BRISTOL
INTERNAL AUDIT

INTERNAL AUDIT ACTIVITY REPORT

FOR THE PERIOD OF

April to June 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 quarter one 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 to 30th June 2019, providing the Committee with the foundation upon which to build a holistic picture of the Control, Risk and Governance framework within the Council. The Committee will be provided with regular updates on Audit activity throughout the year thereby allowing it to track the progress of Internal Audit work through the year.

1.4   Additionally, the report provides an update on the Assurance Audit plan and any changes thereof, as well as updates in the following areas:

> ➢   The status of the completion of the Internal Audit plan, including proposed amendments
> ➢   Summaries of completed audit reviews
> ➢   Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
> ➢   Grant certification
> ➢   Recommendation Implementation status
> ➢   Counter Fraud Activity

1.5   The full detail of all of the Internal Audit work completed or in progress in the period 1st April to 30th June 2019, is provided at Section 5 of this report.

2.   Key Messages

> ➢   Audit Plan has been re-assessed to reflect changing circumstances within the People Directorate;
> ➢   Majority of resources in quarter (1) have been used predominantly to progress reviews carried forward from 2018/19, as well as the certification of early 2019/20 grant claims;
> ➢   20% of recommendations followed up in 2018/19 remain unresolved, against the 43% that were carried forward from 2017/18;
> ➢   5 grants with a total value of £8.9m certified to date;
> ➢   Counter Fraud work has identified circa £316k recoverable savings to date in 2019/20;

A summary of matters arising for 10 completed audit assignments has been provided at Appendix A. These include audits finalised in 2018/19 for which such detail has yet to be provided to the Committee.

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 to the 30th June 2019 is provided in Section 5 below.

The majority of the work completed in quarter 1 has focussed on finalising work that was in progress at the end of 2018/19, including follow-up on recommendation made as a result of both 2017/18 and 2018/19 audit reviews. Additionally, work has commenced on the certification of early 2019/20 grants.

The Internal Audit target percentage for plan completion to draft report stage at this point of the year is 15%, however the number of reviews which have reached this stage is above target at 20%, this includes taking account of the planned carried forward work from 2018/19.

By necessity, the Audit Plan must be flexible to ensure it remains relevant to risks facing the Council throughout the year. Consequently, the People directorate plan has been amended to ensure it is fit-for-purpose.

Table 1 provides details of the proposed plan amendments within the People directorate as a result of the plan review. The scope of all audits is reviewed for continued relevance in drafting the terms of reference.

Table 1 - Risk Based Plan Amendments:

No.	Reasonable Assurance Area	Assignment	Commentary
	Deletions		
1	HR and Asset Management	Children's Social Worker Recruitment and Retention	First and second line assurances in place. Limited value in Internal Audit review.
2	Projects & Programmes	New Model for Education and Skills	Limited added value from Audit involvement
3	Financial Controls	Use of Education Support Grant (DSG)	Material areas from DSG are covered by other audit areas. Duplication

3.2 Grant Certification:

To date, the team has audited and certified 5 grant claims to the value of approximately £8.8m. Work is progressing on further certifications in quarter two. Details of all certifications can be seen in section 5.

3.3 Root Cause Analysis (RCA):

Internal Audit is currently undertaking a RCA in conjunction with the Corporate Leadership Board (CLB) , of the reasons behind the 'Limited Assurance' Internal Audit annual opinion for the past three years. The output from the analysis will be reviewed against the Council's Organisational Improvement Plan and the LGA Peer Review Action Plan to ensure that all matters are being effectively dealt with and that any gaps are addressed.

Internal Audit will also use the output to examine its own

3.4 Resources:

As the Committee is aware, Internal Audit was restructured in 2018/19, with the revised structure launched in the latter stages of that year, however the Team continue to carry vacancies within the revised structure.

Recruitment to the vacancies within the Counter-Fraud team is about to commence, with the vacancies in the Assurance team to be held in abeyance in order to allow the new Chief Internal Auditor the flexibility to ensure the resource is fit-for-purpose.

The Team also has a number of long-term sickness incidences, which are impacting on its productivity, therefore interim resources will be sought to cover the vacancies and backfill the sickness absence where appropriate.

3.5 Counter Fraud Update:

The Committee will receive full reports on counter fraud work undertaken by the team in November 2019 (half year) and May 2020 (Annual). To update, however, the following represents the significant outcomes of fraud work for the year so far:

- 13 housing properties have been recovered as part of the continued tenancy fraud initiative;
- 1 property recovered as a result of National Fraud Initiative (NFI) intelligence
- £316k in recoverable saving have already been identified this year
- Key Amnesty – Analysis of the information gathered as a result of this exercise is ongoing. Details of the outcomes will be provided to the Committee at its meeting on 30th September 2019.

