



# BRISTOL INTERNAL AUDIT

## INTERNAL AUDIT:

## ACTIVITY REPORT: 1<sup>ST</sup> APRIL TO 31<sup>ST</sup> AUGUST 2020

Date: September 2020

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# 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 effectiveness 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 the internal control, governance and risk management arrangements within the organisation.
- 1.3 This activity report provides the Audit Committee and Management with an update on the work completed by the Internal Audit team for the period of 1<sup>st</sup> April to 31<sup>st</sup> August 2020. The teams work programme has been significantly impacted by the coronavirus pandemic in terms of both focus of work and supporting the Council's emergency response.

## 2. Key Messages in this Report:

- 2.1 The Audit Plan was suspended during Quarter 1 to enable management to respond effectively to Covid 19. An early redraft of the plan was approved by Audit Committee in May 2020 recognising the need for flexibility with a move to quarterly planning and reporting.
- 2.2 Quarter one activity focussed on finalising work to support the 2019/20 Annual Opinion and supporting the Council's response to Covid 19. Audit service development work has also been undertaken during this period. Details are included in this report. Quarter 2 has seen the team re-engaging in audit and counter fraud work as the Council moves to the recovery phase of its response to Covid 19.
- 2.3 Assurances over the Council's emergency response arrangements have been provided. A programme of pre and post payment fraud checking has been progressed to support the distribution of government business support grants.
- 2.4 The service development initiatives prioritised during the reporting period include the implementation of audit management software (Pentana Audit), the fraud hub business case and the procurement of an internal audit strategic partner to enhance capacity and expertise within the team.

2.5 Consistent with our rolling audit planning methodology, the approved 2020/21 Audit Plan has been reviewed to take into consideration discussions with management, emerging issues from the Annual Governance Statement, new risks and organisational developments. The proposed work plan for Quarter 3 is set out in Appendix 2.

### 3. Audit Plan Delivery And Review

3.1 In February/March 2020, the Internal Audit and Counter Fraud plans for 2020/21 were drafted and agreed by management and the Audit Committee. Shortly after, Covid 19 started to have a significant impact nationally and the Council moved into emergency response. Internal Audit's response was to:

- suspend delivery of the agreed audit plan for three months to ensure critical operational and emergency activities were not interrupted
- focus on the completion of key activities and audits to support the Internal Audit Annual Report 2019/20 and Annual Governance Statement 2019/20. The Audit Plan was reviewed and reduced to reflect the above and re-agreed by management and approved by the Audit Committee in May 2020 where priorities for Quarter 1 and 2 were agreed. Quarter 2 saw team members return from redeployments and the audit team re-engaged with management across the Council to resume audit work.

3.2 Progress to date on the Q1 and Q2 Audit Plan can be seen in Appendix 1. The appendix demonstrates that the majority of audit reviews planned for the first half of the year are in progress. Some are however in the earlier stages of review and will be completed in quarter 3.

#### Plan Amendments

3.3 A commitment to review the plan quarterly was made to ensure it remains relevant at a time of significant challenge and change for the Council. Management have been consulted through EDM's and CLB. Improvement areas identified in the Annual Governance Statement have been mapped to the audit plan. The Annual Governance Statement identified 15 areas for improvement activity, for which the Audit Plan already provided for assurance in 11 areas. Table 1 demonstrates this:

Table 1.

	AGS Improvement Area	2021 Plan	Action Required
1	Covid 19	Yes	None
2	Bristol Energy	Yes	None
3	SEND	Yes	None
4	Equality, Diversity and Inclusion	Yes	None
5	Mandatory Training	No.	Collaborate and seek assurance from HR.
6	Organisation Improvement Plan	No.	Addition to Audit Plan
7	Risk Management	Yes	None
8	H&S Plans	No	Addition to Audit Plan
9	GDPR and Information security	Yes	None
10	KPI's delivery.	No	Addition to Audit Plan
11	Capital Programme	Yes	None
12	Commercialisation	Yes	None
13	Procurement and Contracts	Yes	None
14	Project Management	Yes	None
15	Debt Collection Policies	Yes (in part)	Addition to Plan.

