



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT: ANNUAL REPORT 2018/19

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## 1. Purpose of this Annual Report

1.1 This Annual Report provides a summary of the work completed by Internal Audit (IA) during 2018/19. Its purpose is to:

- Provide the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance; risk management and control framework during 2018/19 to support the preparation of the Annual Governance Statement;
- Provide a summary of the work completed from which the opinion is derived;
- Draw attention to areas of significant risk exposure which need corrective action to improve the control framework;
- Consider the performance and contribution of the Internal Audit service.

## 2. Internal Audit Opinion and Key Headlines:

2.1 This report provides a summary of the work undertaken by Internal Audit in the financial year 2018-19 and the results of that work. From the work undertaken during the year, our overall opinion on the adequacy of the Council's arrangements for Corporate Governance, Risk Management and Internal Control is that:

Table 1

- Limited assurance** only can be given that the framework of control is adequate. Overall, 50% of planned reviews undertaken concluded that reasonable assurance could be provided that controls were in place and operating effectively, in comparison to 63% of reviews in 2017/18. In 50% (37% during 2017/18) of reviews, **Limited** or **No** assurance could be provided that controls were in place and effective. Table 1 demonstrates that the downward trend of previous years has not improved.
- In formulating the annual opinion, the Chief Internal Auditor reviews the level of residual risk in eight key areas within the Council's risk, governance and control environment, allocating a RAG rating to each assessed level of residual risk, namely:
  - Governance
  - Risk Management
  - Financial Control
  - Programme & Project Management
  - Procurement & Commissioning
  - Information Technology & Security
  - HR/Asset Management
  - Counter Fraud

The level of residual risk for the past two years has been that of **Medium** across five of the eight key areas, with the level in 2018/19 as **Medium** over six of the eight key areas, as demonstrated by figure (1) on the right.

- Overall, this demonstrates minimal improvement in the control environment over the past three years, and while recommendation implementation has increased over the same period, as demonstrated by table (2) below, there remains a need for greater management buy-in to the control environment and the internal audit process, in order to achieve further improvement going forward.

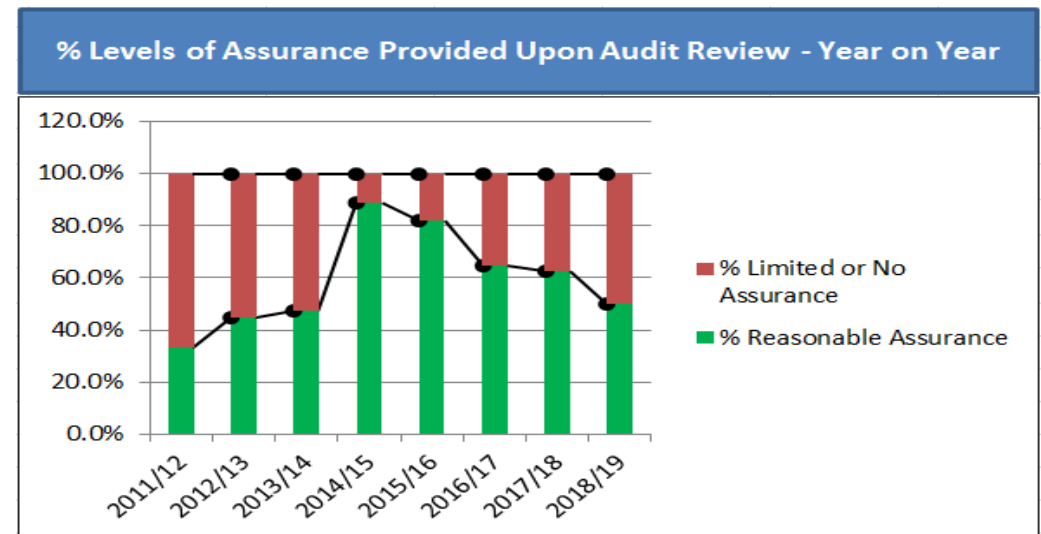
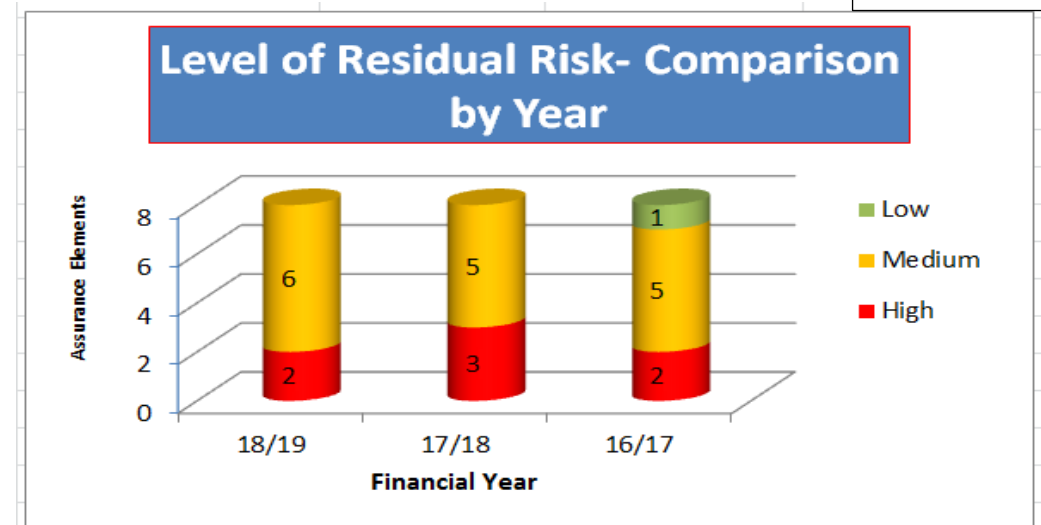


Figure (1)



- 2.2 Our opinion is based on evidenced assessment of the control framework in a number of areas in accordance with our annual plan. It should be noted that in devising the annual plan, a risk based approach is taken and such areas of highest risk are targeted for review of the mitigation and controls in place in these higher risk areas. Full details of the work we have completed that has informed this opinion can be seen in Appendix A together with the assurance levels we have been able to provide for each review. For each audit review completed, the assurance level is determined based on the level of control found as set out in Appendix B.
- 2.3 Using the audit opinion/assurance level as an indicator of how likely things are to go wrong and considering the impact of the area under review on achievement of the Council's objectives, a level of risk to the Council is determined using the Corporate risk matrix. In making this assessment the guidance parameters in the Risk Management Policy are used. Those areas in Appendix A where the level of risk is indicated as amber should be considered for inclusion in the relevant Directorate Risk Register for monitoring and review in accordance with the refreshed approach required by the new Risk Management Policy.