Fraud Area	Recoverable	Notional	Weekly cost avoidance
Tenancy Fraud	£15,704.00	£1,302,000	£114.00
Benefits	£161,333.00	-	£448.00
Council Tax Reduction	£1,650.00	-	£22.00
Direct Payments	£5,298.00	-	£268.00
NFI	£62,478.00	-	-
NFI HMRC Pilot	£66,758.00	-	-
Pool Car Misuse	£2,849.00		

Figures used for notional savings are: Council property recovered = £93000 (figure recommended by Cabinet Office)

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

3.6 Recommendation Implementation:

A number of follow up reviews were concluded in 2018/19, details of which were provided to the Committee in the Internal Audit Annual Report 2018/19, however the Council has carried 48 recommendations forward to 2019/20 where either implementation is in progress or implementation has not commenced. Whilst this figure remains of concern it nevertheless represents an improvement on the 89 which were not fulfilled by the end of 2017/18. Full details of the areas where recommendations made in 2018/19 remain unresolved are provided in Section 5 of this report.

The Internal Audit resource utilised last year in the continual pursuit of recommendation implementation amounted to circa. 1.5 Full Time Equivalent posts, having followed up a total of 246 recommendations. This level of resource commitment can impact on the Team's ability to deliver its agreed audit plan, therefore a revised audit process has been rolled out which includes a change in the ownership of the resolution actions to audit findings. It is hoped that this change will achieve an increase in the rate of recommendation implementation in 2019/20 and forward.

For the 2018/19 outstanding audit recommendations, Internal Audit will continue to work with management to ensure that evidence of timely implementation is forthcoming.

Of the two follow-up reviews that have been concluded in the quarter, 44% have been fully implemented, 45% are in progress and 11% have not been started. For each of these Follow Up reviews, the objective was to test whether the recommendations identified in the original audit report had been implemented. Internal Audit can supply further details to Members on any of the reports detailed in Section 5 at the Committee if required.

3.7 Revised Internal Audit Process and Opinions:

As part of the revised approach Internal Audit are taking to audit reviews, it has reviewed its audit opinion categories for 2019/20 planned work, in order to make them more granular and to better reflect the situation within the service under review. Internal Audit was of the view that limiting the opinions to just three choices, Reasonable, Limited and None, did not always reflect the status of the control framework within the area being audited. As a result of this review the following opinions are currently being trialled:

- In Control
- Satisfactory
- Needs Improvement
- Unsatisfactory

Please see Appendix B for definitions of these proposed opinions.

4. Under the Spotlight!

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

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

A. **Corporate:**
- Schemes of Delegation
- Bribery & Corruption Review

B. **People:**
- Transition from Care Leavers
- Apprenticeship Levy
- Care Act – Deferred Payments
- Public Health – Ring Fenced Grant