3.4 Other amendments made to the plan are as follows:

- **Additions** to the plan:
  - Code of Governance. This requires refresh to reflect current governance arrangements having last been reviewed in January 2018
  - Harbour Office Income Collection – requested by management
- **Removals** from the Plan:
  - IT Project Management. A specific follow up review has been removed. The Information Governance Service now provides second line assurance regarding the security design of new systems. As such, this review has been deprioritised for Internal Audit resource.
- **Other Amendments:**
  - Strategic Planning. The scope of the audit has been significantly reduced given the approach that is being taken in the current environment.
  - Capital Programme. Part of the provision for auditing capital programmes will be used to review programme governance arrangements in the directorate that delivers a significant number of capital projects.

3.5 Details of audits planned for Quarter 3 are provided in Appendix 2 for agreement by the Audit Committee. The plan will be reviewed again to re-assess Quarter 4 priorities.

### **Approach to Follow Up**

3.6 Where audit work concludes that limited or no assurance can be provided in an area, full re-audit of the area will be undertaken to confirm the extent to which agreed actions have been implemented and detailed testing completed to determine whether there has been any improvement to the control environment overall. These audits are marked as 'Follow Up' in Appendix 1 and 2. In some exceptional cases follow up is to be limited to verification that management actions have been implemented.

3.7 Where audit work concludes that reasonable or substantial assurance can be provided, agreed management actions will be tracked using the new Audit Automation Software (see section 6) with management confirming implementation of agreed actions and sample checking by Audit to provide independent verification of implementation.

## **4. Covid 19 Response – Embedded Assurance – Interim Report**

4.1 **Reasonable assurance** was obtained that the Council had and continues to respond effectively to the Coronavirus (Covid-19) pandemic. It was evident that the Council had key governance structures in place and successfully adopted the One City Approach enabling it to effectively work with its key partners in protecting Bristol residents and communities and ensuring that the vital public services that people depend on every day were maintained in very difficult circumstances.

- 4.2 Risk management arrangements were evidenced by a standalone Covid-19 risk register which is regularly presented to the Corporate Leadership Team (CLB) although they could be enhanced by dynamic risk assessments. It was pleasing to note that there was assurance that the recommendations arising from the Covid-19 Resilience Healthcheck had been implemented.
- 4.3 The Council clearly recognises that it is now faced with the challenge of recovering from the impacts of Covid-19 and getting the City back on a positive trajectory. Given the uncertainty around the pandemic, the recovery phase will be complex and long thereby threatening the financial sustainability of the Council. As part of the recovery phase priorities should be reviewed and underpinned by robust recovery plans that will set up a framework for dealing with the social and economic impact of this pandemic which will have a significant effect on every part of the City over the coming months and possibly years.
- 4.4 Following this audit a number of actions have been agreed with management to support the recovery phase and enhance the Council's preparedness for future emergencies. This includes:
- Written assurances that governance changes and emergency decisions made due to Covid-19 have been appropriately documented, approved and published.
  - A framework to set out the delegated powers for each of the officer boards with a clear escalation route to CLB
  - Appointment of appropriate substitutes to the Recovery Overview Co-ordination Board meetings where necessary and reviewing the activities of all recovery groups to eliminate potential duplication.
  - Provision of adequate and appropriate resources and tools that enable evidence based decision making.
  - Setting manageable priorities and achievable targets during these uncertain times.
  - Maintaining a skills matrix to facilitate quick redeployment of colleagues during an emergency.

## 5. Counter Fraud and Investigation Programme

- 5.1 During the first 5 months of financial year 20/21, some of the activities of the Counter Fraud team were curtailed due to Covid 19 and the lockdown situation. Tenancy fraud work was limited as visits could not be made and court action not progressed during this time. The benefits investigation work also reduced significantly with the DWP taking its 'Trust and Protect' approach during this time. The two members of the team who were seconded to the Corporate Communications Service to assist with public enquiries in relation to Covid 19 returned in July.
- 5.2 However some tenancy fraud and benefits work continued and significantly, the Council was responsible for the distribution of the government support package for small business and individuals. This generated considerable work for the team. Results to date from the work completed are reported below:
- 6 housing properties have been recovered as part of the continued tenancy fraud initiative;
  - 1 Right to Buy application cancelled.

