

## APPENDIX 1b - SUMMARIES OF COMPLETED AUDITS – NEW AUDITS

### D CORPORATE – NEW AUDITS

#### D1 Directorate Budgetary Control

The objectives of the review were to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding Directorate Budgetary Control. The majority of the review related to 2017/18 and 2018/19 arrangements.

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

- The 2017/18 outturn represented a balanced budget
- Budget review and re-forecasting was undertaken across all Directorates in accordance with a pre-agreed timetable
- Budget monitoring reports were reviewed at managerial levels and considered by EDM's (former DLT's), prior to presentation to Cabinet as the Corporate Budget Monitoring Report
- Cabinet provided with regular budgetary control reports in 2017/18 (although in 2018/19 first report in September 2018)
- Cabinet reporting of Council's budget performance was reported against both the formally approved budget and a revised budget, which was updated for each report
- Directorate performance was also managed against approved and revised budgets
- At the beginning of the year, Strategic and Service Directors formally acknowledged the approved budgets for their areas of responsibility.

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

- No evidence of the formal process to approve in year 'revisions' to the budget arising from reforecasts of income and expenditure
- Council's Scheme of Delegation in respect of virements being agreed by a budget holder not fully complied with
- Differences between the approved budget, 'in year revisions' and outturn requiring more explicit reporting
- The use of the term "technical adjustment" in Cabinet Budget reports requires clearer definition
- Revisions to budgets were agreed corporately though not formally signed off by Directors
- A clearer definition is needed of the policies and protocols that underpin the 'financial framework'
- Formal minuting of the consideration of financial recovery plans at DLT' (now EDM's).

All recommendations were agreed for implementation.

## **E ADULTS, CHILDREN AND EDUCATION / PEOPLE – NEW AUDITS**

### **E1 Care Reviews of Residents in Care Homes**

Guidance supporting the Care Act 2014 suggests that care reviews for service users placed in care homes should be undertaken annually, which is reflected in Council policy.

The objective of this review was to provide an independent opinion on the adequacy and effectiveness of the Council's governance and risk management arrangements regarding frequency of review of the care needs of service users in care homes. The risks of not reviewing the care needs of service users are:

- The care the Council is paying for is insufficient leading to the risk of injury to a vulnerable adult
- The care that the Council is paying for is too high leading to increased costs.

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 incidence of reviews being undertaken had increased since a previous Internal Audit review in 2016/17
- It was noted that if the needs of an individual placed in a care home have increased, then it is likely that this would be reported to the Council by the care home, where priority is assigned.

The audit also identified the following **areas for improvement**, for which 2 recommendations were made:

- 36% of a sample of service users had not had a review within the previous 18 months (although it should be noted that some service users had a Deprivation of Liberty Safeguards assessment undertaken)
- The need to evidence the confirmation checks at care homes via the contracts and quality team.

Both recommendations were agreed for implementation and the management response highlighted that there has been a significant improvement in reviews completed. Furthermore, management stated that resources were being targeted and prioritised when they had been overdue for a significant period.

## E2 Bristol Direct Payment Account

Individuals receiving Direct Payments are able to choose to use a Bristol Direct Payment Account (BDPA). The BDPA operates like a bank current account and can be used to pay for services in a service user's agreed support plan. The account has a debit card, which can be utilised to make payments via chip and pin, standing order or direct debit or bank transfer. The Client and Carer Financial Services Team pay the Direct Payment into these accounts, which are to be used only for service user's Direct Payments.

The risks associated with the BDPA are:

- Service users unable to manage accounts
- Use of funds is not monitored
- Fraud / accounts used by a third party.

The objective of this review was to provide an independent opinion on the adequacy and effectiveness of the Council's governance and risk management arrangements regarding the BDPA, with specific emphasis upon:

- Account set-up
- Account monitoring (including payments made, account balances and service user contributions) and subsequent actions
- Council oversight of use of the accounts by third parties.

