



BRISTOL INTERNAL AUDIT

INTERNAL AUDIT HALF-YEAR ACTIVITY REPORT

FOR THE PERIOD OF

April to October 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. In addition, the team provide a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection and investigation of fraud.
- 1.2 Upon completion of an audit, an assurance opinion is given on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This half-year activity report provides Members of the Audit Committee and Management with an update on the progress in delivering the approved 2019/20 Audit Plan. This update covers the period of 1st April to 31st October 2019, building on the information which was provided to the Committee at its meeting in September 2019, and thereby allowing the Committee to track the progress of Internal Audit work through the year.
- 1.4 Additionally, the report provides an update on any proposed changes to the Audit Plan as well as updates in the following areas:
 - Outcomes from internal audit activities including summaries of completed audit reviews where the level of assurance was concluded as 'Limited';
 - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS);
 - Grant certification;
 - Implementation of agreed audit recommendations and agreed management actions going forward.
- 1.5 The summary of internal audit activities completed or in progress in the period 1st April to 31st October 2019, is provided at Appendix A to this report.

2. Key Messages

- Management efforts to strengthen the Council's risk and control environment need to be maintained and prioritised as only 40% of reviews completed so far have a 'reasonable' or better assurance opinion;
- The new audit client engagement model that increases engagement between Internal Audit and Management was launched at the beginning of this month together with the introduction of the revised audit opinions and new reporting format.
- The Internal Audit Service continue to face staffing challenges as three colleagues have resigned in the last three months and arrangements are now in place to use interim resources to help deliver the 2019/20 Audit Plan. In addition, the Audit Plan is regularly

reviewed to reflect the fast changing operating environment as well as ensuring that there are sufficient and appropriate resources to deliver the assurance requirements of the Council.

- 54% of recommendations followed up had been fully implemented against a target of 75% whilst 30% were partially implemented. Currently there are limitations in the capacity to complete follow up work due to resourcing challenges cited above;
- 16 grants with a total value of £16.3m certified to date;
- The Half Year Fraud Activity Update is a separate report.

3. Updates

3.1 Annual Risk Based Assurance Plan Status:

The audit work brought forward from 2018/19 is now predominantly complete, with only a small number of reviews to be finalised. However, the budget allocated for this work was significantly overspend which has impacted on the current delivery position of the 2019/20 Audit Plan.

The work on the 2019/20 Audit Plan is now progressing, be it less expediently than was originally planned. The planned assurance coverage to draft report stage is currently at 28%, against a target of 35%. This reduced coverage is reflective of the additional time taken to complete the carried forward reviews and the reduction in audit resources. The matter of resources is discussed further in section 3.5 below.

The summary of the planned work either completed or in progress for the period 1st April to the 31st October 2019 is provided at Appendix A together with the level of assurance concluded from each review. Consistent with the Audit Committee reporting protocol, summaries of all reviews that had a 'No' or 'Limited' assurance opinion since the last Audit Committee meeting are provided at Appendix B. These summaries relate to:

- Contract Monitoring – Continual Audit Testing
- Procurement 'Off-Contract' Spend
- Supplier Checks and Supplier Resilience

As reflected in Appendix A, 13 out of the 21 audits completed in the period, had a 'Limited' assurance opinion. There is need to increase the focus and engagement in improving the risk and control environment as well as embedding the arrangements for monitoring control effectiveness as part of business and performance management. Whilst the responsibility for maintaining an effective control environment rests with management, Internal Audit are actively exploring ways of supporting management particularly in the monitoring and reporting of the progress in implementing agreed management actions and establishing appropriate management assurance reporting arrangements. These initiatives are articulated in the Internal Audit Strategy which is a separate Agenda item for this meeting.

By necessity, the Audit Plan must be flexible to ensure it remains relevant to risks facing the Council throughout the year. Consequently, the Audit Plan has been further reviewed to take into account further changes in the Council's environment and discussions with management. Details of the proposed changes together with the reasons for the proposals are provided in table (1) below.

Table 1 – Proposed Amendments to the 2019/20 Audit Plan

No.	Reasonable Assurance Area	Assignment	Commentary
1	Risk Management	CRR 5- Business Continuity Planning	This review is being deferred to Q1 2020/21 in order to allow time for the corporate approach to embed and the new management to accumulate.
2	Financial Controls	Care Debt	Deferred to 2020/21 – A revised debt recovery policy is currently being rolled out.
3	Commissioning and Procurement	CRR - Procurement and contract management compliance	On hold for 2019/20, pending the revised procurement approach.
4	Information Security/ ICT	Information Security Practice	Not required as review being undertaken externally.
5	Information Security/ ICT	New Housing IT System - security and controls.	Delayed to 2020/21 as update to correct known issues is currently delayed.

3.2 Grant Certification:

To date, the team has audited and certified 16 grant claims to the value of approximately £16.2m. Work is progressing on further grants into quarter three.

3.3 Resources:

Both the Assurance and Counter-Fraud teams’ continue to carry vacancies, with further vacancies arising due to the resignation of three other members of staff during the past few months. Recruitment to one vacant post on the Counter-fraud team has been successful, however as the appointment was internal the issue with capacity remains, further recruitment will take place during the remainder of the year.

As discussed in the September Activity Report, the vacancies within the Assurance team are currently being held open while a long term solution is being developed as part of the Internal Audit Strategy 2020-23. In the meantime, additional temporary resources have been engaged to increase capacity in the short term, ensuring the appropriate level of audit coverage can be achieved in order to provide the annual opinion. The recent resignation of three members of staff and the recruitment challenges we face underline the risk the team has of attracting and retaining top talent. A holistic approach to service provision and succession planning is required to mitigate against associated impacts.

3.4 Recommendation Implementation:

While the ultimate responsibility for the implementation of agreed management actions lies with management, it is incumbent on Internal Audit to facilitate the improvements by ensuring maximum engagement with the client during the audit process and supporting the resolution of matters arising where appropriate.

A number of follow up audits have been completed during the period and an analysis of the rate of implementation of recommendations is summarised in table (2) below. As reflected in table 2 below, for the 6 follow up audits concluded in this period, 54% of the audit recommendations were fully implemented whilst 30% were partially implemented against a target of 75% implementation rate at the point of review. Please see section 'C' on Appendix A for further details.

Internal Audit can supply further details to Members on any of the reports detailed in table (2) below:

Table 2 - Summary of Implementation of Internal Audit Recommendations:

Follow Up Review:	Date of Org. Report	Total Recs:	Implemented or Superseded		Partially Implemented		Not Implemented		Total:
			H	M	H	M	H	M	
Security Services Cash -in- Transit (Further follow-up)	30/06/17	4		2				2	4
Sale of Council Assets (follow-up)	07/09/17	5		2		3			5
Contract Management: Council Wide	31/03/19	5		2	3				5
Carbon Reduction Commitment	15/10/18	3		2		1			3
Council Tax Income Collection	04/02/19	2	1	1					2
Officer Schemes of Delegation	10/04/19	7	3	1		1		2	7
Totals:		26	4 (15%)	10 (39%)	3 (12%)	5 (19%)	0	4 (15%)	26