



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT HALF-YEAR ACTIVITY REPORT

FOR THE PERIOD OF

April to October 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 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 1<sup>st</sup> April to 31<sup>st</sup> October 2018, building on the information which was provided to the Committee at its meeting in September 2018, 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 2018/19 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
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1<sup>st</sup> April to 31<sup>st</sup> October 2018, is provided at Section 5 of this report.

## 2. Key Messages

- Audit Plan has been re-assessed to reflect changing circumstances within the Council and within the team;
- 47 % of completed Audit Reviews have concluded limited or no level of assurance which compares to 50% of reviews that had concluded this level of assurance at this time last year;
- Recommendation implementation rate currently at 86% implemented or partially implemented, compared to 88% in 2017/18;
- 20 grants with a total value of £22.2m certified to date;
- 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 1<sup>st</sup> April to the 31<sup>st</sup> October 2018, is provided in Section 5 below.

Work on the 2018/19 Internal Audit plan is progressing, but at a less expedient pace than the service would have hoped. As at 31<sup>st</sup> October 2018, 48% of the Audit plan was either complete, or in progress, with a further 6% 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 to draft report stage at this point of the year is 35%, however the number of reviews which have reached this stage is slightly below target at 33%. The Committee will recall that the Internal Audit plan included more planned days than were available to the team for the year.

By necessity, the Audit Plan must be flexible to ensure it remains relevant to risks facing the Council throughout the year. Consequently, the opportunity has been taken to reassess the priority and relevance of items included in the plan, with consideration to the resourcing position for the second half of the year.

Table 1 provides details of the proposed plan amendments which reflect changing circumstances but continue to ensure an opinion can be formed at the end of the year. The scope of all audit reviews for continued relevance is also reviewed in drafting terms of reference.

**Table 1 - Risk Based Plan Amendments:**

No.	Reasonable Assurance Area	Assignment	Commentary
	<b>Additions</b>		
1	Projects and Programmes	New Finance System Implementation	Early engagement requested by Management.
2	Financial Control	Changes to Payment Terms	Report issued.
3	Information Security/ICT	Information Security Policy Review	Early engagement in drafting policy to ensure it meets Audit expectations. Complete.
	<b>Deletions</b>		
1	Risk Management	Flood Risk	Deferred - Initial discussions with management suggest this review would not add value at this time given the changes being made to the Flood Strategy.
2	Risk Management	CRR 10 - Harbour and Harbour Estate	Corporate Risk Register (CRR) has been updated and this risk removed although included in CRR1. Review of CRR1 remains in the Audit Plan.
3	Risk Management	CRR 3 - Asbestos Management	A corporate review of this area has recently been completed. No further value will be added by IA review. Continued relevance to be considered in compilation of Audit Plan.
4	Risk	Universal Credit	Initial discussions with Management suggest

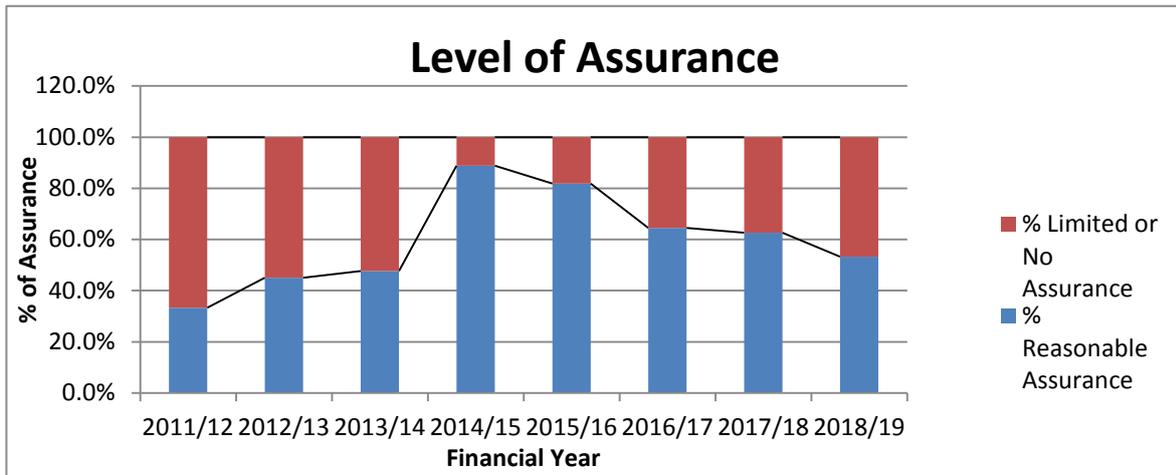
No.	Reasonable Assurance Area	Assignment	Commentary
	Management		that limited value would be gained from an Internal Audit review this year given the limited migration to UC to date.
5	Financial Controls	Budgetary Control	Removed as a separate entity but completed as part of the overall budgetary control audit currently at draft reporting stage.
6	Financial Controls	Rent Arrears	Deferred to 2019/20 to allow new system to embed.
7	HR & Asset Management	Health & Safety of Staff	Review now duplicates another Internal Audit review following update of the Corporate Risk Register. One audit will cover this risk now.
8	HR & Asset Management	Long Term Voids - On hold pending new system implementation	Internal Audit has been advised that the Council has commissioned an external value for money review in this area.
9	Information Security/ICT	Citizen Account	Potential deletion / deferment pending review of the IT audit programme
10	Information Security/ICT	Operations Centre - Technical Delivery	IT Audit resource prioritised on other risks.
11	Information Security/ICT	Cyber Security and PSN - Annual Review (No longer required from IA).	Internal Audit has been advised that the Council has commissioned external expertise to conduct a review in this area.
12	Information Security/ICT	New Housing System - IT Audit Focus	Project has gone live which has negated the need for this review
13	Financial Controls	HRA - Oversight and Budgetary Control	Significant internal review of HRA account has already been completed, limiting the value that further Internal Audit work would add.