Based on the completion of the fieldwork, a **Limited Assurance** Audit Opinion was assigned. The audit identified the following **areas for improvement**, for which 8 recommendations were made, including:

- The majority of the BDPAs are managed as "on behalf of (obo) " accounts by organisations for whom the Council pays for the service. Council Procurement rules were not followed when entering into agreements with the organisations
- Additionally, there was insufficient clarity as to what services are being provided as part of the "obo" service, how service user contributions are checked and what additional support to service users and checks are required to ensure the smooth running of these accounts
- Under the Council Direct Payment Policy, a contingency of up to eight weeks is allowed for leave, sickness and enhancements, but audit testing highlighted that this period was exceeded in the majority of cases
- Resource factors have meant that regular reviews of the accounts have not been undertaken, although work has been undertaken to clawback balances of funds which exceed the allowed eight week contingency. It was recommended that regular reviews, at least annually, should be undertaken with targeting of higher value direct payments
- The Direct Payment Policy requires update to reflect it is in line with the Care Act in respect of cash withdrawals from the BDPA
- The Care Act places an onus on the Council to ensure that checks are carried out on payments to the HMRC for personal assistants employed by service users. There was no evidence that the checks are being consistently undertaken.

All recommendations were agreed for implementation.

## F GROWTH AND REGENERATION – NEW AUDITS

### F1 Development Control (Section 106 Funding)

Under Section 106 of the Town and Country Planning Act 1990, the Council is able to partly offset the cost of providing and maintaining its infrastructure by negotiating contributions from developers. The agreed obligations of developers are then set out in Section 106 Agreements which are legally binding documents, the terms of which, both the developers and the council are obliged to adhere to.

The Planning Act 2008 made provisions for a new charge, the Community Infrastructure Levy (CIL), to be levied from developers. This means that rather than negotiating contributions on a site by site basis, which had previously been the case, a set tariff is now used to calculate charges based on the size of the development.

The aim of the review was to provide an independent opinion on how effectively the risks associated with Section 106/ CIL expenditure are being managed and to ensure that processes are in place and being operated that will provide assurance that:

- There is a valid reason for Section 106 funds which are more than 10 years old not having been used.
- Where the responsibility of funds has been transferred to allow a project to progress, the funds are appropriately allocated, and the expenditure is permissible by the terms of the S106 agreement and CIL Levy.

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 Holding Account, where Development Control (Section 106 Plus) funds are received and held, was well controlled
- The process for the drawdown of funds was found to be adequate.

The audit also identified the following areas for improvement, for which 7 recommendations were made, including:

- The need for clear supporting evidence of how funds, that have been drawn down, have been managed and spent
- The need for closer management of funds which are due to expire, in order to ensure maximum benefit is achieved from the funds available
- That funds when drawn down, should have a time limit in order to ensure the fund does not expire
- Stronger controls on funds where the responsible officer has changed, i.e. succession arrangements
- Funds which are not spent within a set timescale should be returned to the Holding Account
- The information on the Council's website regarding S106 monies needs to be updated.

All recommendations were agreed for implementation within appropriate timeframes. This review will be subject to follow-up early in the new financial year.

## F2 Taxi Licensing

Bristol City Council is responsible for the licensing and regulation of taxis and private hire that operate within its area. The management and issue of the licenses are carried out by two Committees, which are the Licensing Committee and the Public Safety and Protection Committee, and by a team of Council officers.

It is the Council's duty to ensure that only persons who are "fit and proper" are granted a taxi and/or private hire driver's license; this means the applicants must comply with at least the minimum standards that are detailed in the Council policy document for individuals seeking to become a taxi and/or private hire driver.

To ensure that taxis and/or private hire are safe, a series of controls operate within the Licensing Department to ensure that licenses are only issued to individuals and firms who have satisfied a series of knowledge and security checks and whose vehicles have been checked and confirmed to comply with various safety and suitability requirements.

