

Audit Committee

23rd November 2017



Report of:	Interim Chief Internal Auditor
Title:	Internal Audit Half-Year Activity Report for the period of 1 st April to 31 st October 2017
Ward:	N/A
Officer Presenting Report:	Jonathan Idle – Interim Chief Internal Auditor
Contact Telephone Number:	0117 92 22452

Recommendation

The Audit Committee note the Internal Audit Activity for the period of 1st April to 31st October 2017.

Summary

This Activity Report provides the Committee with an accumulative summary view of the work undertaken by Internal Audit in the period of 1st April to 31st October 2017, together with the resulting conclusions, where appropriate. Additionally, the report provides the Committee with oversight of grant certification work completed on behalf of the Council, the Internal Audit recommendation implementation rate for the period, and as with the previous Activity Report, enhanced reporting in terms of individual summaries for a number of audit reviews completed in the period. This is the third planned activity report for the municipal year of 2017/18.

Significant Matters Arising:

- Key messages arising from this report at Section 2 of Appendix A;
- Update on Audit Plan Progress, including Additions, Amendments and Deletions to the Plan, paragraph 3.1 and Section 5 of Appendix A
- Status of the Council Control Framework, based in IA work to date, Paragraph 3.2 and Section 5 of Appendix A
- Recommendation implementation rate, paragraph 3.3 of Appendix A
- Value of Grants Certified by the Service in the period, paragraph 3.4 of Appendix A
- Resources within Internal Audit, paragraph 3.6 of Appendix A
- Summaries of completed Internal Audit reviews - Appended to Appendix A

1. Policy

Audit Committee Terms of Reference

2. Consultation

Internal – SLT including S151 Officer, Cabinet Member for Governance, Resources and Finance.

External – N/A

3. Context

3.1 This is the third of the IA Activity reports to the Audit Committee, marking the half-way point in the work plan year. The Activity reports are designed to provide the Committee with a summary view of the work completed by the Service throughout the year. The activity reports will be provided to the Committee on an accumulative quarterly basis covering all of the IA activities, with the exception of the November Audit Committee where a separate Fraud and Irregularity Activity report will be provided. The Activity reports are provided to:

- Provide an overview of the work of Internal Audit to date, and the level of assurance that can be derived from that work, in terms of the control framework within the Council;
- Present the assurance work completed and in progress by the Internal Audit team during the period, together with the conclusions we have drawn from that work.
- Update the Committee on the Internal Audit recommendations implementation rate.
- Spotlight audit review outcomes, both positive and negative, to management and the Audit Committee for their consideration and action, where appropriate.

This Third Activity Report in 2017/18 can be found at Appendix (A), with the key points to note provided below:

3.2 Key points arising from the Activity Report:

- 50% of completed Audit Reviews have concluded limited or no level of assurance; highlighting a further decline in the control framework on previous years;
- Audit Plan – reductions in planned audit reviews to be agreed in order to compensate for significant level of resources diverted to ad hoc requests and also reduced resources;
- 22 grants with a total value of £23.7m certified to date;
- Risk Management improvement process faltering, due to insufficient resources;
- Recommendation implementation rate currently at 94% implemented or partially implemented, however follow-up coverage is falling significantly behind due to resourcing issues;
- Pro-active fraud/irregularity Activity Update is provided to the Audit Committee in a separate half-year report.

4. Proposal

4.1 The Audit Committee considers the accumulative work of the Internal Audit Team (IA), during the period of 1st April to 31st October 2017, and the results thereof, raising challenge where

appropriate.

5. Other Options Considered – N/A

6. Risk Assessment

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

Public Sector Equality Duties

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

Legal and Resource Implications

Legal – N/A

Financial – N/A
Land – N/A
Personnel – N/A

Appendices:

Appendix A – Internal Audit Activity Report for period of 1st April to 31st October 2017

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None.



BRISTOL INTERNAL AUDIT

APPENDIX A

INTERNAL AUDIT HALF-YEAR ACTIVITY REPORT FOR THE PERIOD OF April to October 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 half-year 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 31st October 2017, building on the information which was provided to the Committee at its meeting in September 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:
 - Amendments and deletions to the 2017/18 Internal Audit Plan
 - 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 Risk Management process
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 20th October 2017, is provided at Section 5 of this report.

2. Key Messages

- Audit Plan – reductions in planned audit reviews to be agreed in order to compensate for significant level of resources diverted to ad hoc requests and also reduced resources;
- 50 % of completed Audit Reviews have limited or no level of assurance;
- Recommendation implementation rate currently at 94% implemented or partially implemented, however follow-up coverage is falling significantly behind due to resourcing issues;
- 22 grants with a total value of £23.7m certified to date;
- Risk Management improvement process faltering, due to insufficient resources;
- Pro-active fraud/irregularity Activity Update is provided to the Audit Committee in a separate half-year report.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work either completed or in progress, for the period 1st April to the 31st October 2017, is provided in Section 5 below. However, table (1) below provides details of the planned audit reviews which are proposed for either removal or amendment in order to address the shortfall in audit days currently being experienced by the service.

The reason for this shortfall is two-fold in that, the service has seen a reduction in the permanent workforce, and it has received a high number of ad-hoc work requests. The collective impact of these issues has resulted in the need for the service to re-evaluate the audit plan, and put forward a number of audit reviews for possible deletion or amendment of scope in order to reduce the days required.