### 3. Areas of Risk Exposure:

- 3.1 In planning to be able to conclude an opinion on the whole risk management, governance and internal control framework, audit work is framed around 8 key lines of enquiry, as detailed in section two above. Our conclusions, with regards to the residual level of risk, in each area are as follows:

Corporate Governance Arrangements	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
Internal Audit programme of work with regards to governance arrangements included four pieces of work, as detailed below.			
A review into the area of <b>Homelessness</b> which examined the effectiveness and progress of the implementation of the decisions made at Cabinet in May 2017 in respect of funding to support Homelessness Prevention and Reduction. The review determined that there were <b>Good</b> controls in place and that <b>Reasonable</b> assurance could be concluded that the controls were effective.			
A number of Internal Audit reviews planned during the year have identified issues around governance processes that needed improvement including:			
<ul style="list-style-type: none"> <li>• <b>Senior Officer Decision Recording:</b> A review of the Council's compliance with the publication legislation required for Executive Officer Decisions under £500,000 which are not considered to be a key decision, identified that there was a need to improve the guidance available to officers on the requirements when an executive officer decision is made, as well as a need to communicate that guidance to a wider audience. A number of recommendations were made as a result of the review, which a subsequent follow up review confirmed had all been implemented.</li> <li>• <b>Schemes of Delegation:</b> A review of the Council's Scheme of Delegation, both within its Constitution and in the wider directorates was undertaken</li> </ul>			

in terms of fitness for purpose and level of compliance with said schemes. The review identified that both Part 3 of the Constitution, “Responsibility for Functions” section, and the wider directorate schemes have failed to take account of the revised directorate structure. There was also a need for a more structured approach to the revision of the Schemes of Delegation in an expedient and effective manner. All recommendations made were well received and agreed.

- **Whistleblowing Procedures.** An annual review of the Council’s whistleblowing procedures was undertaken during the year, which included the follow up of the thirteen recommendations made as a result of the 2017/18 review, all of which had been implemented. However, the 2018/19 review concluded that improvements are required to enhance confidence and support the reporting of suspected concerns, as such the review concluded **Limited** assurance that controls were in place and effective.
- **Follow up reviews:** Recommendations made as a result of audit reviews previously completed have been followed up in 2018/19 for the following:
  - **Business Case Robustness** – All recommendations had been implemented;
  - **Customer Relations System** – One recommendation implemented and two in progress;
  - **Web Page Control** – Five recommendations implemented and one in progress
  - **Recruitment and Selection (DBS Checks)** – All recommendations implemented
  - **Schools Financial Governance** – Recommendations currently in progress
- **Annual Governance Statement** – there has been insufficient progress on the outstanding actions to resolve significant issues in previous years. A number of actions identified in the 16/17 AGS have not progressed.

Risk Management	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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A review of the Risk Management arrangements within the Council by Internal Audit is currently being concluded, however a summary of the key findings is provided below:

- There is now a permanent Risk & Insurance Manager;
- Risk Management has been recognised as a key part of managing the Council’s delivery of services;
- There is an expanding level of buy-in from senior management and Members;
- A revised Risk Management Policy which sets out the principles, framework and policy statement of the Council has been approved;
- There is a Corporate Risk Report (CRR) that provides an overview of the significant risks facing the Council and how they are being managed. This report is considered by senior management and Members, where appropriate.

However, while some progress has been made in the embedding of risk management within the Council, there remains a body of work which needs to be advanced in order for the Council to move further towards risk maturity. This includes:

- The need to communicate the revised policies and guidance more widely across the Council;
- The provision of more training resource in order to move Risk Management from an isolated task to business as usual;
- The need for a management culture shift which can be achieved by buy in from all stakeholders (management, members, staff and partners);
- The investment of adequate resources in order for the Council to gain full benefit that risk maturity can achieved, including reducing risk aversion and promoting a greater risk appetite which in turn highlights greater opportunities.

The Risk and Insurance Manager is aware of the areas which need to be addressed, and that resolution is a long term project, therefore a long-term development plan has been put in place. The Committee will receive periodic updates on the progress of the development plan during the year.

Reviews of some of the mitigations contained in the CRR were also completed with the following results:

- **Schools Places Planning and Allocation Processes (Limited Assurance):** This audit reviewed the effectiveness and compliance with the Council's policies for school admissions, and that schools places were allocated in line with legislation. The review found that although the School Admissions Team had operated effectively in ensuring all pupils were allocated places in line with requirements, the IT System in use to aid the process was no longer fit for purpose resulting in an increased risk that the allocation process for 2019/20 school places may be impacted if the system is not upgraded.
- **Adult Social Care – Care Homes (Limited Assurance):** The audit review focussed on the frequency of Care Reviews, which under the Care Act 2014 are required to be undertaken annually. The review found that there had been improvements in the frequency of care reviews since the last Internal Audit review. However, some care home users are still experiencing delays in their mandated annual reviews.
- **Taxi Licencing (Limited Assurance):** The purpose of the audit review was to establish that, licences are appropriately issued, compliance and enforcement issues are effectively applied and income from licencing is used for its intended purpose. The reviewed concluded limited assurance that controls were in place and effective. Areas for improvement included DBS checks, the increase in temporary licences and the control of duplicate licences.
- **Children's and Safeguarding** – Assurance Mapping exercise on a corporate risk, to identify whether the design of assurance framework was reasonable.
- Follow up reviews: Recommendations made as a result of audit reviews completed previously have been followed up in 2018/19 as follows:
  - **Safer Recruitment – Children's and Families Care and Support** – One recommendation implemented, three in progress and one not implemented.
  - **Business Continuity** – One recommendation implemented, four in progress and one not implemented.
  - **Security Services – Cash in Transit** – Further follow up concluded two recommendations fully implemented, with one in progress.