- £1,105,000 of Business Grants was stopped as applications were either fraudulent or wrongly claimed.
- Savings to date identified arising from the work of the Counter Fraud team are detailed in the table below.

	<b>Weekly Cost Avoidance £</b>	<b>Other Cost Avoidance £</b>	<b>Recoverable Savings £</b>	<b>Notional Savings £</b>
NFI Output	223		13,485	93,000
Tenancy Fraud Casework	81		26	465,000
Right to Buy Casework				82,800
Benefit casework	291		15,179	
CTR casework	96		12,645	
Business Grant Work		1,105,000		
<b>Total</b>	<b>691</b>	<b>1,105,000</b>	<b>41,335</b>	<b>640,800</b>

### **Covid 19 Business Grants**

- 5.3 A total of approximately £ 94m of grants were distributed to small businesses under the governments Small Business, Retail, Hospitality and Leisure and a further approximately £5m in discretionary grant schemes. The Counter Fraud and Investigations team supported the Local Taxation teams in preventing errors and fraudulent applications by undertaking the following:
- Carrying out- pre-payment checks on the payment files to ensure that Companies were trading, duplicate applications had not been made and that bank account information was valid.
  - Investigating individual applications where possible fraud was suspected.
  - Responding to intelligence from the National Anti-Fraud Network and other sources to ensure that Bristol City Council had not been defrauded.
  - Checking discretionary grant payment files across the WECA region to ensure businesses had not made multiple cross authority claims.
  - Referring cases of possible organised fraud to the National Anti-Fraud Network for sharing with others.
- 5.4 Recognising that this was a high risk scheme with considerable potential for fraud, the work that has been undertaken has prevented £1.1m of fraud or erroneous grants. Further post payment work is planned to seek to identify whether there has been any successful fraud against the scheme and to provide assurance as to the effectiveness of the work completed. Some payment files are continuing to be processed although the schemes have ended. A plan for post-payment checking of grants is being worked on and will commence once new payment files stop.

## **Tenancy Fraud**

- 5.6 Tenancy fraud work has continued throughout the period, although the opportunity to regain properties during the lockdown period was much restricted, with legal proceedings, evictions etc on hold. Regardless of this the team has continued to generate some results where notice to quit has been uncontested and properties voluntarily relinquished.

## **Council Tax Reduction Fraud – Prosecution Case**

- 5.7 The team has had a successful prosecution of a Council Tax reduction fraud case. The defendant pleaded guilty to one Fraud Act offence (dishonestly failed to disclose the full extent of her capital between Apr 13 and Jun 18) and she was given 16 weeks imprisonment (suspended for a year) and a 12 week curfew. Also ordered to pay all our costs of approx. £1.2k. The CTR overpayment was approx. £6.5k which she had already repaid in full.

## **Whistleblowing**

- 5.8 Internal Audit have been managing the Council's Whistleblowing arrangements since 1<sup>st</sup> April 2020. 3 referrals have been received since that date. We are also exploring how we can increase understanding of what constitutes 'Whistleblowing' as opposed to a grievance of complaint and what protection can be afforded to Whistleblowers.

## **National Fraud Awareness Week**

- 5.9 The team are currently planning a week of activity to raise awareness of fraud as part of an international fraud awareness week in November 2020.

# **6. Service Developments :**

## **Audit Automation**

- 6.1 The team took the opportunity whilst audit work was suspended to implement new audit management software (Pentana Audit) to enable agile working, knowledge management and insightful reporting in addition to audit programs and action tracking. Pentana MK was procured and configured and the whole team trained on using the software during Quarter 1. The audit plan has been loaded on the new system and new audits are now being completed using the software. The team are also using the time recording module to record time spend on audit work.

- 6.2 The software provides several modules to assist audit processes and the priority for Quarter 3 will be to implement the management action tracking functionality which allows the business, as well as audit, to monitor and track progress against agreed actions. Additionally, it is hoped that the Quality Assurance Questionnaire process can be dealt with through the questionnaire functionality of the system.