C. **Resources:**
- IT Project Management Approach
- Project Management Office

D. **Growth & Regeneration**
- Major Project Governance (Colston Hall)
- Homelessness

5. Status of Internal Audit Work for the Period of: (1st April 2019 to 27th June 2019)

A. Risk Based Assurance Plan including Proactive Fraud Work: 2019/20 - Progress to Date

Audit Plan			Initial Planning	TOR in progress or agreed	In Prog/Ongoi	Draft Report	Complete	Assurance Level	Risk Level	Date when a Summary was reported to the Audit Committee.
Directorate	Gov, Risk or Internal Control Area	Name of Review								
People	Financial Controls	Apprentice Levy Account (b/f)					✓	Limited	Red	Summary provided to this Committee Meeting
Resources	Information Security/ICT	IT Project Management Approach (design and security) (b/f)					✓	Limited	Amber	Summary provided to this Committee Meeting
People	Financial Controls	Care Act - Deferred Payments (b/f)					✓	Reasonable	Amber	Summary provided to this Committee Meeting
Growth and Regeneration	Projects and Programmes	Embedded Assurance - Major Project (b/f)					✓	Reasonable	Amber	Summary provided to this Committee Meeting
Corporate	Governance	Bribary & Corruption Review (b/F)					✓	Reasonable	Amber	Summary provided to this Committee Meeting
Resources	Commissioning and Procurement	Effectiveness of New Procurement Arrangements (b/f)					✓	Limited	Amber	Summary to be provided to September 2019 Committee Meeting
Growth and Regeneration	Commissioning and Procurement	Housing Options - payments to voluntary groups (b/f)					✓	Reasonable	Green	Summary to be provided to September 2019 Committee Meeting
People	Financial Controls	Public Health Ring-Fenced Grant (b/f)					✓	N/A	N/A	Summary provided to this Committee Meeting
People	Financial Controls	Schools - Individual Schools (b/f) (15 x Schools)					✓	N/A	N/A	Overarching summary to be provided to the Committee at its September
Corporate	Governance	Business & Service Planning (b/f)				✓				
Corporate	Risk Management	Risk Management (b/f)				✓				
Corporate	Governance	Annual Governance Statement 2018 19				✓				Intial draft considered at May 2019 Audit Committee. Also being provided to this Committee Meeting.
Corporate	HR and Asset Management	Individual Performance Management (b/f)				✓				
People	VFM/Targeted Savings Identification	Direct Payments - Full Study to include systems, processes and targeted testing.				✓				
Corporate	Governance	New Directorate and Departments - Governance and Financial Control (b/f)			✓					
Corporate	Risk Management	CRR 7 - Safety of Citizens (b/f)			✓					
Corporate	Commissioning and Procurement	Review of Specific Contracts (b/f)			✓					
Resources	Commissioning and Procurement	Access rights to information - Partnerships/Contracts (GDPR) (b/f)			✓					
Resources	Financial Controls	Financial Interfaces Phase (1) (b/f)			✓					
Corporate	Financial Controls	Savings Tracker for Change Programme (b/f)			✓					
Growth and Regeneration	Financial Controls	Financial Review of Park Cafes			✓					
Corporate	Information Security/ICT	Information Governance Board			✓					
Corporate	Information Security/ICT	IT Transformatin Programme Assurance (Formally FSA)			✓					
Corporate	Information Security/ICT	Operations Centre - Resilience/Cloud (b/f)			✓					
Resources	Financial Controls	Financial Interfaces Phase (2) (b/f)			✓					
Growth and Regeneration	Risk Management	CRR 1 - Commercial Investment and Capital Programme (b/f)		✓						

| Corporate | Information Security/ICT | E Procurement system - security (b/f) | ✓ | | | | | | | |
| Resources | Financial Controls | Litigation Settlements | ✓ | | | | | | | |

B. Certifications

Directorate	Gov, Risk or Internal Control Area		Initial Planning	TOR (Where App.)	In Prog/ Ongoing	Complete	Value of Grant Claim
People	Grant Certification	Future Bright (Previously ESIP)				✓	£ 445,815
Growth and Regeneration	Grant Certification	(LEP) (LGF AK) Local Sustainable Transport Package 201718				✓	£ 1,528,942
Growth and Regeneration	Grant Certification	NTS Funding for Regional Intelligence Function SWERCOTS				✓	£ 81,000
Growth and Regeneration	Grant Certification	NTS Funding for Regional Intelligence Team SWERCOTS				✓	£ 300,767
Growth and Regeneration	Grant Certification	WECA Highways and Transport Capital Grant				✓	£6,527,000

Total Grants Certified   £ 8,883,523

C. Recommendations Follow Up Work Completed/In progress/Due:

Directorate	Gov, Risk or Internal Control Area	Name of Review	In progress	Complete	Implemented: H	M	Partially Implemented H	M	Not Implemented H	M	Superseded	Total
RECOMMENDATIONS THAT REMAIN OUTSTANDING FROM 2018/19 FOLLOW-UP WORK:												
Resources	Financial Controls	Accounts Receivable					2	5		1		8
Resources	Financial Controls	Accounts Payable						4		2		6
Corporate	Procurement & Commissioning	Contract Waivers						2				2
Corporate	Risk Management	Safer Recruitment (DBS Checks)						3		1		4
Resources	Financial Controls	General Ledger Movement						3				3
Resources	Financial Controls	Housing Benefits						1				1
Resources	Financial Controls	Bank Reconciliation						2		1		3
Resources	Financial Controls	CHAPS								1		1
Growth & Regeneration	HR and Asset Management	Investment Property Portfolio						1		1		2
Corporate	Governance	Web Page Control						1				1
Resources	Information Governance & Security	Financial Systems Security and Resilience					1		6	4		11
Resources	Information Governance & Security	Digital Strategy						2		4		6
RECOMMENDATIONS FOLLOWED UP IN 2019/20												
Resources	Financial Governance	Security Services Cash -in- Transit (Further follow-up) (b/f)		✓		2		2				4
Growth & Regeneration	HR and Asset Management	Sale of Council Assets (follow-up) (b/f)	✓			2		2		1		5
Resources	Financial Governance	Grant Application Process	✓									0
Resources	Financial Governance	Council Tax Income Collection	✓									0
		Total Recommendations followed up or in progress			0	4	3	28	6	16	0	57

