

Audit Committee

29th March 2018



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

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

Ward: N/A

Officer Presenting Report: Jonathan Idle, Interim Chief Internal Auditor

Recommendation

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

Summary

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

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

Policy

1. Audit Committee Terms of Reference.

Consultation

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

Context

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

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

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

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

Proposal

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

Other Options Considered

6. N/A

Risk Assessment

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

Public Sector Equality Duties

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

- tackle prejudice; and
- promote understanding.

8b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A

Financial

(a) Revenue – N/A

(b) Capital – N/A

Land/Property – N/A

Human Resources

Appendices:

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

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None



BRISTOL INTERNAL AUDIT

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



1. Introduction

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

2. Key Messages

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

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

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

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

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

3.2 Internal Audit Resources:

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

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

3.3 Grant Certification Work:

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

3.4 Annual Governance Statement Review

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

3.5 Risk Management Update:

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

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

3.6 Recommendation Implementation

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

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

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

Table1: Summary of Implementation of Internal Audit Recommendations:

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

3.7 Counter Fraud Update.

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

From Tenancy fraud work:

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

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

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

Figures used for notional savings are:

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

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

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

4. Under the Spotlight!



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

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

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

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

Risk Based Assurance Plan:

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

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

Schools Financial Governance Plan:

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

Recommendations Follow Up Plan Status:

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

Ad-Hoc Work Requests			Stage of Review			Outcome		Recommendations			Summary of Findings: Key Issues arising from the Report	
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
Place	Risk and Internal Control	Contract Procurement Process				✓	None	Red				Committee provided with details November 2017 meeting
Resources	Consultancy/Governance	Holding Companies cons/rec and Corp Gov.				✓	N/A	N/A				
Place	Governance	Sale of property Issues-St Agnes				✓	None	N/A		3		Committee provided with details September 2017 meeting
Place	Governance	Sale of the Port of Bristol				✓	N/A	N/A		4		Committee provided with details September 2017 meeting

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

APPENDIX B – SUMMARIES OF COMPLETED AUDITS

A. CORPORATE

A1 Complaints Management

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

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

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

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

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

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

All recommendations were agreed for implementation.

A2 Contract Waivers

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

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

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

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

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

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

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

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

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

All recommendations were agreed for implementation.

A3 Contracts Register and Publications Requirements

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

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

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

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

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

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

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

Both recommendations were agreed for implementation.

A4 Contract Management – Renewals and Awards

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

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

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

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

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

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

Both recommendations were agreed for implementation.

A5 Business Cases – Robustness and Delivery

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

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

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

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

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

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

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

All recommendations were agreed for implementation.

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

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

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

Summary of Findings and Conclusions

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

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

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

B. NEIGHBOURHOODS / COMMUNITIES

B1 Housing Voids

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

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

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

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

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

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

All recommendations were agreed for implementation.

C. PEOPLE (now CARE AND SAFEGUARDING)

C1 The Woodway Federation

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

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

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

Bristol Gateway:

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

Woodstock Special:

- Budget monitoring
- Data Protection
- Business Continuity arrangements.

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

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

All recommendations were agreed by management for implementation.

D. RESOURCES

D1 Cash Receipting System Contract Monitoring

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

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

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

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

All recommendations were agreed for implementation.

D2 Bank Reconciliation

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

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

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

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

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

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

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

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

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

D3 Clearing House Automated Payment System (CHAPS)

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

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

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

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

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

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

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

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

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

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

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

D4 Accounts Payable

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

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

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

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

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

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

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

D5 Duplicate Cheques and Associated Print and Mail Service Issues

Background

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

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

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

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

Scope

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

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

Summary of Findings and Conclusions

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

Lessons Learnt

Internal Audit identified the following lessons that may be learned:

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

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