Table (1) Risk Based Plan amendments:

No.	Reasonable Assurance Area	Assignment	Addition	Amendment	Deletion
1	Information Security/ICT	Operations Centre – Resilience and Security	✓		
2	Information Security/ICT	Digital Strategy	✓		
3	Information Security/ICT	Plans for Enterprise Architecture	✓		
4	Information Security/ICT	Citizen Account	✓		
5	Fraud Prevention	Fraud Awareness Induction	✓		
6	Information Security/ICT	Mobile Device Security Follow up	✓		
7	Information Security/ICT	DLP Security	✓		
8	Risk Management	Risk Based Review – Safer Recruitment – Children and Families Care & Support	✓		
9	Fraud - Prevention	CIPFA Counter Fraud Benchmarking/Assessment Review	✓		
10	Governance	Ethics and Culture		✓	
11	Governance	Partnership Governance		✓	
12	Risk Management	Risk Based Reviews - Major Project Delivery Overview (PPP Board) Merge with the work on Capital Board		✓	
13	Information Security/ICT	Data Protection Breaches – will be covered as part of GDPR review		✓	
14	Information Security/ICT	PSN Compliance will also cover key Cyber risks.		✓	
15	Information Security/ICT	Focus for IT Asset Management review will be on the response to matters already identified in this area.		✓	
16	Commissioning and Procurement	Monitoring of Contracts – themed audit review.		✓	
17	Commissioning and Procurement	Contracts Register and publication requirements		✓	
18	Governance	Corporate Strategy Delivery - Planning and Performance Indicators - Process remains			✓

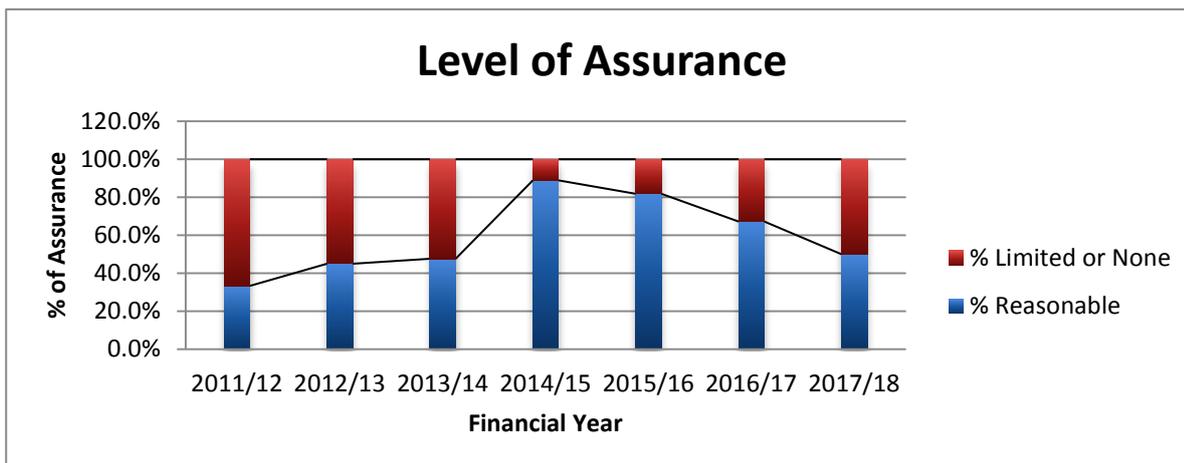
No.	Reasonable Assurance Area	Assignment	Addition	Amendment	Deletion
		under development			
19	Governance	Schemes of Delegation - allow time for revised SOD to bed in.			✓
20	Governance	Capital Programme Board Effectiveness. (follow up) Merged with major project delivery.			✓
21	Governance	WECA/Devolution Governance Understanding Awareness for IA			✓
22	Risk Management	Risk Based Reviews - Finance Team Transformation and governance (work ongoing)			✓
23	Risk Management	Risk Based reviews - homelessness - holistic approach to risk of increasing demand whilst subsidy reducing (C/F to 18/19)			✓
24	Risk Management	Risk Based reviews - preparedness for HB subsidy reduction			✓
25	Financial Controls	IR 35 Compliance (off payroll costs - incl. monitoring by payment approval process) remove due to strategic needs.			✓
26	Financial Controls	Bristol Futures Team/Operations (Section no longer in existence)			✓
27	Financial Controls	Balance Sheet Reconciliations (specific commission no longer required)			✓
28	Financial Controls	Schools Payroll (Not required at this time)			✓
29	Financial Controls	Directorate Budgetary Control bf/follow up			✓
30	Financial Controls	Local Taxation Collection (Cover 18/19)			✓
31	Commissioning and Procurement	Continual Audit - Credit and Procurement Cards - covered in Purchase card review			✓
32	Information Security/ICT	E Procurement System controls (cover 18/19)			✓
33	Information Security/ICT	ICT Contract Management (Not required at this time by Internal Audit)			✓
34	Information Security/ICT	Cloud Based Storage Systems (limited use so not required at this time)			✓
35	Information Security/ICT	IT Strategy and Capacity to Delivery (Covered in Digital strategy work and Enterprise Architecture work)			✓
36	HR and Asset Management	My Performance - Compliance and effectiveness (Process currently under review)			✓
37	Projects and Programmes	Savings trackers for Transformation Programme (covered in another assignment)			✓
38	Fraud - Strategic	Annual Fraud Survey - TEICAFF			✓
39	Fraud - Prevention	Schools - Fraud Awareness Training			✓
40	Fraud Detection	Schools Admissions (Not required at this time)			✓

Work on the 2017/18 Assurance plan is progressing, but at a less expedient pace than the service would have hoped, due to matters as discussed above. As at 20th October 2017, 36% of the risk based assurance plan was either complete, or in progress, with a further 11% at the early planning stages, whereby a Terms of Reference is either being drafted or has been agreed. The Internal Audit target percentage for plan completion at this point of the year is 40%, therefore delivery is currently under target. Additionally, it should be noted that this target and output does not reflect the grant certification and ad-hoc work undertaken, nor the re-active response work that is currently underway.

The plan amendments as detailed in table (1) above and in Appendix 1 to this report, will reduce the resource requirement by approximately 3.5 full-time equivalent posts for six months, but at the same time will provide for the minimum coverage required in order for the Chief Internal Auditor to provide an informed annual opinion on the status of the Control, Risk and Governance environment within the Council in 2017/18. However, resources are now so restricted that any significant additional ad-hoc work, including grant certifications, or any further long-term sickness will have an impact on our ability to provide the annual opinion.

