



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT ACTIVITY REPORT FOR THE PERIOD OF April 2019 to February 2020



## 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 level of assurance that can be taken based on the soundness of the controls in place. The results of the entire programme of work are then summarised in an opinion in the Annual Internal Audit Report on the effectiveness of internal control within the organisation.
- 1.3 This activity report provides Members of the Audit Committee and Management with the status of the work carried out by the Internal Audit (IA) team for the period of 1<sup>st</sup> April 2019 to 28<sup>th</sup> February 2020 building on the information which was provided to the Committee at its meeting in November 2019.
- 1.4 The report provides updates in the following areas:
  - Status of the Control Framework within the Council
  - Summaries of completed audit reviews
  - Internal Audit Resources, as required by the Public Sector Internal Audit Standards (PSIAS)
  - Grant certification
  - Recommendation Implementation status
  - Fraud Prevention, Detection and Investigation Activity to date
- 1.5 The full detail of all of the Internal Audit work completed or in progress in the period 1<sup>st</sup> April 2019 to 29<sup>th</sup> February 2020 is provided at Section 5 of this report.

## 2. Key Messages

- 75% of planned (adjusted) assurance reviews completed to draft stage with remainder in progress
- Recommendation implementation exercise completed with management – 75% of outstanding recommendations now closed.
- 46% of reviews completed to date have concluded a 'Reasonable Assurance' Audit Opinion.
- 20 certifications completed to date with a total value of circa. £29m of grant funding certified
- Pro-active fraud/irregularity activity has identified approximately £780k of recoverable savings to date with other benefits and savings also identified;
- 26 properties have been recovered from tenancy fraud work for re-allocation to those with a genuine housing need. In addition, 6 housing applications or Right to buy applications have been cancelled.
- Audit Automation software procurement - approved
- Annual Governance review process is underway.

**3.1 Annual Risk Based Assurance Plan Status:**

Section 5 below provides full details of the planned work completed or in progress, for the period 1<sup>st</sup> April 2019 to the 29<sup>th</sup> February 2020.

As at 29<sup>th</sup> February 2019, 75% of the adjusted assurance plan is complete to draft report stage. All remaining work is progress. Reassessment of the assurance plan has resulted in the reduction in the number of planned audit reviews. These amendments have largely been previously agreed by the Audit Committee. Key reasons for removal of items from the plan have been capacity and skills within the team, resources required to finalise audits from the 2018/19 plan or a re-assessment of requirement (eg relevance of originally planned work).

Work on the adjusted 2019/20 Internal Audit plan is progressing at a pace, with support of additional resources secured through 4 temporary agency appointments to cover a number of vacancies and sickness.

Management assurances to support the Annual Governance Statement for 2019/20 have been requested and these will be used to inform the annual audit opinion.

A programme of training for the team has been determined and good progress is being made to train current team members with new approaches. Team training on assurance mapping has been delivered with sessions on programme and project assurance and Cyber/IT risk arranged for March and April 2020.

**3.2 Status of Control Framework within the Council:**

At this point in the financial year, 46% of audit reviews completed have concluded that a 'reasonable' level of assurance can be taken from the existing control framework in the areas reviewed. This does however mean that 54% of the audit reviews concluded that limited assurance could be gleaned from the controls in place. This aligns with performance at the same time last year and whilst the trend is not yet demonstrably improving, the previously declining position is now evening out. It is hoped as audits are completed through the final quarter that a gradual improvement will be demonstrated. A number of audits at draft reporting phase indicate reasonable assurance or better, although not all.

**3.3 Recommendation Implementation:**

During the last quarter Internal Audit has been working with management to review 2017/18 and 2018/19 outstanding audit recommendations. A total of 185 recommendations were reviewed and at the end of the review period 76% have closed. This is significant progress and this performance is consistent with the target of 75%. Senior Management is now prioritising closing the remaining actions.