The aim of the audit was to provide an independent opinion on how effectively the risks associated with issuing licenses are being managed and to ensure that the processes that are in place and their adherence are being operated to a sufficiently high standard that will review the following associated risks:

- Safeguarding and Health and Safety risks are minimised
- Staffing levels are appropriate and training is comprehensive so as to provide assurance that licenses are only issued where the firm, driver and vehicle have been appropriately vetted
- Compliance and enforcement procedures are efficient and effective to ensure that non-compliant practices are promptly stopped
- Income from Licensing is only used for the purposes intended.

In September 2018, a report entitled "Taxi and private hire vehicle licensing: recommendations for a safer and more robust system" (the T&PVH Report) was published on the Government website gov.uk. This was commissioned by the Department for Transport (DfT) in response to ministers' concern that the current regulatory regime for the taxi and private hire vehicle sector is no longer fit for purpose. The T&PVH Report made 34 recommendations for central and local government and our Internal Audit work had regard to this. Internal Audit acknowledges that this was a very recent report, which the Council will need time to consider and have recommended that a full review of its activities against the recommendations in the T&PVH Report should be undertaken, in anticipation of possible legislative change.

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

- DBS documentation is reviewed in the processing of driver applications
- The electronic licensing system for applications had been updated to indicate that DBS forms had been reviewed
- Training of staff occurs (although no formal training plan)
- The management of complaints was effective
- Evidence of liaison with neighbouring local authorities and the LGA in relation to the licensing of taxis
- A Taxi Forum has been established to liaise with trade representatives

- In 2017/18, £506k income was collected in respect of taxi licenses. Legislation dictates that all this income is ring fenced to improve/ fund provision of the Licensing Service. It was confirmed that funds were being spent in accordance with this requirement.

The audit also identified the following **areas for improvement**, for which 9 recommendations were made, including:

- The frequency of enhanced DBS checks is not in line with the national T&PVH recommendation, increasing the risk of decisions being based on outdated conviction history
- Assurance could not be provided that the checks performed on DBS documents were accurate
- The Licensing Team should review with the DBS service relating to the retention of DBS checks
- There was no formal, recorded supervisory check by a second member of staff to confirm that the DBS details recorded were accurate
- The number of temporary renewal licenses increased significantly in 2018, these being a short term negation of the controls that are in place to protect the public (occur when application process has not been completed/ background checks are awaited)
- The stationery that is used in the production of taxi license plates and taxi driver badges was not being held securely
- Greater control is required in respect of the issuing of duplicate licenses (where originals are lost by the license holder).

All recommendations were agreed for implementation.

## **G RESOURCES - NEW AUDITS**

### **G1 Council Tax Income Collection**

Bristol City Council's Revenues Service is responsible for the administration of Council Tax on 200,000 domestic properties and of business rates on 16,000 commercial properties; collecting approximately £460m for the Council which is the major source of income to fund local services.

The key risks the Council faces in the collection of Council Tax and Business Rates are:

- Bills are issued late, or are incorrectly calculated
- Exemptions and discounts are not properly applied
- Council Tax payers are not able to make payments easily
- Arrears are not promptly identified and followed up effectively
- There is no effective oversight of collection arrangements, so that risks are not managed and issues are not quickly identified and addressed.

The aim of the audit review was to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding Council Tax Income Collection.

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

- In 2017/18, the Revenues Service collected 96.8% of domestic Council Tax; placing BCC as the second best performer of the ten Core Cities (which average 94.8%). In 2018/19, the Revenues Service is on course to achieve their end of year target of 96.8%
- Council Tax Bills were issued on time and there was an effective procedure to monitor payments
- The Service had correctly calculated exemptions and discounts, officers had recorded decisions made, and an effective review process, by Team Leaders, was in place
- The Service was found to be pro-active in identifying fraud/irregularity in Council Tax Reduction claims and payments
- An extensive range of payment channels are offer to Council Tax Payers, all of which are advertised on the Council's Website
- The council tax collected is reconciled and reported on a monthly basis.