D. Planned Proactive Fraud work

Directorate	Gov, Risk or Internal Control Area	Name of Review	Fact Finding has commenced	TOR/Initial Asst	In Prog	Complete	Commentary
Corporate	Fraud Strategy	CIPFA Annual Fraud Survey			✓		
Corporate	Fraud Strategy	Bribery & Corruption Risk Register			✓		
Corporate	Fraud Strategy	Transparency Reporting Fraud			✓		
Growth and Regeneration	Fraud Prevention	Publicity and Fraud Awareness raising			✓		
People	Fraud Prevention	Pupil tracking requests			✓		
People	Fraud Prevention	Schools Fraud Healthcheck			✓		
Corporate	Fraud Prevention	Social Housing Gateway Review (allocations)			✓		
Corporate	Fraud Prevention	Data Analytics/ Data Hub			✓		
Corporate	Fraud Detection	NFI Output			✓		
Resources	Fraud Detection	Fiscal Fraud Module - Analytics			✓		
People	Fraud - Proactive Detection Exercises	Direct Payments Analytics			✓		
Growth and Regeneration	Fraud Prevention	Key Amnesty			✓		

Growth and Regeneration	Fraud Detection	Tenancy Fraud - casework			✓		
Corporate	Fraud Detection	Gain			✓		
Growth and Regeneration	Fraud - Proactive Detection Exercises	Right to Buy Checks			✓		
Corporate	Fraud Detection	Fraud hotline management			✓		
Resources	Fraud Investigation	Benefit Fraud Casework (DWP)			✓		
Resources	Fraud Detection	CTR Casework			✓		
Corporate	Fraud Detection	NFI HMRC Pilot			✓		
Corporate	Fraud Detection	Whistleblowing			✓		
Growth and Regeneration	Fraud Investigation	Void Garages			✓		
Resources	Fraud - Proactive Detection Exercises	Enterprise pool cars, Mileage - Fraud and VfM review			✓		

APPENDIX A - SUMMARIES OF COMPLETED AUDITS

A. Corporate

A1.   Schemes of Delegation

Within the Council the decision making powers rest either with the duly elected Mayor "executive powers", or with Full Council "non-executive powers". The Council operates in line with a Constitution which is reviewed and ratified annually. The Constitution allows the Mayor and Full Council to delegate many of their powers to others, including to the Head of Paid Service, the Executive Directors, and a number of other statutory and proper officers such as the Directors for Finance and Legal.

These officers may then delegate some of their powers to others by way of Officer Schemes of Delegation. There are Schemes of Delegation for each Directorate, and for Finance, HR and Legal matters.

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 compliance with the respective Schemes of Delegation (SoD). Specifically the audit reviewed:

- The clarity, consistency and robustness of SoD
- Whether financial delegations were reflected in the Council's financial systems
- Maintenance and control over change to the SoD
- Awareness, availability and promotion of SoD/Constitution
- Monitoring compliance.

The Council revised its Constitution in May 2018 and introduced a new Directorate structure from 1st December 2018, reducing the number of Directorates from four to three. Based on the completion of the fieldwork, a **Limited Assurance** Audit opinion was assigned. The key findings identified in the Internal Audit review were:

- The Constitution (Part 3 Responsibility for functions) published in May 2018 reflects the former Directorate structure, not the current structure and so maybe in breach of the Local Government Act 2000
- The BCC's published Officer Schemes of Delegation (OSoD) also reflect the former structure and revised OSoD have yet to be finalised
- There is no overarching action plan for updating the OSoD identifying the time and resources required
- A systematic approach to maintaining the OSoD on a regular basis is not being followed
- The OSoD do not feature within employee induction, nor is there on-going training
- Tasks and responsibilities are clearly defined in the Financial Delegation scheme
- Financial Delegations are being complied with for write-offs, re-profiling, budget virements and capital programme
- User access and permissions on ABW financials are not being managed in-line with BCC protocol
- Budget holders are not required to undergo relevant training prior to been given responsibility for a budget.

The audit identified areas for improvement, for which 14 recommendations were made, which included:

- In the upcoming May 2019 review, the Constitution should be updated to ensure it reflects the current BCC structure
- An action plan should be put in place to deliver the revised OSoD by an agreed date
- Executive Directors should be engaged to remind them that they are responsible and accountable for the powers they delegate and hence need to ensure Directors and Officers update Directorate Support Managers with detail of changes in delegations, or confirm that there has been no change
- The Executive Office should complete the current review of the Directorate OSoD
- The revised Directorate OSoD should be reviewed by Legal Services
- The Executive Directors should approve the revised OSoD
- The revised OSoD should be published and communicated so that Directorate decision making processes are clear and transparent.