3.2 Status of Control Framework within the Council:

At this half-way point in the financial year, only limited assurance can be given that the Council's control framework is adequate, with 50% of risk based assurance reviews completed concluding either limited or no level of assurance. This highlights a further decline in the control framework on previous years, as demonstrated by figure (1) below:



Whilst a percentage of our risk based work is as a result of requests to review areas where there are pre-existing issues, the higher percentage of the work completed to date this year is as part of the Internal Audit risk based plan, therefore this decline in the level of assurance that can be derived from the audit reviews is of concern. Internal Audit is working with Directorate Leadership Teams to ensure that recommendations made as a result of an Internal Audit review are expediently implemented in order to achieve improvements in the control framework.

3.3 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 2 below. The table includes a percentage implementation rate which will be regularly reported to the Committee. For the 9 concluded audits followed up in this period, there was a 94% implemented or partially implemented rate. 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	9 (64%)	3 (21%)	2 (14%)
Leisure Centre Contract	3	2 (67%)	1 (33%)	0
Deprivation of Liberty Assessments (Adults)	4	2 (50%)	2 (50%)	0
Compass Point South Street Primary School	10	6 (60%)	2 (20%)	2 (20%)
Customer Relations System	8	1(12%)	7(88%)	0
Housing Benefits	11	1 (9%)	10(91%)	0
Total	77	31 (40 %)	41(54 %)	5 (6%)

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

3.4 Grant Certification:

To date in 2017/18, Internal Audit has audited and certified 22 grant claims to the value of approximately £23.7m; and 8,400 Euros, with a further 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.

3.5 Risk Management Update:

Work on risk management has been limited in the period since the last Activity report, due to the matters as discussed in paragraph 3.1 above. However, further consultation following an organisation wide survey (previously reported), on the key risks that should be recorded in the Corporate Risk Register was undertaken with the Extended Leadership Team early in October 2017. The results of this consultation are reported in a separate agenda item.

The need to identify a dedicated resource to take risk management forward remains outstanding, although options are currently being considered to bring in additional resources.

3.6 Resources:

As discussed in paragraph 3.1 above, the Service continues to be functioning on reduced resources, which is further impacted by a level of long term sickness. This limitation is not only effecting the assurance and irregularity work, but also the risk and governance work the service currently complete on behalf of the Council. A review of the knowledge and skills required by the Service is scheduled to be completed in quarters three and four, once that work has been finished, the Service will then look to fill any gaps by recruiting the required knowledge and skills.

In the intervening period, following a competitive procurement process, a dedicated ICT Audit resource has been sourced from a neighbouring authority. This additional resource was included in the Annual Plan for 2017/18.

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 2, for the Committee's information and discussion:

- General Data Protection Regulations (GDPR) Readiness Review
- Data Loss Prevention Security
- Neighbourhoods Budgetary Control
- Foster Care Payments & Budgetary Control
- Early Years Funding
- Green Deal Community Grant Review
- Accounts Receivable

There are also Appendices to this report which contains exempt information.

People/A&S Police	Governance	Troubled Families - July - Employment Claim			✓	N/A Verification of Families being assisted	Reasonable	Green	
People/A&S Police	Governance	Troubled Families - September main claim			✓	N/A Verification of Families being	Reasonable	Green	
Place	Governance	EDF TQEZ - Infrastructure Package - Monitoring of Job Outputs			✓	N/A	Reasonable	Green	
Place	Governance	EDF TQEZ - Infrastructure			✓	£1,936,043	Reasonable	Green	
Place	Governance	EDF TQEZ - Programme Team			✓	£500,000	Reasonable	Green	
place	Governance	LEP/WECA -Sustainable transport subregional projects			✓	£1,900,000	Reasonable	Green	
Place	Governance	PCN Penalty Charge Notice certification x2			✓	N/A	Reasonable	Green	
Place	Governance	TQEZ - WoE Economic Development Fund 15/16			✓	£500,000	Reasonable	Green	
People/ Resources	Governance	SFVS Return			✓	N/A Certification that Returns have been completed.	Reasonable	Green	
	Governance	West of England- AGE - Apprenticeship Grant for Employers			✓	£126,000	Reasonable	Green	
Place	Governance	A403 Challenge Fund Project due 30/9/17			✓	£12,700,000	Reasonable	Green	
Place	Governance	Local Growth Fund (LGF) Capital 2016/17 (Douglas Sole)			✓	£963,889	Reasonable	Green	
People/A&S Police	Governance	Troubled Families - October - Employment Claim			✓	N/A Verification of Families being assisted	N/A	N/A	
Chief Executive	Governance	URBACT III Jacob Dunkley due 15 September			✓	8,404.30 Euro	Reasonable	Green	
Neighbourhoods	Governance	Disability Facilities Grant - 30 September - Peter Bee		✓		£2,400,000	Reasonable		
Accumulative Amount Certified in the Period:						£23,703,202			

Schools Financial Governance Plan:

Audit Plan			Stage of Review			Outcome		Recommendations			Summary of Findings:
Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Assurance Level	Risk Level	High	Medium	Low	Key Issues arising from the Report
People	Internal Control	Bristol Hospital Education Service b/f			✓	Reasonable	Green	1	8	4	DP registration and policy, evidence of budget monitoring,
People		St Mary Redcliffe Primary School			✓	Reasonable	Green		3		Retrospective orders, reconciliation of dinner money,
People	Internal Control	Bristol Gateway Special School		✓					3	1	Retrospective orders, school funds, leases
People	Internal Control	Woodstock Special School		✓				2	9		Retrospective orders, separation of duties, declaration of interests, school funds, inventories, school funds, leases
People	Governance	School Funds Audit Certs - Ongoing		✓							
People	Governance	SFVS...ongoing		✓							
People	Risk	Redcliffe Nursery	✓								