Delivery of the plan and consequently an evidence based annual opinion on the control environment following amendments as detailed in Table 1 above and in Appendix 2 to this report is based on the following assumptions:

- The current recruitment exercise results in the appointment of additional permanent team members by 1<sup>st</sup> January 2019.
- Suitable agency resources can be secured now to provide cover for up to six months. This will cover unplanned vacancies currently being experienced by the team (see below).
- Levels of absence broadly equate to planned levels.
- No significant spike in the demand for grant certifications.

### 3.2 Status of Control Framework within the Council:

At this half-way point in the financial year, 53% of audit reviews have concluded that a 'reasonable' level of assurance can be taken from the existing control framework in the areas reviewed. This does however mean that 47% of the audit reviews concluded that either limited or no assurance could be gleaned from the controls in place. This highlights a declining position in the control framework on previous years, as demonstrated by figure (1) below:



All of the work completed to date this year is as part of the Internal Audit risk based plan. It should, however, be highlighted that there is a considerable amount of audit work required in the remaining part of the year, the outcome from which may alter the level of assurance. Internal Audit is working with Executive Directorate 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 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 13 concluded audits followed up in the year to date, there was an 86% implemented or partially implemented rate compared to 88% for 2017/18.

A high number of further follow up reviews need to be undertaken in the remainder of 2018/19 ( a further follow up is where the initial follow up did not provide sufficient evidence of full implementation for all of the recommendations made, which results in the need for another follow up to be undertaken). Further follow up work is not planned for; therefore the resource to complete this work must come out of the planned resource, resulting in a reduction in the number of planned reviews the service can undertake.

Updates on the progress of implementation will continue to be provided to members at each Audit Committee, together with a breakdown of implementation between high and medium risk recommendations, which can be found in section five of this report.

**Table 2 - Summary of Implementation of Internal Audit Recommendations:**

Follow-up Audit	Date of Org. Report	Total Recs	Implemented	Partially Implemented	Superseded	Not Implemented
Accounts Receivable	19/09/17	14	4 (29%)	9(64%)		1(7%)
Budgetary Control - People	31/03/17	8	5(71%)	2(29%)	1	
Security Services Cash in Transit	30/06/17	6	3(50%)	3(50%)		
Sale and Disposal of Council Assets	28/03/17	13	8(62%)	5(38%)		
Contract Waivers	22/01/18	6	4(67%)	2(33%)		
Mobile Devices	05/11/15	16	2(20%)	1(10%)	6	7(70%)
HR Process Review	12/04/17	4	4(100%)			
Foster Care Payments	20/09/17	3		2 (67%)		1(33%)
Corporate and IT Business Continuity	23/03/16	6	1(16%)	4(67%)		1(17%)
Provider Failure	19/04/18	1	1(100%)			
Primary School	05/04/17	6	1(17%)	3(50%)		2(33%)
Purchase cards	21/07/17	11	5(46%)	4 (36%)	2	
Complaints System	08/12/16	3	1 (33%)	2 (67%)		
<b>Total</b>		<b>97</b>	<b>39 (44%)</b>	<b>37 (42%)</b>	<b>9</b>	<b>12 (14%)</b>

### **3.4 Grant Certification:**

To date in 2018/19, Internal Audit has audited and certified 20 grant claims to the value of approximately £22.2m; and 19,304 Euros, with a further grant certification 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.

Internal Audit continues to receive short notice requests for grant certifications and inadequate supporting paperwork, this is an issue the service is currently investigating in order to identify a solution.

### **3.5 Resources:**

The Internal Audit service has been reviewing its structure during the year to secure continued skills and knowledge requirements going forwards. A draft structure, which has been draw up in consultation with the section 151 officer and the Cabinet Member for Finance, Governance and Risk, is currently being consulted on with the existing Internal Audit team.

At the time the Audit plan was agreed, the assumption was made that the service review would be complete during the first half of the year and the team would be fully resourced by 1<sup>st</sup> October 2018. As discussed at a previous Committee, various factors have mitigated against this with an impact upon resourcing levels. Recruitment has commenced to fill vacancies unaffected by the Service review however, to date, have not resulted in establishing permanent resource for the team. A further impact of this is the resources required in administering the recruitment process even when it has not been successful.

In the intervening period, additional resource will be sought via both agency employees and a co-sourcing arrangement with a neighbouring local authority. The co-sourcing arrangement resource was included in the Annual Plan for 2018/19.