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

A2.   Bribery and Corruption Review

Bristol City Council is committed to conducting its business with honesty and integrity and to this end it expects that all employees and Members operate with the same honesty and integrity. In the light of this the City Council has a zero tolerance approach towards accepting bribes or any form of corruption.

The objective this audit assignment was to provide an opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding management of the risk of bribery and corruption at the Council. Specifically the audit included:

- A review of arrangements in operational areas most at risk of bribery and corruption

- Assessment of the Council's arrangements against best practice (defined by the Chartered Institute of Public Finance and Accountancy (CIPFA)).

- A review of the information held on both internal and external web pages with a particular focus on establishing the ease with which concerns can be reported.

- A review of the Gift and Hospitality Registers held by the City Council.

- A review of the effectiveness of the declaration of interest process for both Officers and Members.

- A review of the January 2019 report by the Parliamentary Committee on Standards in Public Life concerning Ethical Standards in Local Government.

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

- There is good management awareness within the areas reviewed (Procurement, Planning, Electoral Services and Human Resources (HR)) of the risks of bribery and corruption and the potential financial loss and reputational damage it could cause to the City Council.

- Within Procurement, Planning and Electoral Services there are measures in place which reduces the risk of City Council Officers being offered bribes or engaging in corrupt practices.

- There is awareness amongst Members of the need to declare any possible conflicts of interest and to record the receipt of any gifts or hospitality.

- Improvement actions arising following review of arrangements in October 2017 have been implemented including:
    - Raising the profile of 'Bribery and Corruption risk'
    - Allocating additional resources to assist with timely and effective investigations.

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- There are advertised mechanisms through which employees and members of the public can raise any suspicions they may have regarding corrupt practices at the Council. (However note reference below*).

The audit identified some **areas for improvement**, including:

- Formal risk assessment and recording of Bribery and corruption risks.

- Strengthening the 'declaration of interest' process for employees including interims to ensure they are made, refreshed periodically and as circumstances (or employment) change.

- More timely investigation of the National Fraud Initiative output relating to employees with directorships.

- Updating the Code of Conduct for employees to reflect the current management structure and authorisation requirements. Improvements to the transparency and content of the gift and hospitality register including regular inspection by Internal Audit.

- Raising employees' awareness of approval requirements relating to gifts and hospitality.

- Provision of the CIPFA publication 'A Councillors Workbook on Bribery and Fraud Prevention' to Members. Additionally, pointing Members to the Fraud Prevention E Learning that has been rolled out to officers.

*The report acknowledged concerns resulting from the 2018/19 Whistleblowing Review about the lack of confidence to report issues. It did not however duplicate the recommendations made in that report. Options to improve confidence in 'Whistleblowing' are currently being considered.

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

B. People

B1.   Transition from Care Leavers

The Council is required to support care leavers so that they can live successful independent lives. Young people in care on or after their 16th birthday are entitled to support up to the age of 21 and in some instances 25. The statutory requirements with regard to transition from care are set out in the Children Act 1989 and associated guidance.

The objective of the review was to ensure that the Council has adequate systems and frameworks for the transition of care that is compliant with regulation. Specifically, the audit approach considered the following:

- Completeness – young people are not identified as transitioning
- Whether the Council has an effective system and framework to ensure that young people receive appropriate support during transition
- Whether roles and responsibilities are clear
- Whether the outcome of transition care is measured and reported.

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 'Qlik' system records the young people in care for whom the transition process is required
- There is an effective system and framework to ensure that young people receive appropriate support during transition
- The roles and responsibilities for staff are clear.

The audit identified two areas for improvement:

- Pathway Plans did not always have SMART objectives
- The risks associated with Transition from Care are not summarised in a risk register.

Three recommendations were made:

- The Pathway Plans should whenever possible include SMART objectives
- The risks associated with Transition from Care should be formally recorded
- The identified risks should be escalated to the Directorate Risk Register and the Corporate Risk Register, if appropriate.

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

B2. Apprenticeship Levy Audit

The levy scheme in its current form was introduced by the Finance Act 2016 in April 2017. Companies and organisations with a payroll bill over £3m pay a levy to the HMRC dedicated account (the digital account).

The Council pays into the digital account a monthly amount determined from its payroll. The HMRC tops up the Council payment by 10%. Payment for the training of apprentices is made to the learning providers from the digital account. Any underspend on the digital account expires after 24 months.

The Government set a target for the public sector to create apprentice places of 2.3% of the work force by 2020. The Council has reflected the target in its Organisational Development Plan and provides a budget for apprentices' salary and travel expenses. Managers have to apply for the creation of apprentice posts providing they have the budget. Existing BCC employees are also eligible for apprenticeships, which may be funded from the Scheme.