Risk Management Improvements:

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

Corporate	Risk Management	Embedding Risk Management		✓					
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Recommendation Follow-Up Plan Status:

Plan			Review Stage:				Revised Outcome:		Status of Followed up Recommendations:			Comments:
Directorate	Gov, Risk or Internal Control Area	Name of Review	No. of Recs. Not yet due F/Up.	No. Of Recs. Due for F/Up	In Progress	Complete	Revised Assurance Level	Revised Risk Level	Implemented	Partially Implemented	Not Implemented	Key Issues arising from the Report
Neighbourhoods	Internal Control	Housing Rents (Follow-Up)		14		✓	Reasonable	Amber	9	3	2	
People	Fraud - Prevention	Direct Payment - Follow up review		26								
Resources (Fin.)	Internal Control	VAT		9	✓				3	5	1	
Resources (Fin.)	Internal Control	General Ledger - Journal Movements		16	✓							
Resources	Governance	Recruitment & Selection DBS Checks		10	✓							
Resources	Governance	Declarations of Business Interests		4	✓							
People	Governance/Internal Control	Compass Point Primary School		10	✓				6	2	2	Ongoing implementation being pursued
People	Internal Control	Deprivation of Liberty Assessments (Adults)		4	✓				2	2		Resolution to backlog of DoLP currently being sourced.
Neighbourhoods	Internal Control	Leisure Centre Contracts		4	✓				2	1		Awaiting final evidence
Neighbourhoods	Internal Control	Housing Benefits			✓				1	10		
Corporate Matters	Risk	Business Continuity		10	✓				5	5		Further follow up to be carried out as part of full review.
Resources	Internal Control	PSN Compliance and Network Security		13	✓							
People	Governance/Internal Control	SS Peter & Paul Primary School		6								
People	Governance/Internal Control	Badocks Wood Children Centre		12								
People	Governance	HR Process Review		4								
Place	Governance/Internal Control	Sale and Disposal of Council Assets, including St Agnes Lodge and POB		16								
Corporate Matters	Governance	Customer Relations System Complaints/Compliments	9		✓				1	7		Initial follow up completed, further follow up scheduled for Q4.
Resources	Internal Control	Website Resilience	28									
Resources	Internal Control	Cyber Security	10									
People	Internal Control	Budgetary Control (People)	15									
Resources	Financial Controls	Accounts Receivable	11									Non compliance to Care Act and increasing aged debt
Place	Financial Controls	Security Services (Cash In Transit)	11									Ageing equipment that could impact on bus continuity
Neighbourhoods	Financial Controls	NNDR Collection b/f	10									
Corporate	Commissioning and Procurement	Purchase Card Review	13									No overall responsibility, leavers cards not cancelled, card holders not validated, supporting
Neighbourhoods	Governance	b/f Budgetary Control Neighbourhoods	7									Misleading reporting to members. Inadequate budget monitoring.
Neighbourhoods	Internal Control	Catering Service - Audit Compliance	14									
Resources	Information Security/ICT	DLP Security	9									
People	Internal control	b/f Foster care payments	3									
			140	158					20	32	3	

Ad-Hoc Work Requests			Stage of Review				Outcome		Recommendations			Summary of Findings:
Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	Risk Level	High	Medium	Low	Key Issues arising from the Report
Place	Risk and Internal Control	Contract procurement process				✓	None	Red				Please see Appendix (1) to report.
Resources	Governance	Holding Companies cons/rec and Corp Gov.				✓	N/A	N/A				
Place	Governance	Sale of property Issues-St Agnes				✓	N/A	N/A		3		Formalisation of panel process
Place	Governance	Sale of the Port of Bristol				✓	N/A	N/A		4		Good Practice guidance provided
People	Governance	Early Years Funding				✓	N/A	N/A		4		Please see Appendix (1) to report
Resources	Governance	Insurance Tender				✓	N/A	N/A	4	4		Please see Appendix (1) to report
Resources	Governance	b/f Financial Regulations			✓							
Corporate	Governance & Fraud	Purchase Card Review (extended scope)			✓							

Internal Audit Plan
2017/18

Key:		Proposed for deletion from the plan
		Proposed for amendment on the plan
		Addition to the existing Plan

Assurance Area

Corporate or Cross Directorate Reviews								Resources Directorate Specific		People Directorate Specific		Place Directorate Specific		Neighbourhoods Directorate Specific	
Governance															
Annual Governance Statement and Review - Quarterly Governance Dashboard plus annual review															
Code of Governance Review															
West of England Combined Authority /Devolution Governance Understanding - watching brief															
Corporate Strategy Delivery - Planning and Performance Indicators															
Trading Company - Client expectation monitoring and code compliance															
Transformation Programme Governance and Audit continual involvement and Governance review															
Transparency and quality of decision making reports															
Business Cases - Robustness and Delivery															
Ethics and Culture															
Partnership Governance															
Schemes of Delegation															
Whistleblowing Policy															
Members Declarations of Interest															
Web Page Control - ensuring governance policies etc routinely available															
Complaint Systems															
Risk Management															
Policy, Co-ordination, Facilitation															
Embedding Risk Management															
Corporate Risk Register - Alignment to Corporate Strategy															
Risk register scrutiny arrangements and effectiveness															
Risk Based Reviews - Business continuity															
Internal Control															
Financial Controls															
IR 35 Compliance (off payroll costs - incl monitoring by payment approval process)															
Monitoring and reporting of budget position and transformation programme savings delivery															