Financial Control	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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A number of reviews around financial governance and control have been completed with varied results. In total 56% of reviews in this area concluded that reasonable assurance could be provided. This represents a slight drop from 2017/18 at 58%, but still favourably comparable to 43% of reviews in 2016/17.

Reviews in the following areas provided **Reasonable** assurance that control arrangements are in place and effective:

- **Council Tax Collection**
- **Payroll Systems Controls**
- **Care Services – Accuracy of Billing**
- **Directorate Budgetary Control**
- **Car Parking Income**

Additionally, testing in support of grant claims largely concluded that evidenced spend is in accordance with grant terms and conditions which enabled grants to the value of circa. £22m to be claimed by the Council.

Key areas of risk exposure, where the level of assurance concluded was **Limited** included the following, details of which have all been provided to Audit Committee previously:

- **Grant Application Process**
- **Development Control Contributions (s106 plus)**
- **Direct Payments – Prepayments Cards**
- **Security Services – Use of Imprest**

In addition, the level of financial understanding and experience within schools was reviewed via a survey, response analysis and school visits. The early results from this programme of work are summarised in Section 3.2 below.

Follow up of recommendations relating to financial control, made as a result of previous audit reviews have concluded as follows:

<b>Review:</b>	<b>No. Recs. Implemented</b>	<b>No. Recs. Partially Implemented</b>	<b>No. Recs. Not Implemented</b>
Accounts Payable	2	4	2
Foster Care Payments		2	1
CHAPS	5		1
Housing Benefits Further Follow Up	4	2	
Accounts Receivable (Incl. further follow up)	6	7	1
Bank Reconciliation/E Income Returns	3	2	6
Security Services- Cash in Transit	3	3	
Budgetary Control - Directorate	7	2	
General Ledger Movement (Further Follow Up)	1	3	
Financial Controls within Schools	31	6	
<b>Totals:</b>	<b>62</b>	<b>31</b>	<b>11</b>

Implementation of partially and not implemented recommendations has been slow in many cases, with a number of recommendations being in progress over a protracted amount of time. Internal Audit will continue to work with managers and directorate EDMs' to seek resolution of these outstanding actions, thereby improving the control environment.



Change Programme and Project Management	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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A wider programme of audit reviews within Change Programme and Project Management has been undertaken in 2018/19, with 66% concluding a **Reasonable** level of assurance that the controls are effective. The areas covered included:

- **Strengthening Families Transformation** – phase one of the testing in this area concluded that the initial set up was **Reasonable**
- **HR Payroll Project** – An initial review of the tendering and procurement process for this project concluded **Reasonable** assurance that controls were effective. Further testing of the new payroll system is scheduled for early in 2019/20.
- **Transition from Care (Care Leavers)** – The audit review found acceptable controls in terms of support to young people transitioning from care, with only minor weaknesses identified resulting in a **Reasonable** assurance opinion.
- **Replicate (EU Grant funded Project)** – A review of the administration of this grant concluded **Reasonable** assurance that the controls in place were effective.

However, the following areas were identified as providing only **Limited** assurance that the controls in place are effective:

- **Housing System Implementation** – Internal Audit acted as a critical friend on the project board for this programme, recommendations were made while the programme was in progress, including advice/guidance on the risks associated with going live. The implementation of the new system was significantly delayed, with it going live in October 2018, almost two years after the initial date of December 2016; additionally it has continued to experience issues since go-live. Internal Audit continues to attend the Housing Services Project Board, to continue its critical friend role.
- **Project Management Office** – The effectiveness of the Project Management Office (PMO) was reviewed as part of the Internal Audit planned coverage for 2018/19. The review concluded **Limited** assurance that the controls in place were working effectively. Recommendations to resolve control issues were made and accepted, with a number already included in the PMO improvement action plan. A summary of the findings from this review will be provided to the Committee at its July 2019 meeting.
- **IT Project Management (Design/Approach)** - A review of Information Technology project management was completed during the year. The review concluded **Limited** assurance that controls in place were working effectively. A summary of the findings and conclusion from this review will be provided to the Audit Committee at its July 2019 meeting.

Procurement and Commissioning	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
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There have been a number of positive outcomes from the areas in Procurement and Commissioning reviewed in 2018/19, as detailed below:

- **Voluntary Sector Commissioning** – A **Reasonable** level of assurance was concluded from this review, in that avoidance of procurement regulations was not found in the sample of contracts tested, there was adequate management oversight with good commissioning and monitoring systems.
- **Fleet Contract Award** – this review concluded **Reasonable** assurance that controls are effective, with no recommendations made.
- **Adult Social Care Commissioning** – while the original review in this area concluded **Limited** assurance with regard to the existing controls, the follow up of the recommendations made has found that all have been implemented resulting in a positive outcome.



While it is a positive outcome that three of the four reviews completed in 2018/19 have concluded a reasonable level of assurance, what is of paramount concern is that a review of **Contract Management/Monitoring** within the Council, an area Internal Audit have looked at on a number of occasions, has concluded **Limited** assurance that the controls in place are effective. Specifically, the review concluded the following:

- Contract Management arrangements require further improvement with 48% of contracts sampled failing to have adequate management arrangements;
- Inconsistent use of the Council's contract management system - Pro-Contract;
- The Pro-Contract contract monitoring module is not fit for purpose
- Insufficient training available for contract managers
- Insufficient level of measurable outcomes (KPIs)

A number of these areas were highlighted by Internal Audit in previous audit reviews on contract management and monitoring, the most recent being in 2017/18. Failure to address these issues could result in poor value for money, contract overruns, failure to address poor performance on the part of the contractor.

The intended changes to improve procurement arrangements have impacted upon the extent to which corrective actions can be implemented to improve control and governance in Council procurement arrangements.