## 4. Under the Spotlight!



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

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

### A. Corporate:

- Grants Receiveable Application Process

### B. Adults, Children and Education:

- Care Services – Accuracy of Care Billing
- School Places – Planning and Allocation Process
- Adult Care – Provider Failure Follow Up
- Strengthening Families Programme

### C. Communities:

- Implementation of Housing System
- Exempt Appendix
- Complaints Management System – Follow Up

### D. Resources:

- AP Forensics
- Purchase Card Follow Up
- Privileged Access Management

5. Status of Internal Audit Work for the Period of: (1st April to 31st October 2018)

A. Risk Based Assurance Plan including Proactive Fraud Work: 2018/19 - Progress to Date

Directorate	Gov, Risk or Internal Control Area	Audit Plan	Name of Review	Initial Planning	Stage of Review				Outcome		Summary of Findings:
					TOR	In Prog/Ongoing	Draft Report	Complete	Assurance Level	Risk Level	
Corporate	Information Security/ICT	Third Party Assurance (b/f)					✓	None	Amber	Summary provided to Audit Committee at July 2018 meeting	
Corporate	Governance	Senior Officer Decision Recording					✓	Limited	Amber	Summary provided to Audit Committee at September 2018 meeting	
Corporate	Financial Controls	Grant Application Process (from 2017/18)					✓	Limited	Amber	Summary provided at Appendix 1 to this report.	
Adults Children and Education	Commissioning and Procurement	Adult Social Care Commissioning (b/f)					✓	Limited	Amber	Summary provided to Audit Committee at July 2018 meeting	
Resources	Financial Controls	Payroll System Controls - b/f					✓	Reasonable	Amber	Summary provided to Audit Committee at July 2018 meeting	
Adults Children and Education	Financial Controls	Care Services - Accuracy of Billing					✓	Reasonable	Amber	Summary provided at Appendix 1 to this report.	
Communities	HR and Asset Management	Planned Maintenance (b/f)					✓	Reasonable	Amber	Summary provided to Audit Committee at September 2018 meeting	
Adults Children and Education	Risk Management	School Places Planning and allocation processes.					✓	Limited	Amber	Summary provided at Appendix 1 to this report.	
Resources	Information Security/ICT	Privileged Access Management					✓	Limited	Amber	Summary provided at Appendix 1 to this report.	
Growth and Regeneration	Financial Controls	Car Parking Income					✓	Reasonable	Green	Summary provided to Audit Committee at September 2018 meeting	
Growth and Regeneration	Projects and Programmes	Replicate (EU Grant funded Project)					✓	Reasonable	Green	Summary provided to Audit Committee at September 2018 meeting	
Corporate	Commissioning and Procurement	Voluntary Sector Commissioning (Avoidance of Procurement Regulations) (b/f)					✓	Reasonable	Green	Summary provided to Audit Committee at July 2018 meeting	
Corporate	Governance	Annual Governance Statement and Review Process					✓	N/A	N/A	Statement considered by Committee on at October 2018 Meeting	
		Embedded assurance - Strengthening Families Transformation					✓	Reasonable	N/A	Summary provided at Appendix 1 to this report.	
Corporate	Governance	Companies Governance - Oversight					✓	N/A	N/A		
Corporate	Fraud - Strategic Fraud Risk Management	CIPFA Fraud Survey					✓	N/A	N/A		
Resources	Fraud - Strategic Fraud Risk Management	Transparency Data Reporting - Fraud					✓	N/A	N/A		
Communities	Financial Controls	Security Services - Use of Imprest (Colston Hall)				✓		Limited	Amber	Summary provided at Appendix 1 to this report.	
Corporate	Financial Controls	Directorate Budgetary control (b/f)				✓		Reasonable	Amber		
Adults Children and Education	Financial Controls	Direct Payments - Prepayment Cards				✓					
Communities	Projects and Programmes	New Housing System Implementation				on-going				Summary provided at Appendix 1 to this report.	
Corporate	Fraud - Prevention	Bribery and Corruption Review - Fraud Controls Framework Review			✓						
Corporate	Fraud - Prevention	E learning roll-out			✓						
Corporate	Fraud - Prevention	Fraud Web page updates			✓						
Resources	Fraud - Prevention	Fraud Awareness Training - Benefits Administrators			✓						
Adult, Children and Education	Fraud - Prevention	Education Team Requests			✓						
Adult, Children and Education	Fraud - Prevention	Fraud Awareness Training - Schools			✓						
Corporate	Fraud - Proactive Detection Exercises	National Fraud Initiative (NFI) Download			✓						
Corporate	Fraud - Proactive Detection Exercises	NFI Output			✓						
Resources	Fraud - Proactive Detection Exercises	NNDR b/f			✓						
Resources	Fraud - Proactive Detection Exercises	AP Forensics - Accounts Payable fraud testing			✓	on-going				Summary provided at Appendix 1 to this report.	
Communities	Fraud - Proactive Detection Exercises	Tenancy Fraud Case work			✓						
Communities	Fraud - Proactive Detection Exercises	Gain work			✓						