Certifications (Grants and other) as required		Payroll System Controls	Directorate Budgetary control - follow up and use of Management information in forecasting.	Directorate Budgetary Control	Directorate Budgetary Control b/f/follow up. Deferred to (Q1 18/19)	
Grant Awarding Processes (including EU grants)		Accounts Payable Controls	School Financial Governance			
Bristol Futures		Accounts Receivable	DoL Assessments & Procedural Review re: Adults		NNDR Collection b/f	
		Directorate Budgetary Control	Schools Payroll		Local Taxation Collection (Defer to 18/19)	
		Balance Sheet Reconciliations				
Commissioning and Procurement						
Contract Monitoring (Themed Review across all Directorates.		Monitoring of Contracts	Monitoring of Contracts	Monitoring of Contracts	Monitoring of Contracts	
Continual Audit - Contract management- renewals and awards (Themed review across all directorates)		Cash Receipting System Contract Management	Commissioning - Adult Care Provision - Commissioning and Monitoring of service delivery			
Continual Audit - Contract Waivers						
Voluntary Sector Commissioning (avoidance of procurement regulations)						
Contracts Register and publication requirements						
Continual Audit - Credit and Procurement Cards b/f						
Information Security/ICT (subject to specialist IT Auditor Planning Assistance)						
E Procurement System Controls		Mobile Device Security b/f				
Data Protection Compliance (new GDPR regulations)		DLP Security				
Data protection breaches - system for reporting (to be covered in above)		Operations Centre - resilience and security				
Cyber and PSN Compliance						
ICT Contract Management						
Cloud based storage systems - resilience, business continuity and security						
Finance System - resilience, security and business continuity						
IT Strategy and capacity to deliver		Digital Strategy				
Citizen Account - Implementation, security and resilience.						
HR and Asset Management						
My Performance - Compliance and effectiveness		Employment Status and right to work		Market Operations	Housing Stock - Planned Maintenance	
Staff training and development		IT Asset Management		Investment Property Portfolio	Housing Stock - Void Management	
		Plans for Enterprise Architecture		Fleet Investment Contract Award		
Projects and Programmes						
Savings trackers for Transformation Programme		HR/Payroll - New System Implementation			Housing Management System Implementation	

VFM/Targeted Savings Identification

Telephones - (Ceased numbers)		Legal Services - Income generation - VFM				Right to Buy - (Properties sold on - recovery of discount)	
Card payment - Charge Backs						Public Health Burials	
Counter-Fraud							
Strategic Fraud Risk Management							
Fraud Recording and Reporting							
Annual Fraud Survey							
Open Data Reporting re Fraud (Transparency Code)							
Fraud Risk Register Review							
Fraud Policy Review							
Fraud Prevention Work							
Procurement - Bribery and Corruption Review		Fiscal Fraud Module Review		Direct Payment Fraud - Fraud Awareness Training for Social Workers		Housing Waiting List - Change of Circumstance testing.	
Money Laundering - testing and controls review re refunds				Schools - Fraud Awareness Training		Fraud Awareness Training - Caretakers	
Fraud Web page review and fraud warning bulletins							
Fraud Awareness Induction							
CIPFA Counter Fraud Benchmarking & Output Assessment Review							
Proactive Fraud Detection Exercises							
National Fraud Initiative				Schools Admissions	Parking Income	Housing Benefit Fraud - DWP Liaison	
Procurement - Data Analytics Development				Schools - Tied Properties	Residents Parking Zone		
				Direct Payments		Council Tax Reduction	
						Adaptions - tenancy check	
Fraud Investigation							
General Contingency for dealing with fraud referrals						Tenancy Fraud	
Fraud Hotline						Residual Benefit Fraud Prosecution Cases	
GAIN/Police Enquiries							

APPENDIX 2 – SUMMARIES OF COMPLETED AUDITS

A. CORPORATE

A1 GENERAL DATA PROTECTION REGULATIONS (GDPR) – READINESS REVIEW

Background

The General Data Protection Regulations (GDPR) replaces the Data Protection Act and is enforceable from 25th May 2018. A breach of GDPR can attract fines of up to 4% of turnover or €20 Million (whichever is greater) for the most serious infringements.

GDPR strengthens the conditions for consent to store and use of data. GDPR makes breach notification mandatory, where a data breach is likely to “result in a risk for the rights and freedoms of individuals”. This must be undertaken within 72 hours of first having become aware of the breach.

GDPR will have a fundamental effect on all managed Bristol City Council (BCC) processes and systems that hold personal data and will require significant change to working practices across all Directorates. Failure to be GDPR compliant by 25 May 2018 would leave BCC open to high value fines and significant reputational risk. In order to continue to handle sensitive data, such as that shared by the NHS and DwP and data collected directly from citizens, BCC will need to demonstrate GDPR readiness and ongoing compliance.

The European Commission allowed a two year implementation period (circa May 2016) for all organisations to prepare for GDPR. As part of the 2017/18 Internal Audit plan, Internal Audit was commissioned to undertake a readiness review of BCC’s implementation of GDPR.

Summary of Findings and Conclusions

At the time of the Audit report, while there had been much useful work in preparation for GDPR and raising general awareness, the approach to GDPR to date has not been treated as a formal project with appropriate governance and priority for an issue of this level of importance for BCC.

At the time of writing the report, an appointed Project Manager was due to commence in post, which is an essential step towards formalising the approach to GDPR. At this point in time, however, there was only seven months remaining before GDPR becomes enforceable and a formal project needed to be scoped, established and delivered as a matter of extreme urgency

Consequently, an “Urgent Issues” report was issued which identified the following **areas for improvement**, as at the end of September 2017, for which 5 recommendations were made:

- There was no formal document in place to define the purpose and structure of the project to implement GDPR across the Council.
- Governance arrangements for the GDPR had not yet been determined. There was no project sponsor at SLT level to ensure that the project has sufficient authority and no project board had yet been identified.
- Although a list of necessary tasks to deliver the project had been compiled with reference to guidance from the Information Commissioner's Office (ICO), there was, however, no project plan which details all activities needed, a timeline and 'milestones' which demonstrate how GDPR compliance will be achieved by the deadline.
- Resourcing of the Project to deliver compliance to be addressed.
- The GDPR legislation requires the appointment of a statutory Data Protection Officer (DPO). No DPO has been appointed and Internal Audit was informed that there has been no formal consideration of where the position would fit within BCC structures.
- A number of activities have been undertaken to raise awareness of GDPR across BCC. There have been briefings to SLT and Directorate DLTs. Awareness raising has, however, been inconsistent.