## Information Technology and Security

### 2018/19 Assessment

### 2017/18 Assessment

### 2016/17 Assessment

An embedded assurance approach is being taken to support the Programme Board in delivery of the IT transformation programme (previously – the Future State Assessment (FSA) programme). An early audit review concluded that whilst work on producing a high level programme blueprint had been carried out, the Council was having difficulty defining detailed requirements and an appropriate route to delivery. Consideration of a single delivery partner approach was felt an appropriate response to re-align the programme, with approximately 80% of the programme to be delivered in conjunction with an experienced delivery partner. However the audit review concluded only **Limited** assurance could be provided as this approach was being developed at pace, to extremely tight timescales and with limited resources. Many of the deliverables and development of overarching strategy, including restructuring the Council's IT team, were being progressed simultaneously. There were a number of risks inherent with this approach that could have resulted in delivery partner proposals not meeting requirements. A number of recommendations were made and accepted by the board.

Audit attendance at the FSA board has provided the opportunity for independent assurance and challenge as this route to delivery has progressed. An assessment of risk was completed and considered by board members in advance of a decision being made – the highest of those risks being around affordability of elements not being provided by the delivery partner, ongoing costs as a result of the programme and capacity to deliver.

In conclusion, Internal Audit consider the correct approach is being taken to IT Transformation but there are significant risks attached. Consideration of these risks have informed management decision making. Internal Audit will continue to support the programme board during

2019/20.

Further reviews all concluded **Limited/No** assurance:

- **Privileged Access Management** - While evidence was sighted that generally high level access to systems and data is restricted, there are inconsistent approaches used to address control over privileged access accounts.
- **Third Party Assurance** - No assurances obtained from 3rd party providers at either commissioning stage or throughout the contract re: resilience and security of their service. No control over shadow IT. An in-year follow up of the recommendations made as a result of this review concluded that two recommendations had been implemented, one was in progress and three were not implemented, therefore the level of assurance remains as **Limited**.

Follow up work on recommendations made as a result of previously carried out reviews concluded the following:

- **Financial Systems Security and Resilience** – Three recommendations implemented, one in progress and ten not implemented
- **Future State Assessment** – Three recommendations in progress and one not implemented
- **Digital Strategy** – Two recommendations implemented, two in progress and four not implemented
- **Mobile Devices** – Two recommendations implemented, one in progress and seven not implemented

## Asset Management

2018/19 Assessment

2017/18 Assessment

2016/17 Assessment

From the work that Internal Audit has completed, as detailed below, and the knowledge that the Asset Management System implementation has been delayed, the assessed residual level of risk remains at **Amber**.

A review of **Planned Maintenance** within Estates was undertaken during 2018/19, which concluded **Reasonable** assurance that controls in place were effective with the following key controls highlighted:

- There is a long-term Housing Planned Maintenance programme
- Health & Safety inspections are regularly undertaken
- Regular capital and revenue performance and budget monitoring

There were however some areas where improvements would strengthen the control framework, these included:

- The need to analyse the reasons for non-completion of works so that issues can be identified and resolved
- Review of issues with regards to gaining access to properties in order to complete repairs
- Formalisation of a risk based approach to property surveys.

A number of Follow Up reviews were also undertaken in this area, the outcomes of which are detailed below:

- **HR Review Process** – All recommendations made as a result of the initial review have now been implemented.
- **Investment Property Portfolio Is BCC** – Four recommendations have been fully implemented, with one in progress and one not implemented.

- **Sale of Council Assets** - Eight recommendations have been implemented, with five are in progress. A further review of the five outstanding is currently in progress.

Counter Fraud Arrangements	2018/19 Assessment	2017/18 Assessment	2016/17 Assessment
<p>The Council has a strong counter fraud policy and a proactive approach is taken to fraud. Whilst, the risk of fraud is ever present, arrangements are in place to ensure it is investigated and control improvements recommended where processes are found to be needing improvement.</p> <p>Following assessment in 2017/18 of counter-fraud arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, whilst there was a good level of compliance, eight improvement actions were identified to strengthen arrangements in 2018/19. Of these, all but two have been addressed as detailed in the Annual Counter Fraud Update report also being considered at this committee meeting. Most notably, increased counter fraud and investigative resource has been provided to enhance skills and capacity available to the team.</p> <p>An audit review of Bribery and Corruption controls concluded <b>Reasonable</b> assurance could be provided that appropriate controls were in place. In a sample of higher risk areas, management demonstrated good understanding of the potential bribery and corruption risks and had implemented appropriate control measures to manage these risks. A number of recommendations were made to strengthen arrangements regarding gifts and hospitality, declarations of interest and increasing awareness. As reported above, improvements required to whistleblowing arrangements were also identified.</p> <p>The number of fraud referrals received by the team has increased from 2017/18 levels, particularly in the areas of direct payment and blue badge fraud. Internal Audit will continue to work with management to review control processes in these areas during 2019/20.</p> <p>Full details of the work and results of the counter fraud team can be found in the Annual Counter Fraud Update report which is also being presented to the Committee at this meeting.</p>			

3.2 The level of financial understanding and experience within schools was reviewed via a survey to all Council maintained schools (77) with a 79% response rate (61). The responses were analysed and a sample of schools was identified for a visit. The initial outcomes in terms of financial acumen are provided below, with further details to be provided to the Committee at its July 2019 meeting.

- 78% of schools surveyed indicated they had an approved Scheme of Delegations policy;
- 54% of Head Teachers surveyed had received training on financial matters, with 51% of Governors receiving the same;
- 66% of Heads of Finance felt they had the skills to challenge proposals and make hard decisions;
- 57% School Governors felt they had the relevant financial skills to make informed decisions;
- 64% of schools surveyed had a School Development Plan, however further testing identified that the timespan of the plans varied as did the level of costing;
- 73% of respondents indicated that the school had a clear and accessible whistleblowing Policy.

The data collated from this exercise will be further analysed to identify areas of good practice and areas for improvement for which appropriate recommendations will be made. The results from the exercise will be utilised to drive the Schools audit programme for 2019/20.

- 3.3 In concluding audit reviews, where gaps in the control framework are identified, recommendations are made for improvement. It is the responsibility of management across the Council to ensure that those recommendations are implemented in line with the action plans and timeframes agreed when concluding each Audit Report.
- 3.4 There has been a steady increase in the implementation rate of recommendations made as a result of an audit review, with 60% of recommendations made and followed up in 2018/19, being fully implemented and 26% partially implemented. This increase in implementation has been achieved in a number of ways:
  - Increased senior management engagement to drive improvement forward, with outstanding recommendations discussed at Management meetings on a quarterly basis;
  - Continued support for the Audit Committee with regards to actual implementation and calling officers to account;
  - Continued follow up by Internal Audit until implementation has been achieved. This has resulted in up to three follow-up reviews, in some cases.