Communities	Fraud - Proactive Detection Exercises	Empty Property Relief			✓					
Corporate	Fraud Investigation	Fraud hotline management			✓					
Resources	Fraud Investigation	Benefit Fraud casework			✓					
Resources	Fraud Investigation	CTR Casework			✓					
Growth and Regeneration	Fraud Investigation	Blue Badge - on going investigations and publicity			✓					
Adults Children and Education	Risk Management	CRR 16 - Children's and Safeguarding - assurance mapping			✓					
Adults Children and Education	Risk Management	Adult Social Care - Care Homes			✓					
Communities	Risk Management	Taxi Licensing			✓					
Corporate	Financial Controls	Development contributions (s 106 plus)			✓					
Resources	Financial Controls	Apprentice Levy Account			✓					
Resources	Information Security/ICT	IT Project Management Approach (design and security)			✓					
Corporate	Financial Controls	Savings Tracker for Change Programme (b/f)			✓					
Communities	Commissioning and Procurement	Fleet Investment Contract Award (b/f)			✓					
Adults Children and Education	Governance	Three Tier Model (b/f)			✓					
Communities	Fraud - Proactive Detection Exercises	Key Amnesty (under consultation)		✓						
Communities	Fraud - Prevention	Social Housing Gateway Review (allocations)		✓						
Corporate	Financial Controls	Corporate Debt Model - Use and effectiveness	✓							
Adults Children and Education	VFM/Targeted Savings Identification	Direct Payments - Full Study to include systems, processes and targeted testing. Joint with fraud team	✓							
Adult, Children and Education	Fraud - Prevention	Schools Fraud Health Check	✓							
Corporate	Fraud - Proactive Detection Exercises	Continuous Matching/Data Warehouse	✓							
Growth and Regeneration	Fraud - Proactive Detection Exercises	Blue Badge Enforcement exercise - Joint Exercise with Blue Badge Team	✓							
Communities	Fraud - Proactive Detection Exercises	Housing Partnership - working with RSLs on Tenancy Fraud	✓							

## B. Certifications

Directorate	Gov, Risk or Internal Control Area		Initial Planning	TOR (Where App.)	In Prog/Ongoing	Complete	Value of Grant Claim
Communities	Financial Controls	NTS Funding and Grant (Scambuster)				✓	£ 300,000
Communities	Financial Controls	NTS Funding and sub Grant (Scambuster)				✓	£ 81,000
Growth and Regeneration	Financial Controls	IF 13 Development of Hengrove				✓	£ 400,000
Growth and Regeneration	Financial Controls	GBVS - GIGABIT				✓	£ 20,574
Communities	Financial Controls	Disabled Facilities Grant				✓	£ 261,339
Growth and Regeneration	Financial Controls	Bristol Temple Quarter Enterprise Zone (TQEZ) RIF 008				✓	£ 7,185,793
Growth and Regeneration	Financial Controls	WECA Highways and Capital Grant				✓	£ 7,632,000
Growth and Regeneration	Financial Controls	Pothole Action Grant				✓	£ 218,435
Growth and Regeneration	Financial Controls	Cattle Market Grant				✓	£ 502,225
ACE	Financial Controls	Futurer Bright Programme				✓	£ 27,711
Growth and Regeneration	Financial Controls	A4-A4174 Challenge Fund				✓	£ 152,945
Growth and Regeneration	Financial Controls	WECA Community Transport				✓	£ 886,000
Communities	Financial Controls	DFG				✓	£ 2,651,566
Growth and Regeneration	Financial Controls	Challenge Fund Grant - Flood resilience Project				✓	£ 53,034
Growth and Regeneration	Financial Controls	Bus Service Operators Grant (BSOG)				✓	£ 448,348
Growth and Regeneration	Financial Controls	Feas B Southern Orbital Grant				✓	£ 154,754
Growth and Regeneration	Financial Controls	URBACT III				✓	19,304 Euros
Growth and Regeneration	Financial Controls	Local Sustainable Transport Package Grant			✓		£ 970,627
Communities	Financial Controls	Carbon Reduction Commitment (CRC)			✓		£ 258,920
Growth and Regeneration	Financial Controls	(LEP) (LGF) Local Sustainable Transport Package 2017/18			✓		
<b>Total Grants Certified</b>							<b>£ 22,205,270</b>

## C. Recommendations Follow Up Work Completed:

Directorate	Gov, Risk or Internal Control Area	Name of Review	No. of Recs.	Status	Implemented:		Partially Implemented		Not Implemented		Superceeded	Total
					H	M	H	M	H	M		
Resources	Financial Controls	Accounts Receivable (follow up and review)	14	Complete	1	3	2	7		1		14
Adults & Children Education	Financial Controls	Budgetary Control - People	8	Complete	1	4	1	1			1	8
Communities	Financial Controls	Security Services Cash -in- Transit	6	Complete		3		3				6
Growth and Regeneration	HR and Asset Management	Sale and Disposal of Council Assets, including St Agnes Lodge and POB	13	Complete		8		5				13
Adults & Children Education	Financial Controls	Foster care Payments (follow-up)	3	Complete				2	1			3
Corporate	Commissioning and Procurement	Contract Waivers (Follow Up and Review)	6	Complete		4		2				6
Resources	Information Governance and ICT	Mobile devices	16	Complete	1	1		1	6	1	6	16
Resources	HR and Asset Management	HR Process Review	4	Complete		4						4
Care and Safeguarding	Risk Management	Provider Failure*	1	Complete		1						1
	Fraud Prevention	Purchase Cards *	11	Complete		5		4			2	11
	Information Governance and ICT	Customer Relations System (Complaints)*	3	Complete	1			2				3
Corporate	Risk Management	Business Continuity - follow up	6	Complete		1	1	3		1		6
Care and Safeguarding	Schools	Primary School	6	Complete	1		3		1	1		6

