraud work continues to identify a good level of recoverable savings and an increased number of recovered council tenancies;
- 13 grants with a total value of £5.2m certified to date;
- Risk Management improvements are progressing with a successful response to an internal Risk Survey;
- Recommendation implementation rate currently at 91% implemented or partially implemented, however Follow-up coverage is behind schedule and resource needs to be redirected to resolve backlog.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work, for the period 1st April to the 31st August 2017, is provided in Section 5 below. In summary; the majority of planned assurance work carried forward from 2016/17 is now either complete or at the discussion stage with draft reports issued and awaiting final sign-off. Work on the 2017/18 Assurance plan is now progressing aided by the temporary resource as detailed in paragraph 3.2. As at 31st August 2017, 32% of the assurance plan is either complete, in progress or at the early planning stage, and whilst this remains slightly lower than where the service would expect to be at this point (38%), it is an improvement on our previous position at quarter one (22%).

Ad-hoc work requests – In 2017/18, the Service has to date received a total of twelve ad-hoc requests, for Investigations/Consultancy in areas such as:

- Code of Conduct
- Tendering Process
- Procurement Process
- Grant Funding
- The use of Purchase Cards
- Cheque Controls
- Sale of Council Assets
- Governance in Decision Making
- Capital Investment
- Whistle-Blower – matters arising

Work in these areas is currently ongoing; however, summaries of our completed work in some of these areas are provided for the Committee's information in Appendix 1 of this report. The Committee will continue to receive updates as this work continues and is reported.

Revisions to the Internal Audit Annual Plan will be provided to the Audit Committee at its November 2017 meeting, as part of the detailed Internal Audit Half-Year Report.

3.2 Internal Audit Resources:

The Internal Audit Service continues to carry a number of vacancies; the equivalent of 5.7 FTE, which includes 2 recent resignations. The Service has, however, appointed temporary resource, equivalent to 2 FTE, for six months, which has already helped the service to begin to catch up on the planned assurance work and on the governance work the Service undertakes on behalf of the Council.

Due to overarching budget pressures, Internal Audit has been requested not to currently fill the recent vacancies. This situation will continue to be monitored to review the impact on the completion of the Assurance plan which includes the follow up reviews both those carried forward from the previous year and those which require follow up in-year. For further details on our follow up work, please see section 3.4 below.

3.3 Grant Certification Work:

To date in 2017/18, Internal Audit has audited and certified 13 grant claims to the value of approximately £5.2m; with a further 2 grant certifications nearing completion.

Recommendations have been made to the services' administering the grants for improvements to the grant administration process, where appropriate. Section 5 below, provides details of the grants certified in the period.

3.4 Recommendation Implementation

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

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

An analysis of the implementation of recommendations, based upon completed follow up reviews, is summarised in Table 1 below. The table includes a percentage implementation rate which will be regularly reported to the Committee. For the 7 concluded audits followed up in this period, there was a 91% implemented or partially implemented rate compared to the percentage total at the end of 2016/17 of 70% implemented or partially implemented. A significant number follow up reviews are to be undertaken in the remainder of 2017/18 and updates will be provided to members at each Audit Committee.

Table1: Summary of Implementation of Internal Audit Recommendations:

Follow-Up Audit	Total Recs	Implemented	Partially Implemented	Not Implemented
Bank Reconciliations	8	2 (25%)	6 (75%)	0
VAT	9	3 (33%)	5 (56%)	1 (11%)
Business Continuity Planning	10	5(50%)	5 (50%)	0
Housing Rents	14	7 (50%)	5 (36%)	2 (14%)
Leisure Centre Contract	3	2 (67%)	1 (33%)	0
Safeguarding Adults	4	2 (50%)	2 (50%)	0
Compass Point South Street Primary School	10	6 (60%)	2 (20%)	2 (20%)
Total	58	27 (46 %)	26(45 %)	5 (9%)

Full details of the status of the Follow Up plan is provided in Section 5 of this report.

3.5 Risk Management Update

A refresh of the Risk Management Policy is presented to this Committee meeting for Member consultation. Officers across the organisation have been consulted on the policy content at the Strategic Leadership Team (SLT) and the Executive Board. The Policy refresh will provide the opportunity for raising awareness of risk management across the Council and aims to encourage a culture of considering risk more routinely.

Extensive work on revitalising the Corporate Risk Register has progressed during the period. An update is also presented to this Committee meeting to advise Members of progress. In brief, Internal Audit was asked to engage managers at all levels across the organisation in refreshing and identifying the Council's corporate risks. A survey was undertaken of all 1st to 4th tier managers and the output from this is currently being reviewed by SLT and the Executive Board. Once this work has been completed, the full Risk Register will be brought to Audit Committee.

Additionally, Internal Audit has provided extensive support to the review of the Resources Directorate Risk Register. This has involved the organisation and delivery of risk workshops for the Directorate and an analysis of the risks identified for inclusion within the Risk Register.

3.6 Fraud Update

Fraud investigation work continues to identify potential savings through the team's fraud and/or value for money work, with the value of the potentially recoverable savings currently at £339,103, and avoidable costs at £8,048 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 10 properties to date, which represents a nominal saving to the Council of £930,000. Additionally, the Team have interrupted 13 housing applications from progressing to offer, this means that the Council not only save on the administration cost of recovering fraudulent tenancies, but it also opens those properties up for those in greatest need.

Other team successes include the cancellation of 159 Blue Badges, which helps to ensure that disabled parking spaces are available for those in genuine need, and the cancellation of 129 Concessionary Bus Passes, thereby potentially saving the Council the subsidy payable on those passes when used.

The Team's 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, accumulative amount identified in period is £128,684, as well as £7,390 worth of Administrative Penalty Notices, which are recovered as part of housing benefit payments. These figures are included in the recoverable savings total above.

Additionally, the National Fraud Initiative (NFI) continues to provide us with sources of potential savings, with the accumulative amount identified in the period equalling £204,086 this figure is also included in the total recoverable savings above. A half-year Fraud update report will be provided to the Committee at its November 2017 meeting.

4. Under the Spotlight!



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

In this period, the following report summaries are provided at Appendix 1, for the Committee's information and discussion:

- Purchase Card Review
- Valuation Process Review of Sale of Port Freehold
- National Non Domestic Rates Collection
- Bristol Hospital Education Service
- St Mary Redcliffe Primary School
- Security Services / Cash in Transit
- Sale of St Agnes Lodge