



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

April 2018 to February 2019



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 2018 to 28th February 2019, building on the information which was provided to the Committee at its meeting in November 2018, and thereby allowing the Committee to track the progress of Internal Audit work through the year.
- 1.4 Additionally, the report provides updates in the following areas:
 - Status of the Control Framework within the Council
 - Summaries of completed audit reviews
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
 - Grant certification
 - Recommendation Implementation status, supported by further details of outstanding recommendations at Section 6 of this report
 - Fraud Prevention, Detection and Investigation Activity to date
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1st April 2018 to 28th February 2019, is provided at Section 5 of this report.

2. Key Messages

- 46% of reviews resulting in a 'Reasonable Assurance' Audit Opinion. This is compared to 63% of reviews that had concluded this level of assurance last year;
- Recommendation implementation rate currently at 90% implemented or partially implemented, compared to 88% in 2017/18;
- 24 grants with a total value of circa. £24m certified to date;
- Pro-active fraud/irregularity activity has identified approximately £778k of recoverable savings to date;
- Tenancy Property recoveries stand at 29 properties which can be reallocated to those in need.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The status of the planned work either completed or in progress, for the period 1st April 2018 to the 28th February 2019, is provided in Section 5 below.

Work on the revised 2018/19 Internal Audit plan is progressing at a pace now, due to the additional resources secured either through permanent recruitment or temporary agency appointment. As at 28th February 2019, 88 % of the agreed revised Audit plan was either complete, or in progress, with a further 10% at the early planning stages, whereby a Terms of Reference is either being drafted or has been agreed. As a result, we are now well placed to have undertaken sufficient audit reviews in order to provide an evidenced Annual Audit Opinion.

The Internal Audit target percentage for plan completion to draft report stage at this point of the year is 67%, and while the actual number of reviews at this time stands at 62%, there are a number of reviews that are rapidly reaching a conclusion, putting us in a good position to achieve our planned coverage.

While the reassessment of the assurance plan resulted in a reduction in the number of planned reviews, the released resources have been effectively utilised, in that work has commenced on a Schools Audit Programme. The programme will look specifically at the level of understanding that exists within the school, including board of Governors, for the following key areas:

- Finance
- Fraud
- Governance

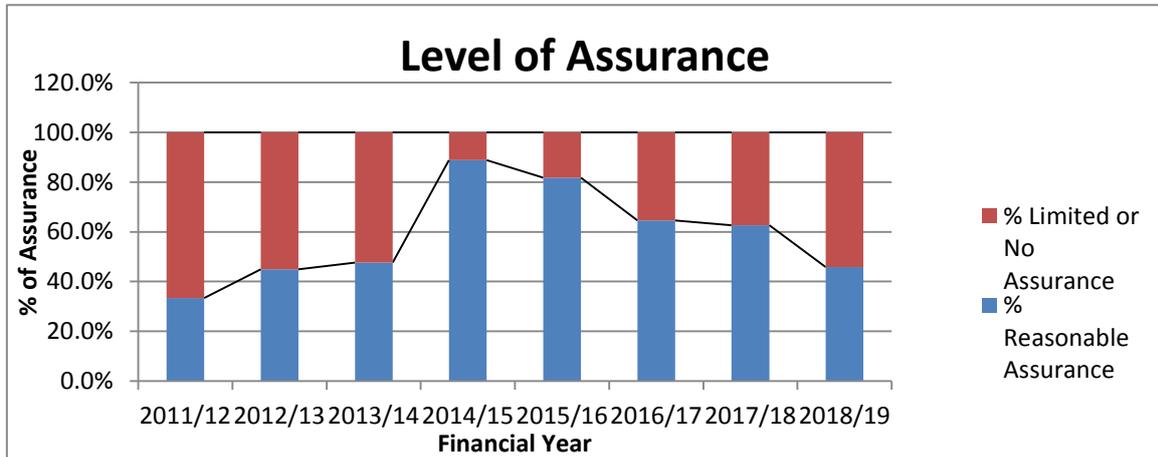
The programme methodology includes:

- The distribution of a questionnaire to 77 maintained schools (return rate to date is 65%)
- Response categorisation
- Targeted School visits

This approach will provide a level of assurance with regard to the themes above, covering a much wider population than previous school audit reviews that generally numbered 10 -15 each year. The output from this exercise will be reported to the Committee in the Internal Audit Annual Report.