<b>Total Recommendations followed up or in progress</b>	<b>97</b>		5	34	7	30	8	4	9	<b>97</b>
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\* Summary provided at Appendix A to this report

**D. Adhoc Work Requests/ Consultany & Advice**

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning	Stage of Review				Summary of Findings/Advice Provided: Key Matters:
				TOR	In Prog/ Ongoing	Draft Report	Complete	
Resources	Information Governance and ICT	Changes to payment terms					✓	Issues around unauthorised changes to contract terms
Resources	Information Governance and ICT	Information Security Policy Review				Advice	✓	Review of Information Security Policy Statement, associated policies and IT Security Guide
Resources	Financial Controls	Cheque Control					✓	Disposal of Cheques.
Resources	Financial Controls	Purchase Cards					✓	Advice on use of purchase cards for various matters arising

## APPENDIX 1 - SUMMARIES OF COMPLETED AUDITS

### A. CORPORATE

#### A1 Grants Receivable Application Process

Bristol City Council receives a number of grants from both the EU and Central government. The grants received can be short term or spread over a number of years. The total grants receivable for 2018/19 are £475m. The Council has a grants protocol which is required to be followed for all applications for grant funding.

The objective of the audit review was to review whether there was sufficient due diligence and consideration of “business as usual” financial arrangements when agreeing to the acceptance of grant funding. Specifically, the audit reviewed:

- Governance over grant approvals.
- The management of the risks associated with grants.
- The robustness of the Grant Application process.
- Resources and Capacity, including project management.

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:

- A grant register is maintained which details all of the grants the Council has applied for.
- A Grant Protocol that details the grants received process is available to officers via the internal website the ‘Source’.

The audit also identified **areas for improvement**, for which six key recommendations were made, which included:

- The Grant Protocol is in need of review as it dates from 2016.
- The grant process is lengthy which can impact on the Council’s ability to take up funding opportunities on short notice; therefore the process should be streamlined.
- A shortened application process should be considered when a rapid response is required and/or the value of the grant is minimal.
- The risks associated with grants received should be formally considered, mitigated and recorded in the appropriate risk register.
- Guidance to ensure that grant opportunities are identified and applied for should be issued to relevant officers, taking account of the impact of the grant process on the provision of core services.

All recommendations were agreed with appropriate implementation timescales.

## ADULTS, CHILDREN AND EDUCATION

### B1 Care Services – Accuracy of Care Billing

Previous Internal Audit work within accounts receivable highlighted that the Council had significant outstanding debt relating to care and also that billing clients for care was not compliant with the Care Act. Additionally, it was noted that the information on invoices issued was difficult for clients to understand.

The objectives of this review were to undertake:

- Detailed testing on invoice accuracy
- A follow-up of the recommendations relating to care billing made following the accounts receivable audit reviews.

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:

- A temporary team had been established to specifically target care collection debts.
- Recovery procedures had altered to ensure service users were treated “as individuals” and, where appropriate, there was liaison with social care staff.
- Work was in progress to improve invoices issued for care and make them more user-friendly.
- From the detailed sample examined, only one error was found regarding the accuracy of bills issued.

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

- Delays in the issue of invoices due to delays in authorisation of care plans.
- Recovery of historic debt.
- Monitoring receipt of financial assessment forms for residential care home users.

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.

## B2 School Places Planning and Allocation Process

The statutory basis for school admissions is set out in the School Admissions Code (the Code), issued under Section 84 of the School Standards and Framework Act (SSFA) 1998. This Code imposes mandatory requirements and includes guidelines setting out the aims and objectives and other matters in relation to the discharge of the functions relating to admissions. The Council's school admissions are administered through Trading with Schools (TwS).

The objective of this audit review was to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control in the area of School Places Planning and Allocation. Specifically the audit reviewed:

- The long, medium and short term forecasts of the demand for school places.
- The establishment and publication of policies for school admissions.
- That places are allocated in line with policy and regulation.
- The effectiveness of strategies and policies.

Based on the completion of fieldwork, a **Limited Assurance** Audit Opinion was assigned, however the opinion was predominantly based on the inadequacies of the IT system in place to deal with school admissions, as opposed to the work of the Admissions team which was found to be well controlled. The key **areas of compliance/good practice** identified during the review are summarised as follows:

- The deadlines for 2018/19 admissions were met, despite the difficulties experienced with the IT System.
- The Council's admission policy is in line with statutory requirements.
- The Council's appeals system was found to be independent.
- There is a robust system in place to predict short and medium term school placement requirements.
- A capital programme is in place to ensure that there will be enough Secondary places to meet predicted demand in 2023/24.

The audit also identified **areas for improvement**, for which 3 recommendations were made, which included:

- The need to make certain that the issues experienced with the IT admissions system are escalated as a matter of urgency in order to ensure that the 2019/20 admissions process can be delivered on time.
- The School Organisation Strategy (2018-2014) which was found to still be in draft, should be finalised, approved by Cabinet and duly published on the Council's website.
- Reporting of both surplus and oversubscription in terms of school places should be produced and considered against available places, in order to achieve clarity on the school places across the city.

All recommendations were agreed for implementation within appropriate timescales.