The objectives of the assignment were to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal controls regarding calculation, payments, utilisation and record keeping of the apprenticeship levy. Specifically the audit reviewed:

- Whether a process is in place for the correct and timely calculation of the levy
- Records of recruited apprentices and KPIs reporting
- The apprenticeship levy account
- The management reporting of the apprenticeship levy account and the action taken in respect of the reports produced
- The governance arrangements in place.

Based on the completion of the fieldwork, a **Limited Assurance** Audit opinion was assigned. The key areas of good practice identified during the review were:

- At February 2019, there were 122 Bristol City Council (BCC) apprentices through the Scheme; 29% of which were from priority groups; the Council also participates in the national initiative "5-Cities Diversity Hub" project, which aims to increase BME apprenticeships to 20% by 2020
- New initiatives including the BCC Levy Sharing scheme, internal and external marketing campaigns and provision of support to managers with an HR linked initiative. Successful apprentice stories are communicated via the Source and reported to the HR Committee.

BCC has a target of 252 apprentices by March 2021; which is a doubling of the current number in the next two years. Internal Audit identified the following key areas where improvement is required:

- Utilisation of the Apprenticeship levy
- Leadership and governance arrangements.

Internal Audit raised 11 recommendations including:

- Reconciliation of the BCC digital account each month
- Inclusion of all Locally Maintained Schools in the levy calculation
- Development of an overarching plan for achievement of the 252 apprenticeship target and to ensure full utilisation of the levy available

- The plan should include specific targets for apprenticeship numbers for each Directorate and for SME partners
- The need for additional resource to deliver the plan should be assessed and put in place
- Commitment from CLB and Directorates to meeting the Apprenticeship targets
- Special attention should be given to maximise apprenticeship take up within schools, where the Council is not in direct control of their recruitment.

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

B3.   Care Act – Deferred Payments

The Care Act 2014 makes it a legal requirement for the Council to offer Deferred Payment Agreements (DPAs) to fund residential care fees for individuals meeting certain eligibility criteria. The deferred payment scheme helps those who have the means to pay the full cost of their long term residential care, but do not have access to finance in the short term, because it is locked in the value of their home.

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 deferred payments. Specifically, the audit approach considered the following:

- The risk of legal challenge to sale of property, if the agreement is not signed by an individual with capacity, or legal status to do so
- Whether income due is not recovered because:
    - A legal charge is not made against a property owned by the service user
    - The full debt is not correctly recorded including charge for care or interest and administration
- The risk that a charge is incorrectly put against a property when a spouse or dependent relative is living in that property.

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:

- DPAs had been signed by Service Users, with capacity to do so, or by an appointed representative with the legal status to act on their behalf and where a DPA was in place, a corresponding legal charge had been put on the property
- Guidance for Service Users is available on www.bristol, although this quoted an incorrect interest rate
- Service User statements are issued biannually and detail the loan value and interest charges
- The DPA schedule of charges is subject to biannual review by the Payments, Charging & Financial Protection Manager
- The charge on the property is not released until the Council has received repayment of the deferred loan
- Deferred payments debt is included in the Property Income forecast that is entered into ABW
- Where a charge is put against a property there was a declaration by the occupier that they agree to wavier their rights of occupation.

The audit identified areas for improvement including:

- The Deferred Payments checklist (a control sheet which should be filled in by Caseworkers to verify all relevant information supporting the DPA is captured) was not being completed
- There is no process map which describes how the Council services, progresses, manages, controls and monitors DPAs
- Internal Audit tested a sample of completed DPAs and found that there were credit balances showing on ABW
- There is a residual issue with the interest calculation on discretionary arrangements (pre summer 2015).

Seven recommendations were made, including:

- Caseworkers should complete the Deferred Payments checklist which should be retained on file to support the DPA application
- The DPA process should be mapped, referencing the services involved, their respective responsibilities and key contacts
- Legal Services should produce procedural documentation for how they process and manage property charges for DPA applications
- Confirm the reason for the credit balances in the sample of settled DPAs and consider if further action is needed
- Once the remaining discretionary arrangements are finalised, and the Payments, Charging & Financial Protection Manager is satisfied that the interest calculation is correct, the use of MS Excel to calculate interest should be phased-out.

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

B4.   Public Health – Ring Fenced Grant

The Department for Health provides the Council with the grant funding required to discharge its public health functions to improve health in the local population. The total allocation of grant for 2018/19 was £32.5 million.