All recommendations were agreed for implementation and assurances were received that all relevant matters are being addressed.

A2 Data Loss Prevention System

Background

Data Loss Prevention (DLP) Systems can be used by organisations to help manage the loss of or unauthorised leakage of business sensitive or confidential information outside of the organisation. In 2015, the Strategic Director for Business Change at that time took a decision to research and implement as DLP system in Bristol following unauthorised leakages of information outside of the Council. This system could, therefore, enhance the management of data security in the Council.

A DLP system was sourced that could track 'tagged' documents and recorded the movement of emails meeting certain 'rule' requirements e.g. containing certain words etc. The system was deployed to relatively few computers - particular groups were selected based on the level of sensitive data they access.

IT Management advise that in reality, whilst the system was deployed and operational, its use has been limited due to the data volumes involved and the lack of resources to effectively monitor the data collected.

Scope

Following implementation of the system, allegations were received regarding the manner in which the system had been implemented and used. Concerns were raised that the implementation and use was illegal because of the way it was configured and deployed. Allegations were also made regarding other aspects of information security practices at the Council.

Upon receipt of the allegations, an investigation was completed by the Data Protection Officer at that time. One of the recommendations resulting from her work was that a further review was completed. Internal Audit was commissioned by the Head of Legal Services (with approval from the Senior Information Risk Officer) to complete that review which included a review of security arrangements referred to in the allegations and the DLP system implementation and configuration. Terms of reference for the review were drafted and agreed with the Interim Service Director – Business Change and ICT at the time.

Summary of Findings and Conclusions

Based upon completion of the fieldwork, a **Limited Assurance** opinion was assigned.

Regarding the implementation of the DLP system, there is a risk that data protection legislation may have been contravened because:

- The implementation of the system was not open and not communicated to those affected. *(It was advised that the reason for this initially was to enable an assessment to be made of the data loss threat)*
- An impact assessment was not carried out in line with best practice Data Protection Act principles in advance of deployment (or since).

Since concluding the review, Internal Audit has been advised that swift corrective action has been taken by management to minimise the impact of this potential risk:

- A decision has been made to 'switch off' and uninstall the system.
- All data collected by the system has been/will be deleted.

Recommendations have been made and agreed by current management that:

- Any future need for such systems which could enhance data security is considered openly via the Council's decision pathway and includes advice from legal services and the Data Protection Officer.
- This will include completion of a Privacy Impact Assessment.
- If it is determined that such a system would benefit the Council, implementation will be open and effectively communicated to all affected and in this eventuality, Internal Audit will review arrangements to ensure processes are put in place to protect the data collected.

Regarding other information security concerns:

- Allegations were unfounded concerning the Council's failure to take appropriate action following the installation of unauthorised software (this is not referring to the DLP system software but other software) and the unauthorised disabling of the antivirus software.

Recommendations were also made and agreed with management in respect of the following:

- Whilst the Council has an information security policy, a review of it in May 2016 had not been presented to the Information Assurance Group or rolled out across the Council. Management have advised it is currently being updated again prior to approval and roll out.
- Contract documentation is being strengthened to ensure appropriate information security arrangements are in place for contractors working for the Council.
- Information impact assessments were not consistently being completed for all projects to assess information risks and impacts. All projects, however, now require the completion of the new "Business Case Template. This requires consideration of an Information Impact Assessment at the "Preferred Options" section prior to the project being permitted to progress to the next stage - the Full Business Case.
- Regularity of convening the Information Assurance Group – these are now taking place every two months.

B. NEIGHBOURHOODS

B1 Neighbourhoods Budgetary Control 2016/17

Budgetary control arrangements for the Neighbourhood Directorate during 2016/17 were reviewed as part of the 2016/17 planned audit work. Whilst the fieldwork for this was largely finalised in 2016/17, the report was issued in 2017/18. The objective of the audit was to review control mitigations to manage the following risks in the following areas:

- Meeting statutory obligations within budget.
- The management of overspends
- Identifying and mitigating financial pressures

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

- There was a satisfactory understanding of the budget forecasting process with a sufficient level of case root analysis completed to support budget forecasting.
- A survey of budget managers across the directorate highlighted clear understanding of responsibility in terms of budget management
- Budget position reporting was generally sound

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

- Internal recharge forecasting arrangements.
- Clearer reporting to DLT and upwards.
- Addressing central processes that impact directorate budget monitoring limiting effective budget management by the budget holder.
- Determining and resourcing the required level of central support to Directorate budget holders.
- Further training provision for budget managers.
- Processes for checking budget availability prior to authorising spend.

All recommendations were agreed. Budget monitoring and reporting processes across the Council have been reviewed and strengthened for 2017/18 which, Internal Audit understands, include stronger challenge from Corporate Finance, strengthened action planning to address forecast overspends and reporting budget positions before and after use of reserves. Internal Audit will test that these arrangements later in 2017/18.

C. PEOPLE

C1 Foster Care Payments and Budgetary Control

In 2016/17, the Council spent £17.5m on foster care payments, which includes both in-house and agency provision. The objective of the audit was to review control mitigations to manage the following risks:

- Payments made in excess of agreed rules.
- Payments made to the right carer / supplier.
- Adaption grants are paid accurately to those entitled.
- Overspending.

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

- Supporting documentation was available to evidence authorisation and completion of details for payments to “in-house” carers for the last 2 years.