Table (2) below provides detail of the implementation rates over the last three years:

*Table 2*

Recommendations	Implemented	Partially Implemented	Not Implemented
2018/19	60%	26%	14%
2017/18	40%	43%	17%
2016/17	31%	39%	30%

## 4. Internal Audit Service – Contribution and Performance:

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to Members and management via its programme of work and also offers support and advice to both on a range of governance, risk and control matters making recommendations to improve the value for money for the service under review. The value of this element of our work is difficult to measure. However, in addition the team also demonstrates value as follows:

### **Savings Identification and Value for Money:**

- 4.2 The Internal Audit Investigations Team provide the Council's counter fraud response, covering not only the investigation of allegations of fraud but also proactive fraud work, and proactive fraud prevention work. Full details of the work and benefits delivered by the Investigations team are provided in a separate report at this Committee – the Annual Counter Fraud Update 2018/19.
- 4.3 Significant benefits are generated for the Council from Counter Fraud work undertaken as detailed below:

- **Recoverable payments in excess of £1m have been identified.** This is greater than the budget for the entire Internal Audit Section demonstrating that, if recovered, these savings will more than pay for both the investigations and the assurance services provided by the team.
- **32 Council housing properties have been recovered** following investigation of tenancy fraud or abuse.
- **1 Right to Buy application has been cancelled.**
- **2 False Housing Applications Cancelled**
- **2 Blue Badge Prosecutions and 1 formal caution for misuse of a Blue Badge**
- **2 Employees who were dismissed and 7 reports where recommendations for improvement have been made**

Additionally, during a recent audit review of schools, members of the Assurance team identified a significant amount of money owing to the Council's schools from other neighbouring authorities. The amount outstanding equated to a settlement of £488k. In this instance the role of Internal Audit was to shine a light on an issue that had not been resolved, and to encourage the Council to pursue it especially given the financial position of some of our schools. Recovery of an amount of the outstanding funds has already been achieved by one school.

### Grant Certification:

- 4.4 Where a grant giving body requires an internal audit certificate before releasing payment, the team carries out work to verify and certify amounts that the Council can claim. Without this certification, grants may become repayable. 27 such grant claims were certified during 2018/19 with a value in excess of circa £22m. Details are provided in Appendix A.

### Consultancy and Advice:

- 4.5 As well as completing planned audit reviews, the team also provide ad hoc advice and guidance across the Council to assist colleagues with ensuring control and governance arrangements are considered in developing processes/policies etc. details are provided in Appendix (A) to this report in the Ad Hoc Advice section.

### 4.6 Income Generation:

Whilst the Internal Audit service was not set an income target for 2018/19, it has achieved an income total of circa £28,000, which is a slight increase on its achievement of circa £27,000 in 2017/18. The achievement of this income in 2018/19 has been positive when the non-retention of the Avon Fire and Rescue Service Internal Audit contract is taken into account.

### Performance Against Targets:

- 4.7 Performance of the Internal Audit Team is measured and monitored throughout the year. Performance is summarised in Table 3 below:

Table 3

	2018/19 Actual	2018/19 Target	2017/18 Actual	2016/17 Actual
% of planned work completed/in progress	96%	90%	86%	90%
High/Medium recommendations Implemented	86%	90%	68%	31%
No. of Properties recovered by tenancy fraud work.	32	30	26	37
% of QAQs with a score of 4 or more (Customer Satisfaction)	76%	85%	77%	92%
% of Positive Responses in respect of perceived benefits and value of Internal Audit work (Management perception)	100%	90%	71%	N/A
Delivery of 2017/18 Audit Opinion to management and Audit Committee in time to inform the AGS	Yes	Yes	Yes	Yes
Delivery of Agreed Counter Fraud Awareness Training Plan*	80%	90%	N/A	N/A
Annual Governance Statement delivered within statutory deadlines	Yes	By 31 <sup>st</sup> May 2018	N/A	N/A

\*Please see separate Counter Fraud/Investigation Report for details

#### % Planned Work Completed/In Progress:

- 4.8 Significant resourcing pressures (detailed at section 6 below) saw the team having to review and revise the plan at the mid-year point in agreement with management and the Audit Committee. These pressures were addressed by recruitment of additional resources to the Assurance Team both permanent and temporary. The additional resources have resulted in the team achieving 96% of the revised plan, thereby providing sufficient coverage to support the opinion provided above.

#### High/Medium Recommendations Implemented: (Refer also to Paragraph 3.2 for fuller details.)

- 4.9 Follow up work is completed for all high and medium priority recommendations identified for audit work that concludes a red or amber level of risk. Implementation of recommendations is a key measure of the team's effectiveness in engaging with management to secure control framework improvements.
- 4.10 During the year, the team have completed 40 follow up audits to confirm the extent to which the 263 recommendations made in the original audit reports had been implemented or identified as superseded. Whilst performance against this indicator is not quite to target, the rate of implementation has doubled when compared to 2016/17. This demonstrates a significant improvement and is reflective of work undertaken both by the team to raise the profile of its work, and the level of senior management support to improving control and governance arrangements where deficiencies are identified.

#### Tenancy Recoveries:

- 4.11 Tenancy recoveries have surpassed those of last year. This level of recovery, equates to a nominal saving to the Council of £2.8m (as per basis recommended by the Cabinet Office). The team continually reviews its approach to tenancy fraud investigation, including the approach to triaging referrals right through to presenting cases to the court. A Housing Officer has now been permanently appointed to the team, as this level of expertise has proved very effective in the recovery of Council properties. The Annual Counter Fraud Update 2018/19 provides further detail.

#### Customer Feedback Measure:

- 4.12 At the end of each audit review, a Quality Assurance Questionnaire (QAQ) is sent to the auditee to request feedback on their experience of Internal Audit during the review. The aim is to use this information to inform service improvement if themes are identified. Questions scoring 4 (out of 5) or above are considerably lower than target this year and our actual in 2017/18. Return rates in 2018/19 were at 34% and as such cannot be relied upon as a true measure of customer satisfaction as one 'low' score significantly affects the overall result. Further development is planned for 2019/20 in order to identify a more reliable measure of customer satisfaction.