### **B3 Adult Care - Provider Failure Follow Up**

An audit review of Adult Care - Provider Failure was completed in April 2018 which concluded reasonable assurance. One medium priority recommendation was made at that time and the objective of this review was to determine if this recommendation had been implemented.

The recommendation concerned the establishment and publication of a Provider Failure Policy and procedure as part of the overall quality assurance framework. The follow up audit confirmed:

#### **Recommendations Implemented:**

- ✓ A Provider Failure Policy has been established and forms part of the Quality Assurance Framework (QAF), which was approved through the Adults, Children and Education Directorate Executive Director's Meeting (EDM) on 29<sup>th</sup> August 2018.
- ✓ The QAF has been shared internally with staff and externally with providers.

## B4 Strengthening Families Programme

Children's services are facing increased regulation and demand at a time when resource available for provision of services is reducing. In addition, there is a national shortage of Social Workers. Within Bristol, actions have been implemented to try to tackle overspending, however, it is considered that this will not address the problems long term.

The Strengthening Families Transformation Programme therefore seeks whole system transformation to tackle this over a 5 year period. The aim of the programme is to both make cost savings whilst improving outcomes, commissioning and delivering quality services.

An embedded assurance approach is being taken by Internal Audit which involves reviewing key aspects of the programme governance depending on which stage the project is at.

An early review of the project in its start-up/initiation phase has been completed with the objective of providing assurance over the following areas:

- Governance (Strategy and Decision Making).
- Benefits realisation.
- Project Resources.
- Cost Management.
- Communication.

Following completion of the field work, the audit concluded **acceptable controls** are in place with reasonable assurance provided over each area above with the exception of Benefits Realisation arrangements where limited assurance can be provided at this time.

Key areas of good practice identified included:

Governance:

- Governance structures are in place to monitor delivery.
- The Programme is aligned with and will contribute to, the achievement of the Council's strategic objectives.
- Each of the main projects within the Programme has been allocated a Strategic Lead and Delivery Lead.
- The Programme Manager produces reports on progress.

Benefits Realisation:

- Critical success factors of the Programme have been identified.
- There is a high level plan indicating what will be done, by whom and when.

Project Resources:

- An experienced Project Manager has been seconded to the Programme.

Communication:

- Stakeholders have been identified and the benefits communicated
- A detailed engagement log is being maintained.

**Areas for improvement** were also identified, which the Project Manager was aware of and work is developing to address these:

- Monitoring of the impact of the project deliverables on financial savings
- Performance indicators. Whilst 8 performance indicators have been identified for tracking to monitor delivery of the project outcomes, the methodology for only four of these has currently been developed.

A further review at the project delivery stage is planned for quarter 4.

## **C. COMMUNITIES**

### **C1 Implementation of Housing System**

The 'Improving Tenants Experience' (ITE) project to implement a new housing system, commenced in 2015. The intention was for the new system to be in use from October 2016; to improve services to Council tenants and also to rationalise and improve internal reporting. The project has been significantly delayed and the system only went live at on 31 October 2018.

Internal Audit has provided assurance over the project since it commenced and formally reported in June 2016 and March 2017. The latter report did not provide an assurance opinion due to the significant delays in the system implementation.

Following discussions with the, (former) Interim Director for Homes and Landlord Services, from March 2018, Internal Audit has attended meetings of the Housing Services Project Board to provide insight and assurance.

In July 2018, a project risk workshop took place, facilitated by the Interim Head of Risk and Insurance. The output from this was a project risk register which had a significant number of 'red' risks, defined as 'must be addressed'. In the run up to the, then, 'go live' date of 18 September 2018, Internal Audit monitored management's mitigation of the 'red' risks.

In August 2018, Internal Audit raised a concern with the, (former) Interim Director for Homes and Landlord Services, that significant risks remained and that the matter should be escalated to the Acting Executive Director of Communities and CLB. Subsequently, the 'go live' date was put back to 31 October 2018, the project was discussed at CLB and the project risk was escalated to the corporate risk register.

At the time of this report, the implementation of the ITE system is continuing and Internal Audit continue to attend the Housing Services Project Board, to provide insight and assurance.

**C2 Detail is contained in an Exempt Appendix.**

### **C3 Complaints Management System – Follow Up**

The objective of the follow up review was to establish the level of implementation in respect of the three recommendations made as a result of the original audit in December 2016. This is the second follow up that has been completed in this area.

This further follow up review concluded that one of the recommendations had been fully implemented, with a further two where implementation remained in progress.

#### **The key findings from the review were:**

- A new Customer Relations IT system has been approved by Cabinet and tendering is in progress.
- Not all services are formally closing complaints on the current customer relations system 'Salesforce'.
- The 2016/17 Annual Report of Statutory Complaints relating to Social Care has been published, although the 2017/18 Annual Report is overdue.
- The reasons for low level of compliance on social care complaints have not yet been investigated.

#### **Recommendations Implemented:**

- ✓ A new IT system has been approved by Cabinet and tendering is in progress.

#### **Recommendations Partially Implemented:**

- Services should be further reminded, through Executive Directors, that when Complaints are closed, a formal response should be recorded on the Customer Relations System.
- The 2017/18 Annual Report of Statutory Complaints relating to social care should be finalised and published.
- The reasons for low level of compliance on social care complaints should be investigated.