The audit also identified the following **areas for improvement**, for which 5 recommendations were made, including:

- The forms completed to cease payments when a child moves from an in-house foster carer to an agency are not completed on a timely basis, increasing the risk of overpayment.
- Although no overpayments were identified from the audit sample, it was noted that an overpayment of £6000 had been made when a form was received two months late.
- A significant number of the Individual Placement Agreements, which set out the contracted arrangements for each child placed with an agency, were missing or incomplete.
- Although Internal Audit was informed that there is a check of the details of Agency invoices prior to payment, the checks were not evidenced.

All recommendations were agreed for implementation.

C2 Early Years Funding

Background

Early Years Funding is provided by the Department for Education (DfE) as part of the Dedicated Schools Grant (DSG) to fund children who are entitled to free nursery provision.

There was a shortfall in the expected funding that was received for 2016/17 of £1.8m (subsequently estimated to be £1.71m). This was due to an error in the January 2016 Census Return, on which the funding was based. Some children receiving reduced hours provision over a longer period had not been recorded as such so the total hours recorded as funded was lower than it should have been.

Scope

This was a retrospective review commissioned by the Service Director, Finance and the Mayor to cover:

- How the error in the census return occurred, was discovered and rectified.
- The governance in place in the People Directorate to oversee Census Returns.
- What action was undertaken including escalation and reporting to appropriate levels within BCC and appropriate engagement with Education Funding Agency (EFA) /DfE, firstly when the error was identified and secondly when the impact on funding became clear.
- The implications of the error/loss of funding.
- What lessons can be learned in respect of completing returns, governance and internal and external reporting.

Summary of Findings and Conclusions

How the Error Occurred

Internal Audit confirmed that an error had been made in the January 2016 Early Years census to the DfE. This affected the DSG funding received for both the 2015/16 and 2016/17 financial years (the 2015/16 academic year). This was the first time that a completely electronic return had been made, with the providers of childcare completing electronic returns, developed by corporate IT, that were specific to Bristol.

The error was not noted by staff within Bristol City Council until the funding for 2016/17 was received in August 2016 (together with a clawback for 2015/16). The issue, however, was queried promptly with the DfE.

The error occurred because an optional column on the January 2016 Early Years census to the DfE had not been completed. This was due to an error compiling information from the electronic returns from providers of childcare into the correct format to submit to the DfE. This meant that those children that received the stretched provision were not recorded as all year round within the output, reducing the total hours provided (i.e. recorded as receiving 12 hours a week for 38 weeks rather than 48 weeks a year).

Key Control Issues

The key control weaknesses identified in this process, for which 6 recommendations were made, are summarised as:

- The census output figures were incorrect and if a comparison had been made with the previous year, the error may have been identified.
- There was no authorisation or checking of the census at a senior level.
- There was no evidence that the S.151 Officer was informed of the error and potential loss of funding by Finance staff when the issue was first highlighted.
- There was no evidence that the Service Director, Education and Skills was informed of the error and loss of funding when the issue was first highlighted.
- Although there was frequent contact with the DfE, senior staff were not involved in this liaison with the DfE to try to resolve the issue and obtain the additional funding.
- Reliance was placed on telephone calls with little written evidence from the DfE.

All recommendations were agreed for implementation.

D. PLACE

D1 Green Deal Community Grant Review

Background

A Cabinet report in January 2014 presented details of a projected Green Deal (and Energy Company Obligation) grant and sought approval of the deal and proposed administrative arrangements.

A Memorandum of Understanding (MoU), dated April 2014, between BCC and the Department of Energy and Climate Change (DECC – now the Department for Business, Energy and Industrial Strategy (BEIS) set out the terms and conditions associated with the grant.

BCC received a “Green Deal Community Grant”, totalling £7.3m in July 2014. The grants were broken down as follows:

- £5.3m for supporting the then national Green Deal programme for installation of a community based street by street programme of energy efficiency measures.
- £2m grant for energy efficiency improvement in the private rented sector.

The Green Deal Project was delivered initially in partnership with a Green Deal provider (GDP). The GDP went into liquidation in October 2015 and delivery was brought in-house. The ‘sign up’ of new customers was temporarily suspended while issues with existing customers were addressed.

The grant was originally to be spent by March 2015, although the delivery period was subsequently extended to a second year with a final deadline of 30th September 2016. The Confirmation of Spend Letter from BEIS dated 23 January 2017 (signed by the Service Director, Finance 16 March 2017) confirmed that total spend against the grant was £4.002m and that £3.290m was required to be repaid to BEIS.

Scope

This was a retrospective review commissioned by the Service Director, Finance and the Mayor to cover:

- Evidence upon which the grant bid assumptions was based and the reasonableness of the grant bid.
- A comparator of the actual delivery approach adopted and resources applied and the proposal in BCC’s bid submission.
- The governance of the grant within BCC and whether reports to DECC (BEIS) were made in accordance with the requirements of the MoU.
- Whether responsibility for delivery was properly assigned with sufficient resource and prioritisation within the Service.
- Whether a proper supply chain was put in place to deliver the project and whether delivery was appropriately monitored.
- What action was undertaken when delivery issues and underspending was identified and whether appropriate mitigating actions were implemented with escalation and reporting to appropriate levels within BCC and appropriate engagement with BEIS.
- Lessons learned for the management of future projects.

(The scope of the work did not cover the Energy Company Obligation.)

Summary of Findings and Conclusions

Reasonableness of the Grant Bid

The final grant bid, dated April 2014, was optimistic in terms of the project deliveries during the initial funding period of one year. The bid was significantly inflated in order to be successful and the final grant bid, for £7.3m, was significantly more (£3.9m or 53.4%) than that previously reported to Cabinet. There was a risk that if the higher bid had not been submitted then no grant would have been forthcoming and no energy efficiency benefits to the citizens of Bristol would accrue.

The increased submission, however, increased the risk of non-delivery. The final submission committed BCC to the delivery of 2386 Energy Plans and 1411 Green Deal Plans - . Actual Delivery (April 2014 - September 2016) was 846 Energy Plans (35% of commitment) and 920 Green Deal Plans (65% of commitment). The increased grant and risk of non-delivery of the project in full was not formally re-assessed or formally updated to Cabinet.