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

- The need for an appropriate solution to mitigate the risk of the non-availability of the Council Tax system
- A Cost and Resource review needs to be completed with regards to the proposed changes to the enforcement provision
- The need for a comprehensive procedures document with regard to the treatment of council tax arrears
- The need to ensure that the paper Council Tax bill reflects the same methods of payment as listed on the Council's Website.

All recommendations were agreed for implementation.

## G2 Use of Imprest

Bristol City Council (BCC) Security Services provide cash collection and delivery facility for BCC establishments including schools and museums and other clients.

Recent legislation relating to money laundering, prevention of terrorism and tax evasion has increased BCC's responsibility to ensure large or unusual cash transactions are justifiable. Security Services should therefore ensure that reasonable care is taken to adhere to the relevant legislation when providing any aspect of their business; this extends to questioning the appropriateness of the value and frequency of Imprest top up requested.

The objective this audit assignment was to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding the administration of a large cash Imprest float. Specifically the audit reviewed:

- Whether the level of cash held was appropriate
- The authorisation of cash requests
- The authorisation of withdrawals from the Imprest float
- The level of awareness within Security Services employees, of the Council's responsibilities in relation to money laundering, prevention of terrorism and tax avoidance.

Based on the completion of the fieldwork, a **Limited Assurance** Audit opinion was assigned. The key findings from the review are summarised as follows:

- The value of cash held by the Security Services team was deemed to be reasonable
- Security Services employees were not aware of the Council's responsibilities under the money laundering, prevention of terrorism and tax avoidance rules
- Regular large cash payments had been requested by one client, this practice had been in place over a number of years
- While Security Services have written procedures which cover all of their activities, greater clarity is required with regard to the system for requesting and making cash advances and the weekly reconciliation of the Imprest
- A manual recording system is currently in use for managing the Imprest, and although the system functions adequately it does not allow for data analysis
- Service Level Agreements between Security Service and external clients had not been reviewed.

The audit identified **areas for improvement**, for which 13 recommendations were made, which included:

- The Council should ensure it is compliant with the Money Laundering Policy, the Criminal Finance Act 2017 and/or HMRC rules, therefore regular requests for large amounts of cash should be investigated with the client, and where appropriate the transactions should be cleared via the Council's Chief Finance Officer and the Monitoring Officer
- The establishment of a threshold for high value and/or multiple cash payment requests should be established in order to identify incidences which may require further investigation
- An alternative to the current manual Imprest recording system should be considered in order to support information integrity and allow for trend analysis
- Training should be provided to all employees who are involved in cash handling within Security Services. The training should include the Council's responsibilities in terms of the legislation with regard to the handling of cash payments
- Legislation changes should be cascaded to all relevant employees.

- The Service level Agreements (SLA) between Security Services and their clients should be reviewed annually and updated as appropriate. The updated SLAs should include the need for the Council and the client to adhere to the relevant legislation.
- The level of the Imprest float should continue to be monitored in order to ensure it remains appropriate.

All recommendations, including those detailed above, have been provided to management, and agreement has been obtained as well as appropriate implementation time scales.

### G3 HR Payroll Project Procurement Review

The Business Case for the project to deliver a new fully integrated HR and Payroll solution with integration to finance and other back office systems was approved with the following objectives:

- Revenue savings
- More timely and better quality Management Information
- Enhanced user experience.

The procurement process followed was the 'competitive procedure with negotiation', in accordance with The Public Contracts Regulations 2015 and Crown Commercial Service guidance. This was a new approach for the Council, but legal advice was given in respect of its appropriateness for this procurement process. The procurement timescales were acknowledged to be very tight, which was necessary to achieve an anticipated go live date of April 2019.

OJEU invitations were published via ProContract in January 2018 The contract was awarded under Schemes of delegation by the relevant Director in July 2018.