Timescales for all outstanding recommendations were agreed, with a further follow up on implementation scheduled

## **D RESOURCES**

### **D1 AP Forensics**

AP Forensics is a Fraud Testing Program designed to aid detection of fraud and error in the Accounts Payable system. The Program runs across BCC accounts payable data to identify unusual activity which could suggest fraud or error. Internal Audit is developing a continuous audit approach to reviewing the output from the program to test the validity of transactions on the accounts payable system.

Fraud testing was completed for a sample of invoices from a number of reports covering:

- Vendors featured in more than one fraud test
- Use of credit notes
- Payment values and transaction spikes
- Weekend transaction
- Invoice numbers
- Early payments

Testing concluded that there was no evidence of fraud or error in the sample reviewed.

One medium priority recommendation was made concerning regular payment into an imprest account held by the Council's insurers, the basis for which was not formalised in any contractual agreement. Additionally, the procedure for monitoring its use was not documented or known by more than one member of the Insurance Team. It is understood that since the audit, an agreement has now been drawn up and signed. The team are currently undergoing a review of its processes and procedures.

Two areas were identified where improvements to the AP Forensics programme could be made. Internal Audit is researching these to inform future audit testing using this programme. Internal Audit intends to complete targeted fraud testing using this programme on a quarterly basis going forward.

## **D2 Purchase Card Follow Up**

An audit review of Purchase Cards was completed in July 2017 which concluded only limited assurance could be provided regarding the controls in this area. Eleven high or medium priority recommendations were made at that time and the objective of this review was to determine if the recommendations have now been implemented.

Of the eleven recommendations, the follow up review concluded that 5 were fully implemented, 4 were partially implemented and 2 had been superseded. 3 of the partially implemented recommendations will be addressed by the approval of the Purchase Card Policy by Corporate Leadership Board on 20<sup>th</sup> November 2018.

### **Key findings from the review were:**

- A Purchase Card Policy has been drafted and is awaiting approval prior to publication and roll out.
- Substantial progress has, in particular, been made in reducing the number of Payment Cards in circulation thereby reducing the likelihood of inappropriate Purchase card use.

### **Recommendations Fully Implemented:**

- ✓ Responsibility for the purchase card system has been determined.
- ✓ The ongoing need for different card types has been reviewed and travel cards are being phased out as they expire.
- ✓ Instructions have been issued to ensure card return where employment ceases.
- ✓ Budget holder review/ timely upload to ABW.
- ✓ Improvements to the card-holder register have been made.

### **Recommendations Partially Implemented:**

- A policy and guidance document has been produced which sets out cardholder's and budget manager's responsibilities, this will be going to Corporate Leadership Board on 20<sup>th</sup> November 2018.
- The policy and guidance is a reminder to budget managers of their responsibility to allocate purchase card spend to account codes, however measures for ensuring compliance have not been introduced.
- The policy and guidance includes the requirement to retain receipts for purchases.
- A review of the most efficient way to order goods and services is being undertaken and is on-going.

### D3 Privileged Access Management

Privileged IT accounts give a far greater amount of access to classified information and system configuration functionality. The purpose of this review was to ensure that the approach for controlling high level access to the key systems the Council relies on to deliver its services is appropriately restricted. Specifically the audit reviewed the processes in place for:

- Identifying privileged accounts.
- Adding/ removing/ reviewing privileged access or change management access to privileged accounts.
- Monitoring all changes executed by privileged users.

Based on the completion of the fieldwork, a **Limited Assurance** Audit opinion was assigned. Key areas of **good practice** identified included:

- High level access to data and systems is restricted.
- Future investment is planned in systems to align identity management and single sign on with starter/ mover/ leaver HR processes.
- The Future State Assessment (FSA) programme includes provision to allow central monitoring over privileged accounts.

The audit identified **areas for improvement**, for which 11 recommendations were made, these included:

- Inconsistent approaches were in use to address control over privileged accounts. Documented procedures are required for adding, removing and reviewing such accounts.
- The need to develop central control processes for improved management and monitoring of privileged accounts. The FSA programme will address this issue.
- Use of generic accounts by third parties and no audit trail of actions carried out by them.
- Running monitoring reports on a regular basis to confirm that access is appropriate
- For general IT administration, changes to privileged accounts are not logged. Again, the FSA programme will address this area.

Recommendations have been agreed with management, together with implementation dates, to address the issues identified. These will be followed up in 2019/ 20.

**Internal Audit Plan  
2018/19**

Key		Proposed Deletions
		Proposed for amendment of scope
		Additions to original Plan