Delivery Approach and Resources Applied

The risk concerning the Green Deal Provider's (GDP) financial failure was known from the beginning of the project. There is documented evidence, dated July 2014, prior to the issue of the Preferred Bidder letter, that the procurement vetting officer classified the applicant company (subsequently the GDP) as high risk because of poor financial standing.

The mitigation identified was to bring the scheme in-house. This mitigation was not fully developed in advance and therefore when the risk materialised, due to the GDP company liquidation, the response was reactive rather than planned.

The key issues highlighted in the Audit report relating to the GDP were:

- Internal Audit was informed, but cannot substantiate, that the GDP's supply chain consisted of 13 suppliers, seven of which were local. Therefore, a supply chain was in place for the project which might have been able to achieve project delivery, providing it was effectively managed.
- A Project Highlight Report in October 2014 recorded a concern about unreliable reporting by the GDP.
- The GDP was issued with eight (one in July 2015 and seven in August 2015) official warning notices concerning the quality of work delivered by subcontractors. An analysis of these notices revealed details of performance breach which had not been addressed by the contractor for six months or more. The delay in formal actions indicates that the BCC project team did not appropriately respond to GDP failure.

Governance of the Grant and Reporting Arrangements

The key issues highlighted in the Audit report relating to governance and reporting arrangements were:

- The project governance arrangements were not established until one year after the project commenced.
- Project Highlight Reports did draw attention to the risk of not delivering the project on time., which was reported to the Place Programme Board but there was no evidence/ trail of this risk being reported to the Capital Project Board except for once in December 2016, when the project underspend was mentioned. It is concluded that the Project Highlight reports were nor prioritised or adequately mitigated.
- A Project Risk Register and Issue Log was not prepared and maintained by the Project Team.

Assignment of Responsibility for Delivery

The risk that the project would not be delivered on time was recorded from the beginning of the project. This had, however, not been mitigated by a schedule with measured milestones to ensure that the project could meet the deadline.

The in-house project delivery team was increased following the GDP liquidation and a new structure and responsibilities was established and assigned. Delivery was, however, so in arrears that full delivery by September 2016 was not realistic. In-house delivery for the last 12 months of the project delivered 205 installs.

Lessons Learnt

Internal Audit identified the following lessons that to be learned:

- The Grant bidding process should be reviewed. A formal process for abiding and accepting a grant should be established, which includes reporting at appropriate levels including Cabinet.
- Each grant should be supported by a business case which demonstrates how delivery will be achieved and the associated risks.
- Governance arrangements should be established from the beginning of every Grant project to ensure that any issues with the project are identified on a timely basis and dealt with at the appropriate level.
- Effective contract management processes for contractors should be in place with independent quality assurance provided by officers from outside of the project team.
- Project Management Office functions and responsibilities should be revised. The PMO should be responsible for providing assurance that each project is carried out in compliance to the approved BCC project management approved practices.
- Each project should have a schedule with milestones which are reviewed by management on a regular basis. Risks should be identified, mitigated and escalated accordingly during the life of Grant projects.

E. RESOURCES

E1 Accounts Receivable

The objective of the audit was to review control mitigations to manage the following risks and debt process related activity:

- Data Integrity and quality of interfaces between financial system (ABS) and feeder systems.
- Debt Collection process.
- Credit Notes and write offs of irrecoverable debts.
- Debts not collected or written off due to pending queries.
- Review of agreed payment plans.
- Detailed review of social care debts (which constitute approximately 24% of total outstanding debt).
- Review of implementation of previous audit recommendations.

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

- There has been a £3.7m reduction of outstanding debt in the year ending 31st March 2017.
- Processes relating to credit notes, payment plans, issuance of reminders and statement of accounts.

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

- The Council's debt recovery procedures are not compliant with the Care Act 2014 and related guidance in that the Council's debt recovery procedures treat all debt with the same approach and not as in the principles outlined in the Act and its supporting guidance, which require a bespoke approach to social care debt.
- Due to the initial low value of care related invoices, unpaid invoices may not be followed up at an early stage and errors on incorrect assessments may go unnoticed.
- There are field restrictions on the ABS system which do not allow all billing related information for care debt from the relevant interface to be printed on the invoice generated. This gap in quality in detail has a significant impact on recoveries.
- Debts written off as uncollectable have not been reported annually to the Cabinet as per Financial Regulations.
- The need for financial assessment forms to be revised to include options for setting up direct debit or standing orders to facilitate prompt payment of care charges.
- The time taken to follow up unpaid charges was inconsistent.
- Bulk write offs being processed outside the ABS system due to system workflow issues and consequently the approver of the write off does not have a full trail of actions undertaken in relation to recovery prior to approving the write off.

- Current Financial Regulations in respect of the writing back of a debt to the relevant Directorate budget after a year is not being implemented (in order for the budget to absorb the cost of the debt) with the debt being held centrally.
- The coding of debt within ABS indicating the status of debt recovery was not consistently applied making aggregation and analysis difficult.
- There is no formal guidance in terms of an approved debt recovery policy and the next stages beyond issuance of reminders and statement of accounts are informal leading to inconsistencies in process.
- The role, responsibilities, expected job outcomes and working arrangements with Council services of the Accounts Receivable Team are not clearly stated and remain the subject of different understanding and interpretation. Thus, for example, the removal of the previous dedicated recovery resource had not been effectively communicated.
- Several actions agreed from the previous Audit report in 2015 had not been implemented.

Additionally, it was noted that:

- The provision for bad debt requirements has increased by £3.1m for the year ending 31st March 2017
- A Corporate Debt Policy has been drafted but not formalised.

All recommendations were agreed for implementation with the supply of comprehensive detail in response to the audit report and the incorporation of actions within the Finance Transformation project.