3.2 Status of Control Framework within the Council:

At this point in the financial year, only 46% 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 54% of the audit reviews concluded that either limited or no assurance could be gleaned from the controls in place. This highlights a further decline 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 revised Internal Audit risk based plan, as agreed with the Committee at its November 2018 meeting. There remain, however, a number of audit reviews that are in progress, the outcomes of which may increase the level of assurance the Council can place on the control framework. 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. (Please see section 3.4 below for further details).

3.3 Proactive Fraud/Irregularity Prevention, Detection and Investigation Activity:

Work on the fraud/Irregularity annual plan has progressed at a pace with 91% of the plan at various stages of completion. Full details of the ongoing work are provided in Section 5 to this report, with a summary of the savings identified to date provided in Table 1 below. However, the Committee's attention is drawn to the following initiatives which are currently ongoing:

- **Blue Badge Enforcement Exercise jointly with the Blue Badge team** – this exercise looks to not only to identify where Blue Badges are being used unlawfully, but also demonstrate the Council's commitment to ensuring Disabled Parking Bays are available for those in need of them. Internal Audit will continue its work with the Blue Badge Team;
- **Key Amnesty** – The Team are currently planning a Key Amnesty whereby tenants' who are no longer have need or are entitled to Social Housing can hand their keys in without further investigation. This includes tenants who are no longer living in their property and may be sub-letting. This approach saves investigation and legal costs, swiftly returning the property to stock to be allocated to a family in greater need. Two Registered Housing Providers have also signed up to the initiative;
- **Tenancy Fraud** – Our work on tenancy fraud continues with the recovery of **29** properties as a direct result of the Team's work and a further **12** properties recovered by the Housing team, therefore a total of **41** properties have been returned to housing stock for reallocation;
- **Fraud Awareness E-Learning Roll-Out** – An updated e-learning module has been rolled out to all Council Employees and Members. The module provides guidance on the identification of fraud/irregularity and what to do if you suspect that a fraud is being perpetrated. Members are strongly recommended to complete the training if they have not already done so;
- **Data Hub** - The team are beginning to explore the development of a data hub using existing software. The data hub will match data sets across the authority to identify anomalies, fraud and error;
- **NNDR – Small Business Rates Relief** – An exercise has been carried out to match business rates data across authorities to identify businesses claiming Small Business Rates relief, for branches across more than one Local Authority, who therefore should not be entitled. This has generated savings for the authority as detailed in the table below;
- **NFI HMRC Pilot Exercise** – BCC are taking part in a pilot exercise matching BCC tenants' data to HMRC property ownership data to identify fraud and error in respect of housing applications and benefit claims. No results have been identified yet, but several cases have been identified as requiring further investigation;

Source:	Recoverable	Weekly Cost Avoidance	Notional	Other
National Fraud Initiative	£39,759	£2,280		
NNDR – Small Business Rate Relief	£50,583			
Tenancy Fraud Cases	£11,899	£659	£2,697,000	29 Properties Recovered. 1 Application cancelled, 12 Regains by Estates.
Benefit Fraud Casework	£569,183	£1,575		
Administrative Penalty (Adpens)	£5,998			6 Adpens issued
Council Tax Reduction Casework	£100,383	£1,260		
Totals:	£777,805	£5,774	£2,697,000	

Table 1 - Summary of Savings Identified in Period 1st April 2018 to 28th February 2019

3.4 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, which includes a percentage implementation rate which is regularly reported to the Committee. For the 25 concluded audits followed up in the year to date, there was an 90% implemented or partially implemented rate compared to 84% at the half year point and 88% for 2017/18. This represents a positive direction of travel.

A number of follow up audits are currently in progress, the results of which will have an impact on the level of implementation. Additionally, it should be noted that of the 90% implementation rate 58% have been fully implemented, with the remainder in progress.

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. Additionally, full details of recommendations that remain outstanding after a follow up review has taken place, is provided to the Committee at Section 6 of this report.

Table 2 - Summary of Implementation of Internal Audit Recommendations:

No.	Follow-up Audit	Date of Org. Report	Total Recs	Implemented	Partially Implemented	Superseded	Not Implemented
1	Accounts Receivable	19/09/17	14	4 (29%)	9(64%)		1(7%)
2	Budgetary Control - People	31/03/17	8	6(86%)	1(14%)	1	
3	Security Services Cash in Transit	30/06/17	6	3(50%)	3(50%)		
4	Sale and Disposal of Council Assets	28/03/17	13	8(62%)	5(38%)		
5	Contract Waivers	22/01/18	6	4(67%)	2(33%)		
6	Mobile Devices	05/11/15	16	2(20%)	1(10%)	6	7(70%)
7	HR Process Review	12/04/17	4	4(100%)			
8	Foster Care Payments	20/09/17	3		2 (67%)		1(33%)
9	Corporate and IT Business Continuity	23/03/16	6	2(33%)	3(50%)		1(17%)
10	Provider Failure	19/04/18	1	1(100%)			
11	Primary School	05/04/17	6	1(17%)	3(50%)		2(33%)
12	Purchase cards	21/07/17	11	9(82%)		2 (18%)	
13	Customer Relations System	08/12/16	3	1 (33%)	2 (67%)		
14	Whistleblowing effectiveness	06/03/18	13	13 (100%)			