### **Fraud Hub**

- 6.3 Mandate approval was obtained to take forward the development of a regional fraud hub. The fraud hub is a project which aims to bring together different sets of data held within the authority, data held by neighbouring authorities and some national datasets, with a view to early identification of fraud and error.
- 6.4 Consultants were bought in to review possible options for the authority in increasing use of data analytics and developing a fraud hub. Following on from this, Internal Audit Management and other stakeholders across Bristol City Council have met with two potential providers to discuss possible options. A further update will be provided in Quarter 3.

### **Strategic Partner Procurement**

- 6.5 Consistent with the Internal Audit Strategy that was approved by the Audit Committee in November 2019, the procurement of a strategic partner to support the audit team has commenced with tenders invited on 7<sup>th</sup> September 2020 with the aim for the contract to go live in December 2020. The strategic partner will
- Support the in-house team in the overall delivery of the annual audit plan;
  - Provide access to specialist audit expertise (*information technology, cyber, information security, commercialisation, programmes, change, assurance mapping, liquidity, treasury, procurement, contract management and governance*) innovations in the latest internal audit techniques and technology and the opportunity for bench-marking;
  - Bring necessary and appropriate analytic tools, techniques and methodologies that bring value to overall delivery of the Internal Audit Service.
  - Support the embedding of the audit automation solution
  - Bring the necessary skills and experience at the right times in doing so be skilled at blending the right resources to deliver high performing teams.

## **7. Resources:**

- 7.1 Team resources were significantly impacted during quarter 1 by Covid 19 with staff redeployed to the response and some other staff absences. As reported in May 2020, the audit plan was adjusted and approaches are being adopted that will enable an opinion to be delivered at the end of the year.

- 7.2 A number of recruitments were delayed during the initial stages of lockdown however many of these have now been progressed successfully:
- Two Group Auditors have been appointed on Fixed Term Contracts until 31 March 2021.
  - A Data Analyst has been appointed who will largely work within the Counter Fraud team to develop the use of data analytics across the team and support development of the fraud hub.
  - An Intelligence Officer who will add capacity to the team to enable it to effectively manage Whistleblowing arrangements and other investigation work will start at the end of September.
- 7.3 Current vacancies include:
- One Group Auditor position that has recently become vacant following retirement of a member of the team. This vacancy is due to be advertised in September 2020.
  - A graduate trainee role for which job paper work is currently being developed.
- 7.4 Provided vacancies planned for recruitment are successfully filled and the appointment of a strategic partner is achieved, it is anticipated that the plan as set out in Appendix 1 is achievable.

## 8. Summaries of Audit Reports:

- 8.1 Consistent with the agreed exception reporting, summaries of audit work completed with a limited assurance opinion have been provided to the Audit Committee at Appendix 4. These represent areas of work relevant to the 2019/20 Audit Plan which were concluded in 2020/21. Relevant officers will attend the Committee to discuss actions being taken to improve control and governance in these areas:
- Commercialisation
  - Trading with Schools – Robustness of Commercial arrangements
  - Interims and Consultants
  - Risk Management
  - Records of Data Processing Activity
  - Adult Social Care Debt Recovery

## 8. Appendices:

Appendix 1	Q1/Q2 Audit Plan Progress
Appendix 2	Q3/Q4 Audit Plan
Appendix 3	Counter fraud Plan and Progress
Appendix 4	Audit Summary Reporting