During the exercise, it was also noted that there is no mechanism for proactive monitoring and reporting of agreed actions at service level. In addition, the process for monitoring was driven by Internal Audit rather than management. There is a need to embed monitoring of actions as part of performance management. It is anticipated that the implementation of Internal Audit Management software will automate the follow up process and this will eventually improve follow up, monitoring and reporting of agreed actions.

### 3.4 Counter Fraud and investigation work

89% of the planned Counter Fraud work is either in progress or complete. Current initiatives include:

- **Fraud & Error Data Hub** – Research has been progressing into various options for delivery of a fraud and error data hub, to assist in the early identification and more importantly prevention of fraud and error. Discussions with neighbouring authorities has taken place. There is more work to be done to achieve their buy-in. A number of ‘proof of concept’ exercises have been carried out, contributing to the reported savings. The project is seeking mandate approval and resource to proceed.
- **National Fraud Initiative**– The team has been reviewing the extensive output from the National Fraud Initiative Exercise over the year, including the results from participation in a pilot with HMRC data. The 2019 NFI output has generated a good level of cashable savings and other results as detailed in the table below.
- **Multi Storey Block reviews** – the team are currently reviewing occupancy of some of its multi-storey blocks. Using a combination of data and some visits, the team will be checking for occupancy and evidence of possible tenancy fraud.

Investigation work is a key aspect of the team’s workload, specifically:

- **Tenancy Fraud** – Our work on tenancy fraud continues with the recovery of 26 properties and a further 6 housing related positive outcomes (application for housing cancelled, or a Right to Buy application cancelled) to date. In addition this work generates other positive outcomes such as cancellation of Single Persons Discount or a benefit saving.
- **Direct Payment Investigations** - There has been some success with investigations into direct payment irregularities. The council’s first direct payment prosecution was successful. The person was ordered to carry out unpaid work and a compensation order in favour of the council was made for £4,029. In another direct payment investigation, criminal proceedings were deemed inappropriate but evidence obtained resulted in a reassessment of entitlement. The sum of £1069 was being paid out each week and has now stopped due to the service user no longer being entitled.

**Table 1: Benefits and Savings from Counter Fraud Work**

Area of Fraud work	Cost Avoidance	Cashable Saving	Admin Penalty	Notional	Property Regains	Positive Outcomes	Narrative
Direct Payts to CTax	185.07	193.33					
NFI Output	806.29	64711.00		93000	1	82	Blue Badges Cancelled
NFI HMRC Pilot	134.33	66758.00		93000			
NFI CTax SPD		5308.83					
Tenancy Fraud - casework	646.11	13768.26		2325000	25	6	Housing or RTB applications cancelled
Benefit Fraud Casework (DWP)	2520.2	521094.97	7625.87				
CTR Casework	1084.69	100289.78					
Direct Payment x 3	1236.18	5297.00					
Enterprise Car Misuse		2849.07					
<b>Total Savings</b>	<b>6612.87</b>	<b>780270.24</b>	<b>7625.87</b>	<b>2511000</b>	<b>26</b>	<b>88</b>	

### 3.5 Grant Certification:

To date in 2019/20, Internal Audit has audited and completed 20 grant or other certifications on behalf of the Council with an overall value of approximately £29m. This work is chargeable and has raised income which contributes to supporting team development going forward.

## 4. Under the Spotlight!



With each activity report, Internal Audit turns the spotlight on the audit reviews concluding a 'Limited Assurance' opinion. These reviews represent areas where the governance and controls were considered to be lacking when reviewed. Providing the Committee with a summary of the reports in these areas provides the opportunity to explore the areas further, should it wish to do so.

In this period, the following report summaries are provided at Appendix 1, for the Committee's information and discussion:

- **Special Educational Needs and Disabilities (SEND) – case work processing**
- **Homelessness – Short-Term Lettings**
- **Housing Stock Management – Responsive Repairs**
- **Housing Stock – Rent Collection and Arrears Recovery**