The object of the review was to provide an independent assurance that the Public Health Grant received is being utilised and reported as per the Grant Offer Letter terms and conditions. Specifically, the audit approach was to:

- Review the Grant Offer Letter for Public Health Grant. Obtain the required Quarterly Returns
- Reviewed the income and expenditure recorded on the Council's Finance system (ABW) against the allocations in the Grant Offer Letter and the figures reported in the Quarterly Returns
- Undertake an analytical review across the areas of spend and identify the greatest areas of spend
- Undertake a 'deep dive' into the main areas of spend, confirming that actual payments made were for eligible expenditure
- Review income due from partners in public health delivery to ensure it had been properly accounted for and used appropriately to offset eligible expenditure.

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:

- Quarterly Returns and the year end return had been made, in accordance with the format and timescales specified
- Quarterly Returns for 2018/19 were supported by detailed working papers
- The income and expenditure reported in the Quarterly Returns for 2018/19 reconciled to ABW
- The 'deep dive' confirmed that all payments reviewed were for eligible expenditure and had been approved at the appropriate level
- Income due from partners in public health delivery had been received and used appropriately to offset eligible expenditure.

No recommendations were made.

C. Resources

C1.   IT Project Management; Design and Security

The purpose of the assignment was to review the arrangements in place for managing an IT project implementation and ensuring that security is considered as part of the design. Specifically the audit reviewed:

- Business alignment and interdependency with core infrastructure
- Process for the technical design and the security profile
- Phase initiation and acceptance
- Change control
- Measurement, reporting and monitoring of the project
- A review of "go-live" and the support plan in relation to the security profile.

Based on the completion of the fieldwork, a **Limited Assurance** opinion was assigned. The audit identified areas for improvement, for which 15 recommendations were made, these included:

- The need to be clear on functional and non-functional requirements at an early stage
- Strengthening the design documentation and authorisation process
- Ensuring all projects have an appropriate test plan and appropriate sign-off and resourcing the testing function appropriately
- Early escalation for supplier issues identified
- Closure process to confirm that penetration testing has been carried out and actioned.
- Timely and full completion of closure reports
- Communication of lessons learned
- Mandatory engagement with the PMO should be considered.

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

C2.   Project Management Office

Change Services provides advice, guidance, expertise, capacity and oversight of all service transformation and change projects and programmes from proposal, through delivery to a controlled close and handover for ongoing benefit realisation. The two functions within the service are the:

- Portfolio Management Office (PMO) Team - sets the standards and practices by which change delivery is governed/controlled, managed, resourced and tracked
- Change Team - provides professional resource capacity and capability to projects and programmes to support and enable change delivery.

The PMO had existed in its current configuration since March 2017. During the audit it was subject to a further restructuring and reduction in staff.

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 project delivery. The audit approach was to:

- Review PMO methodologies, standards and processes
- Review19 projects (closed and in progress)
- Conduct interviews with randomly selected project managers and client service leads from different directorates.

Based on the completion of the fieldwork, a **Limited Assurance** audit opinion was assigned. The main findings are set out below; many of the areas for improvement had already been identified by the PMO and reflected in their 2019/20 Service Plan:

- The blended PMO model is in line with Association of Project Management best practices
- Client service leads considered that change business partners are pragmatic, helpful, provide good advice and very responsive; however there was a perception amongst some clients that the quality of project managers was inconsistent between different projects
- Project exceptions were generally managed well, although there was a perception from some client service leads that the governance required can sometimes lengthen the decision making process
- Resource planning was good; however changes to project scope during delivery could affect workloads/demand for resources
- A monthly 'dashboard' within the PMO's monthly Change Portfolio Highlight Report shows the overall status of projects and hence the overall portfolio
- Project performance monitoring is limited by the reliance on spreadsheets to administer the process
- There was a perception that PMO project documentation (outline business case and business case) is not always aligned to the size, complexity and sensitivity of projects
- The progress of projects was tracked through the PMO's monthly Change Portfolio Highlight Report. This report included forecast financial savings, but did not track non-financial benefit realisation.
- There was no corporate recording, analysing and disseminating of project 'lessons learned' to inform future project management.
- There was inconsistent use of the Risks, Assumptions, Issues and Dependencies (RAID) log within the project management methodology
- There had been limited training and development of staff over the last 18-24 months
- Some projects had suffered delays from lack of project management resources including lack of business analysts.

The audit identified **areas for improvement**, for which nine recommendations were made including:

- The PMO should monitor benefit realisation and report this through PMO key performance indicators, which should be approved by CLB and regularly reported.
- A central record of 'lessons learned' should be established and common themes communicated corporately to improve the management of future projects
- There should be consistent use of RAID logs when managing projects to record and manage project risks, tolerances, assumptions, dependencies changes and issues
- The PMO should implement an effective project portfolio management tool for performance monitoring and reporting.