The aim of the audit was to provide an independent review of the following risks:

- The procurement does not provide the best outcome for the Council in terms of quality and price.
- The procurement is not conducted appropriately in accordance with legislative and Council requirements.

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

- The Procurement phase went through appropriate governance including sign off by Cabinet, CPG and DWG
- The assessment of bids and tenders was rigorous and followed a detailed methodology with clear guidance
- There was a high level of business involvement in the assessment of bids and tenders and negotiation with shortlisted companies, which created a high degree of business ownership
- The contract with the supplier set out when stage payments were to be made and what needed to be achieved to generate payment. The first stage payment was made in accordance with the contract.

Internal Audit found nothing to suggest that the contract should not have been awarded to the supplier and the new system, if implemented to plan and timescales, should significantly enhance processes throughout the Council. Some issues were, however, identified with the formality of some of the processes adopted, which may provide lessons learned for future projects with the following **areas for improvement**, for which 5 recommendations were made, including:

- The spreadsheet used to assess tenders was complex and there was no evidence of independent review of the assessment (no errors were identified in the audit review)
- Records of negotiation meetings and calls were not sufficient nor as per the Council Procurement Manual
- The Council's Procurement Manual provides guidance that a report should be prepared to the awarding Manager showing the relative strengths of each bid and the overall ranked

scores but no such report was prepared for or requested by the Director: Workforce and Change in support of the recommendation

- Negotiations were rigorous and it was considered by the Project Team that improvements to the service offer and value for money was obtained, however no cost benefit analysis of the negotiation stage was prepared.

All recommendations were noted and /or agreed for implementation within appropriate timeframes.

## **G4 Fleet Investment Contract Award**

A capital bid was made for £6.1m to replace 342 of the 456 fleet vehicles over a three year period with the business case put to Cabinet and approved in December 2017. A Framework Contract was awarded in March 2018 and several drawdowns from the framework have since taken place.

Council Procurement Regulations set out the rules that must be followed by the Council for the procurement of goods, services or works, and/or the award of any concession or licence. These Regulations have four purposes:

- To ensure that the Council complies with its legal obligations regarding the procurement of goods, services and works
- To ensure that the Council obtains Value for Money
- To prevent corruption or suspicion of such
- To ensure, to the extent legally permitted, the promotion of the local economy and the promotion of environmental sustainability.

The objective of the assignment was to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding the Fleet Investment Contract Award.

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

- The process to support the capital bid for the fleet replacement was well administered and recorded
- A detailed Business Case was presented and approved by Senior Leadership Team (SLT) and Cabinet
- Corporate Procurement Group (CPG) authorisation was then obtained to proceed with tender process
- Procurement Regulations were correctly followed in the tender process
- Tender details were recorded on the Council's contract register, Pro Contract
- Monitoring of forecast capital spend against budget was up to date.

No recommendations were made in this review.

## G5 Future State Assessment Programme – Embedded Assurance Review

In July 2018, Cabinet approved £20.3m (£7.2m revenue, £13.1m capital) to deliver the Future State Assessment (FSA) programme in a timescale of 3-5 years. In March 2019, Cabinet approved the procurement of a FSA Delivery Partner to an estimated value not to exceed £12m. The FSA set out components needed to build on the current IT platforms and ICT service delivery to ensure a modern, secure, flexible and service-aligned IT service in support of the Corporate Strategy and business drivers/outcomes will be delivered.

The Embedded Assurance approach provides assurance at various stages of key Council programmes and projects. This review concentrated on the following:

- Appropriateness of decision-making in relation to technological change
- Effectiveness of Programme Governance and Management arrangements
- Credibility of the approach undertaken

The previous FSA review provided only a relatively high level blueprint to inform FSA programme planning and delivery. Subsequently, the Council has experienced difficulties in defining a complete view of the programme and establishing an appropriate route to delivery. As a result, there has been limited actual programme delivery, although some costs incurred have been significant.