Individual customer feedback has been very positive with the following quotes having been articulated:

*"Thank you for this thorough and clear assessment" (Head of Paid Service)*



*“Many thanks this has been a very helpful report and I am reassured that the recommendations have been implemented” (Service Director Care & Support – Adults)*

*“My team and I were impressed with the professionalism shown in carrying out this audit” (Head of Revenues)*

*“Internal Audit is my critical friend” (Monitoring Officer)*

4.13 In addition to the QAQ surveys, an annual perception survey has been completed requesting views of senior management and a selection of Members on the quality of Internal Audit services. The questions are intentionally challenging for the service and the responses received will be utilised as part on the continuous improvement for the service.

4.14 There was a 33% response rate, which is a slight reduction on the 35% response rate last year. Summary details of the key responses are provided below together with the scores from 2017/18:

- 100% Strongly Agree/Agree that the Service adds value (71% in 17/18)
- 86% Strongly Agree/Agree that the Service works with the Council to assist in the achievement of its objectives (71% in 17/18)
- 100% Strongly Agree/Agree that the Service consistently demonstrates competence and due professional care (86% in 17/18)
- Only 42% Agreed that the Service provided timely reports (71% in 17/18)
- 86% Agreed that the service demonstrated quality and continuous improvement in the Audit service

There are some clear messages for the Internal Audit service to review and where appropriate improve, not least the timeliness of its reporting. Areas of reduced performance will be investigated further and improvements will be incorporated into the Internal Audit Development/Improvement Plan for action in 2019/20.

Internal Audit Peer Review Improvement Plan Status:

4.15 A number of actions from the IA Peer Review Improvement Plan have been completed including:

- Revised Audit Report Formats
- Revised Audit Process
- Internal Peer Review Process
- Service Training & Development Strategy, Skills Assessment and Training Plan

A number of these actions will assist in addressing the issue as identified by the survey above with regards to the timeliness of reporting, as well as the response rates to our Quality Assurance Questionnaires (QAQ) and the annual perception survey.

Development within the Service will continue in 2019/20.

- 4.16 Internal Audit completes an annual self-assessment of its compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the relevant CIPFA's Local Government Application Note (LGAN). The purpose of the self-assessment is firstly to provide assurance to the Audit Committee and management that Internal Audit is compliant with the PSIAS and that consequently they can rely on the work of Internal Audit, and secondly, to further enhance delivery of the internal audit function through the identification of opportunities for development.
- 4.17 Overall, the self-assessment has concluded that Internal Audit was generally compliant with the PSIAS/LGAN requirements but areas for improvement have been identified and included in its Quality Assurance and Improvement Plan which is brought to the Audit Committee to monitor improvements:
- The Chief Internal Auditor facilitates the collation of assurances/evidence to support the Annual Governance Statement. Whilst this work aligns well to the work undertaken to by Internal Audit, it does mean the team is functionally involved in these areas which could limit its independence in these areas. However, the Annual Governance Statement is assessed by External Audit providing an independent view on the accuracy of the statement.
  - The Chief Internal Auditor is line managed by the Director of Finance, this arrangement could therefore create a conflict of interest, however the appointment of the Chief Internal Auditor is in conjunction with the Chair of the Audit Committee as would the dismissal should that need arise. The Chief Internal Auditor has unfettered access to the Chair and Vice Chair of the Audit Committee, should they identify the need.
  - Timely reporting remains an issues for the Internal Audit Service, however a revised internal audit process is currently being rolled out in order to address the identified issues with reporting, this includes a revised report format, a revised approach to formulating recommendations and seeking management agreement to recommended action.

## 5. Escalation Matters:

- 5.1 Summaries of audit work completed have been provided to the Committee throughout the year and have identified areas that have required escalation.
- 5.2 There are no matters to escalate other than those detailed within this report.

## 6. Resources:

- 6.1 As the Committee are aware, the Internal Audit service has been progressing through a restructure during 2018/19, working towards a structure that was approved by the S151 Officer and the Cabinet Member for Finance, Governance and Risk during the year. As a result of this process the service has carried a number of vacancies through the year which necessitated both the reprioritisation of the Audit plan and the engagement of external temporary resources. However, recruitment to both the existing and revised structure commenced during the latter part of the year resulting in the appointment to a number of posts.
- 6.2 The combination of the increase resources from both temporary and permanent appointments has significantly impacted on the Service's achievement of the plan coverage, as detailed above. However, some vacancies within the revised structure remain and the Service would look to recruit to them early in 2019/20, but in the meantime temporary resource has been retained to the end of the first quarter in order to assist with the completion of assignments carried forward from 2018/19.

## 7. Context and Compliance:

- 7.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes. (Source: Public Sector Internal Audit Standards and Local Government Application Note: Chartered Institute of Public Finance and Accountancy in collaboration with the Chartered Institute of Internal Auditors).
- 7.2 Internal Audit is a statutory requirement for local authorities. There are two key pieces of relevant legislation:
- Section 151 of the Local Government Act 1972 requires every local authority make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs
  - The Accounts and Audit Regulations 2015 (England) states that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance"
- 7.3 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Elected Mayor, Head of Paid Service, Senior Management Boards, which includes the s.151 Officer, and the Chair of the Audit Committee.
- 7.4 The Chief Audit Executive must report that there has been some restriction on the scope of internal audit work or reporting of audit findings during 2018/19, however the restriction has not impacted on the Internal Audit's ability to form an evidenced annual opinion.