No.	Follow-up Audit	Date of Org. Report	Total Recs	Implemented	Partially Implemented	Superseded	Not Implemented
15	Cash Receipting System Contract	06/01/18	4	4 (100%)			
16	Safer Recruitment Children and Families Care and support	16/03/18	5	1 (25%)	3 (75%)		1
17	G&R Budgetary Control (further follow-up)	28/09/17	2	1(50%)	1 (50%)		
18	General Ledger Movement (Further follow-up)	31/05/17	4	1 (25%)	3 (75%)		
19	Housing Benefits (Further follow-up)	09/03/17	6	4(67%)	2 (33%)		
20	Schools Financial Governance Overarching Follow Up	04/07/18	6	3 (50%)	3 (50%)		
21	Bank Reconciliation/E Income Returns	30/01/18	6	3 (50%)	2 (33%)		1 (2%)
22	Schools Financial Governance- Individual Schools Follow up x 4	July 2018	15	12 (86%)	2 (14%)	1	
23	DOL Assessments (Further follow-up)- On hold awaiting change in legislation.	26/10/16	2		2 (100%)		
24	Decision Making Process	03/08/18	6	6 (100%)			
25	Accounts Payable	06/02/18	8	2 (25%)	4 (50%)		2 (25%)
	Total			95 (58%)	53 (32%)	10	16 (10%)

3.5 Grant Certification:

To date in 2018/19, Internal Audit has audited and certified 24 grant claims to the value of approximately £24m and 19,304 Euros.

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.

As per the principles in the Resources Directorate Service Offer, agreed with the s.151 Officer, Grant Certification is no longer part of the core services provided by Internal Audit to the Council, therefore a re-charge for the certification of grants by Internal Audit is now being applied. A flat rate is charged against the grant on the assumption that sufficient notice is given that the grant requires certification, and that the supporting paperwork is accessible and sufficient. Additional charges will be incurred for short notice certifications and those that require additional work due to poor supporting evidence. This approach may go some way to address the number of short-notice certifications we have been asked to undertake this year and in some cases, the less than satisfactory supporting evidence.

3.6 Resources:

The Internal Audit service has been reviewing its structure to secure continued skills and knowledge requirements going forwards. The new structure, as consulted with the Section 151 officer and the Cabinet Member for Finance, Governance and Risk, is being implemented and recruitment has commenced with the recent appointment of a permanent Housing Officer (Tenancy Fraud) to the structure.

Recruitment to fill vacancies unaffected by the Service review has resulted in the following permanent appointments one Auditor and one Group Auditor, and while this additional resource has been of benefit to the Team, there remains a need for temporary resources until the new structure is recruited to in full.

The Team will seek to continue the co sourcing arrangements with a neighbouring local authority in order to source specialist skills.

4. Under the Spotlight!



With each activity report, Internal Audit 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 1a & b, for the Committee's information and discussion:

Completed Audit Reports - Follow Up Audits (Appendix 1a):

- A. Corporate:
 - 1. Executive Decision Making
 - 2. Budgetary Control (Neighbourhoods)
 - 3. Budgetary Control (People)
- B. People:
 - 1. Safer Recruitment
- C. Resources:
 - 1. Housing Benefits (Further Follow up)
 - 2. General Ledger Movement / Journals
 - 3. Bank Reconciliation
 - 4. Accounts Payable

Completed Audit Reports – New Audits (Appendix 1b):

- D. Corporate:
 - 1. Budgetary Control
- E. People:
 - 1. Care Reviews for Residents in Care Homes
 - 2. Bristol Direct Payment Account
- F. Growth & Regeneration:
 - 1. Development Control (S106)
 - 2. Taxi Licencing
- G. Resources:
 - 1. Council Tax Income Collection
 - 2. Use of Imprest
 - 3. HR Payroll Project – Procurement Review
 - 4. Fleet Investment Contract Award
 - 5. Future State Assessment