**Appendix (2)**

**Assurance Area**

Corporate or Cross Directorate Reviews	Resources Specific	Care & Safeguarding Specific	Growth & Regeneration Specific	Communities Specific
<b>Governance</b>				
Annual Governance Statement and Review Process		School Support/management inc TWS	G & R Board	Homelessness - Policy effectiveness
New Directorate and Departments - Governance and Financial Control			New Commercial Investments - Embedded Assurance approach	Partnership Working - Tracking of Outcomes
Companies Governance - Oversight				
Senior Officer Decision Recording				
Strategic Business Planning				
Service Planning and Performance Management (focusing on outcomes)				
Schemes of Delegation				
Decision Making Process - follow up				
Supporting Governance Improvement				
Business Case Robustness (Follow UP)				
Whistleblowing Review (Annual)				
Ethics and Culture b/f				
<b>Risk Management</b>				
Audit of Risk Management		CRR 16 - Children's and Safeguarding - assurance mapping	CRR 19 - Commercial Investment and Capital Programme	CRR 10 - Harbour and Harbour Estate
CRR - 15 - Business Continuity Planning and Management (New Process)		School Places Planning and allocation processes.	Flood Risk (CRR) - Mitigations Testing	Asbestos Management
CRR 13 - Leadership and Management		Adult Social Care - Care Homes		Taxi Licensing
CRR 12 - Loss of resource/skills				Universal Credit Implementation Arrangements
CRR 7 - Safety of Citizens				
<b>Internal Control</b>				
<b>Financial Controls</b>				
Corporate Debt Model - Use and effectiveness	Development contributions (s 106 plus)	Direct Payments - Prepayment Cards	Security Services - Use of Imprest (Colston Hall)	Rent Arrears
Grant Application Process (from 2017/18)	Apprentice Levy Account	Schools Programme- Financial Governance	Car Parking Income	HRA - Oversight and Budgetary Control
<b>Changes to Payment Terms</b>	Financial Systems Interfaces	<b>Budgetary Control</b>		Public Health - Sexual Health Spend or Children's health spend
	Housing benefit Overpayment (incl review of debtors suspense account)	Governance Over Directorate Savings realisation		Housing Voids - Follow Up
	Grants and Certifications	Grants and Certifications	Grants and Certifications	Grants and Certifications
	Accounts Payable (follow up and review)	Care Act - Deferred Payments?		
	Accounts Receivable (follow up and review)	Better Care Fund		
	CHAPS (follow up)	Care Services - Accuracy of Billing		
	Council Tax Income Collection			
	Payroll System Controls - b/f			
<b>Commissioning and Procurement</b>				

Procurement and Contracting - Follow up work	Access rights to information - Partnerships/Contracts (GDPR)	Procurement Plans - Social Care		Housing Options - payments to voluntary groups
Review of Specific Contracts	Contract Monitoring - Continual Audit Testing	Contract Monitoring - Continual Audit Testing	Contract Monitoring - Continual Audit Testing	Contract Monitoring - Continual Audit Testing
Contract Waivers (Follow Up and Review)	Effectiveness of New Procurement Arrangements			
<b>Information Security/ICT</b>				
	IT Service Management	Data Sharing with Partners (GDPR)		New Housing System - IT Audit focus
IT and business resilience	Delivery of Future State Assessment incl Cloud Migration and Digital			
Citizen Account (b/f)	IT Governance and Dev Opps			
E Procurement system - security	IT Project Management Approach (design and security)			
Operations Centre - Resilience/Cloud	Cyber Security and PSN - Annual Review			
Operations Centre - Technical Delivery	Development Methodologies and Practices			
Information Security Policies Review	Privileged Access Management			
<b>HR and Asset Management</b>				
Individual Performance Management	IT Asset Control and usage (hard and software)		Investment Property (follow up and review)	Response Repairs (b/f)
Health & Safety of Staff (CRR)			Embedded Assurance - Asset Management System	Long Term Voids
<b>Projects and Programmes</b>				
Embedded Assurance GDPR	Project Management	Embedded assurance - Strengthening Families Transformation	Replicate (EU Grant funded Project)	New Housing System Implementation
Governance and Embedded assurance - Phase 2 Operations Centre Delivery	Embedded Assurance - HR Payroll Project	Transition from Care (Care leavers)	Project Management and Governance- Overview	
New Finance System Implementation - Embedded Assurance			Embedded Assurance - Major Project	
			Embedded assurance - Projects determined by G&R Board including projects with WECA	
<b>VFM/Targeted Savings Identification</b>				
Contingency Provision	Telecoms follow up	Direct Payments - Full Study to include systems, processes and targeted testing. Joint with fraud team		
<b>Counter-Fraud</b>				
<b>Strategic Fraud Risk Management</b>				
CIPFA Fraud Survey	Transparency Data Reporting - Fraud			
Analysis of CIPFA Benchmarking				
Fraud Risk Registers - Engagement with risk owners				
<b>Fraud Prevention Work</b>				
Bribery and Corruption Review - Fraud Controls Framework Review	Money Laundering Risk Assessment	Fraud Awareness Training - Social Workers		Waiting Lists Review
E learning roll-out	Fraud Awareness Training - Benefits	Education Team Requests		
Fraud Web page updates	Purchase card review - follow up	Fraud Awareness Training - Schools		
<b>Proactive Fraud Detection Exercises</b>				
Continuous Matching/Data Warehouse	NNDR b/f	Direct Payment - Analytical Review & Testing	Blue Badge Enforcement exercise - Joint Exercise with Blue Badge Team	Empty Property Relief

National Fraud Initiative (NFI) Download	Procurement - Analytical Review	Care Home Payments (pending NFI)		Key Amnesty (under consultation)
NFI Output	AP Forensics - Accounts Payable fraud testing			Housing Partnership - working with RSLs on Tenancy Fraud
				Tenancy Fraud Case work
				Gain work
<b>Fraud Investigation</b>				
Contingency - Responsive investigation work	Benefit Fraud casework		Blue Badge - on going investigations and publicity	
Fraud hotline management	CTR Casework			