In response to this, a decision was taken to pause the programme to clarify what can be delivered, realign FSA projects and explore the benefits of a single delivery partner approach. This is an appropriate and credible response to re-align the programme within the parameters set by the Board. This approach, however, is being delivered at pace to extremely tight timescales, with limited IT resource. Much of the Council's technology strategy development and identification of detailed deliverables from the FSA programme are being progressed simultaneously. There are a number of risks inherent with this approach:

- Clarity and deliverability of programme scope
- Clarity of decision making
- Clarity of potential procurement approach communicated to the Board
- Programme governance
- Corporate governance of IT
- The level of responsibility concentrated in one Director.

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

- A dedicated programme, board, team and resource has been identified and put in place to deliver the programme with high-level sponsorship of the programme and a Delivery Board that includes the Head of Paid Service and Cabinet member for the service. The governance structure of the programme has been defined, together with roles, responsibilities, delegations and programme tolerances
- A Programme SRO has been appointed
- Costs of work undertaken in relation to the programme are being recorded
- Assurance arrangements for the programme are in place and assurance on individual business cases has been sought from the Programme Management Office
- The decision to pause and revisit the scope and deliverables for the programme has allowed the programme to start to move to a more defined and deliverable state
- The choice to explore the use of a single delivery partner will reduce risks of the Council managing several independent SMEs to deliver a complex, interrelated set of work. The

technology direction for the Council is being positively informed from work being undertaken with the various potential delivery partners

- The SRO is rightly focusing the programme's initial attention on stabilising at-risk infrastructure and has commissioned a review of the Council's cyber posture. Risks relating to resilience and cyber have been escalated from the IT Department risk register to the Corporate Risk Register. The SRO has also undertaken a considerable amount of work to stabilise and reconfigure the programme, as well as holding several sessions with IT staff to clarify and gain a common understanding of the service's future direction
- Elements of the IT staffing restructure discussed so far with the SRO will help address a number of pressure points to enhance capacity/capability in the service
- It is understood that, through the Cloud Migration project, it has been possible to further clarify the number of applications and servers in use by the Council and it has been possible to decommission a number of these, prior to any forthcoming migration to the cloud
- The Programme Team are exploring the introduction of a more formal Project and Portfolio Management Solution to enhance programme management capabilities
- It is understood the Customer Relations Management project team and service area are demonstrating robust collaborative working practices and are jointly identifying solution requirements.

The audit also identified the following **areas for improvement**, for which 10 recommendations were made, including:

- The need to clarify the scope of the current programme and the need for a clear statement of:
  - A high level view of anticipated significant IT and Digital related change and transformation required over the next 3-5 years
  - The elements of change that will be delivered through the current programme and how they will be delivered
  - An appraisal of the required IT and Digital change that will not be delivered by the current programme
  - A clear financial model for the current programme of deliverables and the implications of procuring a delivery partner
- The Delivery Partner decision paper should adequately appraise how the re-scoped programme align with the future Digital and IT strategies of the Council and how delivery partner proposals meet requirements.
- To review whether governance effectiveness for the direction and control of ICT could be enhanced by a Digital or IT Strategy/ steering group.
- The membership of the FSA Board should be reviewed to ensure that it can adequately direct, challenge and control the FSA programme
- The path to appointing the delivery partner and starting the wider programme should be mapped out
- Governance arrangements should be reviewed including:
  - The application of benefits realisation methodology from the outset of any further programme activity
  - Programme reporting
  - Financial management arrangements
- The investment in a delivery partner will require robust supporting evidence to justify value for money and that the procurement process is consistent with the Council's procurement policy and any relevant framework requirements
- The Delivery Board should consider the level of risk currently being held by the SRO in relation to the programme with current vacancies in the IT service and whether the level of responsibility is sustainable for one member of staff to deliver.

All recommendations were agreed for implementation.