## INTERNAL AUDIT PLAN 2021 Q1 - Q2 PROGRESS

Directorate	Name of Review	Status	Planned Quarter	Notes
<b>A. Audit and Assurance Plan</b>				
Corporate	Data Protection Impact Assessments (b/f)	Complete	Q1	Reasonable Assurance Opinion
Corporate	Annual Governance Statement 1920	Complete	Q1/2	
Corporate	Coronavirus Response Assurance	Complete	Q2	Reasonable Assurance Opinion
People	Care Homes - Supplier Resilience	Draft Report	Q2	Reasonable Assurance Opinion
Corporate	Strategic Planning	In Progress	Q2	
Corporate	Ombudsman Response b/f	In Progress	Q2	
Corporate	Project Management Framework	In Progress	Q2	
Corporate	Procurement Regulations Compliance and Effectiveness	In Progress	Q2	
Corporate	Traffic Control Services Cloud/Resilience (Operations Centre) Follow Up	In Progress	Q2	
Corporate	SharePoint - Administration and security controls	In progress	Q2	
Resources	Coronavirus - Post Event Testing	In Progress	Q2	
Resources	ABW Systems	In Progress	Q2	
Resources	GDPR Compliance	In Progress	Q2	
Resources	Effectiveness of New Procurement Arrangements Follow Up	In Progress	Q2	
Resources	Harbour Office Income Collection	In Progress		Addition
Resources	Telecoms Contract	In Progress		Addition
Resources	Claims Handling	Scoping	Q2	
Corporate	Financial Sustainability	Scoping	Q2	
Growth and Regeneration	Climate Emergency/Zero Carbon Strategy	Scoping		
Growth and Regeneration	Homelessness Follow Up	Scoping		
Growth and Regeneration	Affordable Housing Supply/Grants to Registered Housing providers	Scoping		
People	Adults Safeguarding	Scoping		
People	Better Lives programme	Scoping		
People	SEND (Special Educational Needs and Disability)	Scoping		
Resources	Financial Interfaces Follow Up	Scoping	Q2	
Resources	ITTP - Financial Management	Scoping	Q2	
Resources	IT Transformation Programme - Embedded Assurance	Ongoing	Ongoing	
Corporate	Coronavirus Response - Liaison and Advice	On going	Ongoing	
Corporate	Information Governance Board	Ongoing	Ongoing	
Corporate	Assurance Mapping	Not Started	Q2	
<b>B. Grant Certifications Completed to Date</b>				
People	Employment Support Innovation Pilot Grant (ESIP aka Future Bright)		Value £	560,408.00
People	Youth Offending Team Grants			594,825.00
Growth and Regeneration	NTS Funding for Regional Intelligence Team SWERCOTS			81,000.00
Growth and Regeneration	NTS Funding for Regional Intelligence Functions SWERCOT			321,005.00
Growth and Regeneration	Lead Enforcement Authority- Letting			195,660.00
Growth and Regeneration	Local Transport Plan: Highways Maintenance Grant			3,132,000.00
Growth and Regeneration	Local Transport Plan : Highways Incentive Grant			2,743,000.00
Growth and Regeneration	Local Transport Plan : Integrated Transport Grant			652,000.00
Growth and Regeneration	Pothole Action Fund			204,206.00
Growth and Regeneration	Temple Meads Masterplan Fees F			540,194.00
				<b>9,024,298.00</b>

**INTERNAL AUDIT PLAN 2020/21 - QUARTER 3 and 4 PROPOSAL**

Directorate	Name of Review	Planned Quarter
<b>Audit Plan Q3/4</b>		
Resources	Supplier Checks and Supplier Resilience Follow Up	Q3
Corporate	Data Quality	Q3
Corporate	DBS Checking	Q3
Corporate	Commissioning (All Directorates)	Q3
Corporate	Code of Governance Review	Q3
Resources	Group of Companies governance	Q4
Resources	Making Tax Digital	Q3
Q3	Direct Payments Follow Up	Q3
Resources	Accounts Payable	Q3
Resources	I Trent - Payroll Controls	Q3
Corporate	Programme Assurance - Embedded Assurance	Q3/4
Growth and Regeneration	Embedded Assurance - Capital Projects	Q3/4
Growth and Regeneration	Capital Projects - Governance	Q3
Growth and Regeneration	Embedded Assurance - City Leap	Q3/4
Growth and Regeneration	Embedded Assurance - Smart City	Q3/4
Growth and Regeneration	Embedded Assurance - Temple Island	Q3/4
People	Schools Programme	Q3/4
People	Serious Youth Violence and contextual safeguarding risk.	Q4
Corporate	Interims and Consultant Follow Up	Q4
Corporate	Records of Data Processing Activities Follow Up	Q4
Corporate	Equalities and Inclusion	Q4
Corporate	Partnership Working - Tracking of Outcomes	Q4
Corporate	Contract Management	Q4
Corporate	Annual Governance Statement 2021	Q4
Corporate	Risk Management Review (Annual)	Q4
Growth and Regeneration	Response Repairs	Q4
Growth and Regeneration	Housing IT System Upgrade (security and controls testing)	Q4
Growth and Regeneration	Housing Stock - Rent Collection and Arrears Recovery Follow Up	Q4
People	Adult Social Care Debt Follow Up	Q4
Resources	IT Resilience	Q4
Resources	Commercialisation Follow Up	Q4
Resources	Information Security Management including Cyber security.	Q4
Resources	Procurement - "off contract" spend. Follow Up	Q4
Resources	Trading with Schools: Robustness for Commercialisation Follow Up	Q4
Resources	Bristol Register Office	Q4