All recommendations have been provided and discussed with management and agreement to the majority of them has been obtained as well as appropriate implementation time scales:

D. Growth and Regeneration

D1 Major Project (Colston Hall Phase II)

The Colston Hall Project's objective is to provide Bristol with the international standard concert hall, and increase the sustainability of the Bristol Music Trust who run the Colston Hall and provide cultural, educational and heritage conservation services.

Phase II of the Project concerned improvements to main auditorium and Lesser Hall to be completed July 2021, with an estimated cost of £48.8m.

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 Project start up and initiation for Colston Hall Project Phase II.

Based on the completion of the fieldwork a **Reasonable Assurance** opinion was assigned. The report identified eight areas of good practice:

- The project objectives directly supports the Key Commitment 'Keep Bristol a leading cultural city, helping make culture, sport and play accessible to all'
- Governance structures and decision making boundaries had been agreed, established and managed through the project board
- A feasibility study was conducted before the project started and informed the project initiation and start up stages. This was supported by an up to date Business Case, Project Executive Plan (PEP) and Cabinet approvals
- All project management posts/roles were advertised appropriately, e.g.in National and EU recognised journals and via the 'ProContract' web portal
- The project team consists of a number of senior professionals (called Principals); this team monitors the performance of the design team output and productivity of the various teams
- Project Risk is mitigated in a number of ways; primarily at the Principals meeting where highlight reports are presented and action log/ action trackers are established.
- All project procurement goes through the corporate procurement board, Commissioning and Procurement group (CPG)
- Key project documents are available and are continuously updated and stored in the Council's 'G drive' to which access is controlled.

Areas for improvement were identified, for which six recommendations were made including:

- Ensure any project administration backlog is cleared and all project management tasks and documents are up to date and confirm administration resource is adequate
- Provide training to relevant staff so that they can consistently clearly articulate risks as events, causes, and consequences and develop control/mitigating strategies
- A detailed internal and external communication strategy and plan should be put in place, determining who needs to know what, by when, appoint a communication lead for the project, though which all communication is filtered and embed the communication plan into day to day project management to enable timely communication of the key aspects of the project to the right audience.

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

A further review of the project will be completed to determine the effectiveness of the arrangements during the delivery phase.

D2.   Homelessness – Policy Effectiveness

The objective of the assignment was to provide an independent opinion and effectiveness of the implementation of the decisions made at Cabinet in May 2017 in respect of funding to support Homelessness Prevention and Reduction at Bristol City Council. Specifically, the audit approach considered the following:

- Actual funding received
- The use of the funding and whether it is in accordance with terms and conditions of respective funding agreements
- Assessment of the effectiveness of the delivery against planned outcomes and targets
- Assessment of the mechanisms in place to monitor and report arrangements for the utilisation of the funding, to the DCLG (now Ministry of Housing, Communities and Local Government {MCHLG}) and to and within the Council from a timeliness and accuracy perspective
- Assessment of the effectiveness of targets being delivered with other parties/agencies are the effectiveness of how monitored.

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

- GDPR compliance forms for all Voluntary and Community Sector Organisations (VCSs) were received
- Funding under the 'Trailblazers' initiative ended in March 2019. The partner VCSs will continue their advisory work as they receive other funding. The Council has four experienced financial advisors who are partly funded by this initiative. It is uncertain whether 'Trailblazers' will be extended or a new initiative announced
- Funding for entrenched rough sleepers through a Social Impact Bond (SIB) may run out before the scheme end date of 31st March 2021
- Administration for SIB is funded by a separate fee from MHCLG. This fee was reduced without notice at the start of the SIB by £30k. Spend to date and amounts reserved provide for about two days administrator time per week and no manager review time. It is likely the Council is subsidising the SIB delivery.

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

- Regularly monitor the take up of funds through the SIB. Develop forecasting to identify when there is potential that the SIB funding will be used up early. Decide on options for maintaining funding
- Housing Options Service to complete a resources review to identify best option for maintaining good welfare benefits and money advice related advice for citizens at risk of homelessness.

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

PROPOSED INTERNAL AUDIT OPINIONS FROM 2019/20

No.	Opinion:	Definition:
1	In Control	Demonstrates risk and control that should meet immediate and future business needs.
2	Satisfactory	Demonstrates satisfactory risk and control, but development needed to manage emerging risks and /or support future business/control needs.
3	Needs Improvement	Whilst there are several satisfactory areas, management is not clearly demonstrating it is able to effectively identify and mitigate relevant risk areas.
4	Unsatisfactory	There are some important areas of performance management, risk identification or control operation that require urgent action.

* The Internal Audit opinion is based on the level of assurance that management can assume based on the controls found during the audit review.