People	Information Security/ICT	Data Sharing with Partners ( GDPR)			✓	
People	Projects and Programmes	Embedded assurance - Strengthening Families Transformation (Phase 2)			✓	
People	Governance/Financial Controls	2 x Schools Financial Controls/Governance Reviews		✓		
People	Governance/Financial Controls	Schools Programme - Governance Review		✓		
Corporate	Governance	New Directorate and Departments - Governance and Financial Control		✓		
Corporate	Governance	Strategic Business Planning		✓		
Corporate	Governance	Service Planning and Performance Management (focusing on outcomes)		✓		
Corporate	Risk Management	CRR - Leadership and Management		✓		
Corporate	Risk Management	CRR - Safety of Citizens		✓		
People	Financial Controls	Care Act - Deferred Payments		✓		
People	Financial Controls	Public Health - Sexual Health Spend or Children's health spend		✓		
Corporate	Commissioning and Procurement	Review of Specific Contracts		✓		
Resources	Commissioning and Procurement	Access rights to information - Partnerships/Contracts (GDPR)		✓		
Resources	Commissioning and Procurement	Effectiveness of New Procurement Arrangements		✓		
Corporate	HR and Asset Management	Individual Performance Management		✓		
Resources	Financial Controls	Financial Systems Interfaces (Phase 2)		✓		
People	VFM/Targeted Savings Identification	Direct Payments - Full Study		✓		
Corporate	Financial Controls	Savings Tracker for Change Programme		✓		
Growth and Regeneration	Risk Management	CRR- Commercial Investment and Capital Programme	✓			
Resources	Financial Controls	Financial Systems Interfaces (Phase 1)		✓		
Growth and Regeneration	Commissioning and Procurement	Housing Options - payments to voluntary groups	✓			
Corporate	Projects and Programmes	Embedded Assurance GDPR	✓			
Resources	Projects and Programmes	Embedded Assurance - HR Payroll - Phase 2	✓			
Growth and Regeneration	Projects and Programmes	Embedded Assurance - Major Project	✓			
Corporate	Information Security/ICT	E Procurement system - security	✓			
Corporate	Information Security/ICT	Operations Centre - Resilience/Cloud	✓			

#### B. Planned Proactive Fraud work

Directorate	Gov, Risk or Internal Control Area	Name of Review	Initial Planning/TOR	In Prog/Ongoing	Complete	Commentary
Corporate	Fraud - Prevention	Bribery and Corruption Review - Fraud Controls Framework Review			✓	
Corporate	Fraud - Prevention	E learning roll-out			✓	Raising Awareness
Corporate	Fraud - Prevention	Fraud Web page updates			✓	Raising Awareness
Resources	Fraud - Prevention	Fraud Awareness Training - Benefits Administrators			✓	Raising Awareness
People	Fraud - Prevention	Education Team Requests			✓	Pupil Finder
People	Fraud - Prevention	Fraud Awareness Training - Schools			✓	Raising Awareness
Corporate	Fraud - Proactive Detection Exercises	National Fraud Initiative (NFI) Download			✓	
Corporate	Fraud - Proactive Detection Exercises	NFI Output			✓	
Resources	Fraud - Proactive Detection Exercises	National Non-Domestic Rates (NNDR)			✓	
Resources	Fraud - Proactive Detection Exercises	AP Forensics - Accounts Payable fraud testing			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Blue Badge Enforcement exercise - Joint Exercise with Blue Badge Team			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Key Amnesty			✓	Complete for the year
Growth and Regeneration	Fraud - Proactive Detection Exercises	Housing Partnership - working with RSLs on Tenancy Fraud			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Tenancy Fraud Case work			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Tenancy Fraud - Right to Buy (RTB)			✓	
Growth and Regeneration	Fraud - Proactive Detection Exercises	Gain work			✓	
Corporate	Fraud - Strategic Fraud Risk Management	CIPFA Fraud Survey			✓	Benchmarking
Corporate	Fraud - Strategic Fraud Risk Management	Analysis of CIPFA Benchmarking			✓	Benchmarking
Resources	Fraud - Strategic Fraud Risk Management	Transparency Data Reporting - Fraud			✓	Statutory Requirement
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			✓	
Resources	Fraud Investigation	National Fraud Initiative SPD download			✓	
Corporate	Fraud - Strategic Fraud Risk Management	Fraud Risk Registers - Engagement with risk owners		✓		
People	Fraud - Prevention	Schools Fraud Health Check		✓		
Growth and Regeneration	Fraud - Prevention	Social Housing Gateway Review (allocations)		✓		
Corporate	Fraud - Proactive Detection Exercises	Continuous Matching/Data Warehouse		✓		
People	Fraud - Proactive Detection Exercises	Direct Payment - Analytical Review & Testing		✓		
Resources	Fraud - Proactive Detection Exercises	Procurement - Analytical Review	✓			
Growth and Regeneration	Fraud - Proactive Detection Exercises	Empty Property Relief	✓			

### C. Grant Certifications

Directorate	Gov, Risk or Internal Control Area	Grant Details:	Initial Planning/TOR	In Prog/Ongoing	Complete	Value of Grant Claim
Growth and Regeneration	Financial Controls	NTS Funding and Grant (Scambuster)			✓	£ 300,000.00
Growth and Regeneration	Financial Controls	NTS Funding and sub Grant (Scambuster)			✓	£ 81,000.00
Growth and Regeneration	Financial Controls	IF 13 Development of Hengrove			✓	£ 400,000.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT			✓	£ 20,574.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT			✓	£ 3,941.70
Growth and Regeneration	Financial Controls	GBVS - GIGABIT (November)			✓	£ 2,032.00
Growth and Regeneration	Financial Controls	GBVS - GIGABIT (January)			✓	£ 1,292.60
Growth and Regeneration	Financial Controls	Disabled Facilities Grant			✓	£ 261,338.91
Growth and Regeneration	Financial Controls	TQEZ Jobs			✓	£ -
Growth and Regeneration	Financial Controls	Bristol Temple Quarter Enterprise Zone (TQEZ) RIF 008			✓	£ 7,185,792.89
Growth and Regeneration	Financial Controls	WECA Highways and Capital Grant			✓	£ 7,632,000.00
Growth and Regeneration	Financial Controls	Pothole Action Grant			✓	£ 218,434.62
Growth and Regeneration	Financial Controls	Cattle Market Grant			✓	£ 502,225.00
Growth and Regeneration	Financial Controls	Local Sustainable Transport Package Grant			✓	£ 970,626.83
People	Financial Controls	Future Bright Programme			✓	£ 27,711.00
Growth and Regeneration	Financial Controls	A4-A4174 Challenge Fund			✓	£ 152,944.67
Growth and Regeneration	Financial Controls	WECA Community Transport			✓	£ 886,000.00
Growth and Regeneration	Financial Controls	Disabled Facilities Grant (DFG)			✓	£ 2,651,566.00
Growth and Regeneration	Financial Controls	Carbon Reduction Commitment (CRC)			✓	£ 258,920.00
Growth and Regeneration	Financial Controls	Challenge Fund Grant - Flood resilience Project			✓	£ 53,034.07
Growth and Regeneration	Financial Controls	Bus Service Operators Grant (BSOG)			✓	£ 448,348.00
Growth and Regeneration	Financial Controls	(LEP) (LGF) Local Sustainable Transport Package 2017/18			✓	
Growth and Regeneration	Financial Controls	Feas B Southern Orbital Grant			✓	£ 154,753.74

Growth and Regeneration	Financial Controls	RIF- South Bristol - SUD			✓	£ 55,536.00
Growth and Regeneration	Financial Controls	WECA Lockleaze FEAS J			✓	£ 437,122.00
Growth and Regeneration	Financial Controls	Temple Quarter Enterprise Zone Programme Team EDF - 0			✓	£ 273,555.05
Growth and Regeneration	Financial Controls	URBACT III			✓	€ 19,304.86
						<b>£ 22,978,729.08</b>

#### D. Recommendations Follow Up Plan Status:

Directorate	Gov, Risk or Internal Control Area	Name of Review	In progress	Complete	Implemented:		Partially Implemented		Not Implemented		Superseded	Total
					H	M	H	M	H	M		
Corporate	Governance	Decision Making Process - follow up		✓	1	5						6
Resources	Financial Controls	Accounts Receivable (Including further follow up)		✓	1	5	2	5		1		14
Resources	Financial Controls	Accounts Payable		✓		2		4		2		8
People	Financial Controls	Budgetary Control - People (Including Further Follow Up)		✓	1	5		1			1	8
Growth and Regeneration	Financial Controls	Budgetary Control - Neighbourhoods (Including Further Follow Up)		✓		1		1				2
Resources	Financial Controls	Security Services Cash -in- Transit		✓		3		3				6
Growth and Regeneration	HR and Asset Management	Sale and Disposal of Council Assets, including St Agnes Lodge and POB		✓		8		5				13
People	Financial Controls	Foster care Payments (Further follow-up)		✓				2	1			3
Corporate	Commissioning and Procurement	Contract Waivers		✓		4		2				6
Resources	Fraud - Prevention	Purchase card review		✓	9			0			2	11
Resources	Information Governance and ICT	Mobile devices		✓	1	1		1	6	1	6	16
People	Schools	Primary School		✓	1	10						11
Resources	HR and Asset Management	HR Process Review		✓		4						4
Corporate	Governance	Whistleblowing Effectiveness Review		✓	13							13
People	Risk Management	Provider Failure (People)		✓		1						1
Resources	Commissioning and Procurement	Cash Receipting System Contract		✓	3	1						4
People	Risk Management	Safer Recruitment - Children and Families Care and Support		✓	1			3		1		5
Corporate	Risk Management	Corporate and IT Business Continuity (Including further Follow Up)		✓		2	1	2		1		6
Resources	Financial Controls	General Ledger Movement (Further follow-up)		✓	1			3				4
Resources	Financial Controls	Housing Benefits (Further follow-up)		✓		4		2				6
Corporate	Governance	Customer Relations System (Further follow-up)		✓		1		2				3
People	Governance	Schools Financial Governance Overarching		✓		3		3				6
Resources	Financial Controls	Bank Reconciliation/E Income Returns		✓		3		2		1		6
People	Financial Controls	Schools Financial Governance- Individual Schools		✓		17		3			4	24
Resources	Financial Controls	CHAPS		✓		5				1		6
People	Risk Management	DOL Assessments Full review to be repeated in 20/21		✓				2				2
Corporate	Governance	Business Case Robustness		✓		8						8
Growth and Regeneration	HR and Asset Management	Investment Property Portfolio Is BCC		✓		4		1		1		6
Corporate	Governance	Web Page Control		✓		5		1				6
Corporate	Commissioning and Procurement	Contract Monitoring		✓				6				6
Resources	Governance	Recruitment & Selection DBS Checks		✓		2						2
Resources	Information Governance and ICT	Financial Systems Security and Resilience		✓	3		1		6	4	1	15
Resources	Information Governance and ICT	Future State Assessment		✓			3		1			4
Resources	Information Governance and ICT	Digital Strategy		✓	2		2		4		2	10
Corporate	Information Security/ICT	Third Party Assurance (b/f)		✓	2		1		3			6
People	Commissioning and Procurement	Adult Social Care Commissioning		✓		6						6
					<b>39</b>	<b>110</b>	<b>10</b>	<b>54</b>	<b>21</b>	<b>13</b>	<b>16</b>	<b>263</b>

#### E. Adhoc Work Requests/ Consultancy & 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, assoc
Communities	Governance	New Housing System Project (Advice)				Advice	✓	Project Board Attendance, Critical Friend and Guidance
Resources	Financial Controls	Cheque Control					✓	Disposal of Cheques.
Resources	Financial Controls	Purchase Cards					✓	Advice on use of purchase cards for various matters ari
Growth & Regeneration	Governance	DVLA checks				Advice	✓	
Growth & Regeneration	Financial Controls	Rent Deposit Bonds				Advice	✓	
Growth & Regeneration	Procurement & Commissioning	Void/Re-let framework contract				Advice	✓	



## Audit Opinion Definitions

Opinion	Meaning
Good Control	There is a good system of governance and internal control to assist achievement of the identified objectives and manage the associated risks. Only minor weaknesses were identified and management can have <b>reasonable assurance</b> that areas covered by the review are effectively managed and controlled.
Acceptable Control	Overall the system of internal control and governance is satisfactory and management can have <b>reasonable assurance</b> that many areas covered by the review are effectively managed and controlled. <b>There are however weaknesses which put some of the identified objectives at risk.</b>
Partial Control	Missing or failing controls were identified which have a substantial impact on the extent to which management can rely on the systems of internal control and governance. Only <b>limited assurance</b> can be given that the risk areas covered by this review are effectively managed and controlled
No Control	Internal control and governance is weak and management can place no reliance on it. This leaves the system open to significant risk, error or abuse. <b>No assurance</b> can be given that the risk areas covered by this review are properly managed and controlled