## Counter Fraud Programme 2020

Directorate	Name of Review	Status	Planned Quarter
<b>Counter Fraud Programme</b>			
Corporate	Emergency Response - Fraud Risk assessment and policy procedural review	Completed	Q1
Resources	Emergency Response - Business Grant Fraud Checking	In Progress	Q1
Corporate	Whistleblowing Management	In Progress	Q1
Corporate	Fraud Hub Implementation and Benefits Delivery	In Progress	Q1
Corporate	Criminal Finance Act	In Progress	Q1
Corporate	NFI - Main Output Review	In Progress	Q1
Resources	Accounts Payable - Fraud checks	In Progress	Q1
Resources	Procurement card - sample checks	In Progress	Q1
Corporate	Transparency Reporting	In Progress	Q2
Corporate	CIPFA Annual Fraud Survey	In Progress	Q2
Corporate	NFI - Main Download and Output review	In Progress	Q2
Corporate	Emergency Response- Post Event Fraud Testing	In Progress	Q2
Corporate	Fraud awareness training (General)	In progress	Q2
Growth and Regeneration	Tenancy fraud awareness training	In progress	Q2
Corporate	Fraud publicity and awareness raising	In Progress	All
Growth and Regeneration	Right to Buy Checks	In Progress	All
Growth and Regeneration	Tenancy Fraud Casework	In Progress	All
Corporate	Gain checks	In Progress	All
Resources	Benefit casework	In Progress	All
Resources	Council Tax Reduction - casework	In Progress	All
People	Pupil Tracking Requests	In Progress	All
Corporate	Web & Source pages - updates	In Progress	All
Growth and Regeneration	Multi Storey Block exercises	Planning	Q3
Corporate	Assurance Mapping - Fraud Universe		Q3
Growth and Regeneration	Engagement with Registered Provider		Q3
Resources	NFI- Local Tax Single Person Discount (SPD) download		Q3
People	Direct Payments - Sample of Financial Reviews		Q3
Corporate	Bribery Risk Assessment		Q4
Corporate	Recruitment fraud checks		Q4
People	Guardianship Payments Testing		Q4

## 1. Audit Summary - Commercialisation Arrangements

### Scope and Objectives

The objective of the audit was to undertake a high level assessment of the adequacy and effectiveness of the Council's commercialisation arrangements.

The review did not include testing the viability of commercial plans and projects.

### Audit Opinion

Internal audit obtained **limited assurance** on the adequacy and effectiveness of the Council's commercialisation arrangements. A high level review of key documents and discussions with senior management established that there are significant corporate development needs that could compromise the successful delivery of the Council's commercialisation agenda.

### Key Messages:

The key corporate development needs from the review are summarised below:

- The Commercialisation Strategy document that has been presented to both Corporate Leadership Board (CLB) and Scrutiny Commissions provides useful insight into what has happened. However, it is Internal Audit's view that this document should be redrafted and significantly enhanced.
- At the time of the review there was no evidence of substantial corporate plans on how the Council will strengthen its commercial corporate culture and capability.
- Currently the Council does not use a formal corporate framework for assessing and prioritising new business proposals although Internal Audit were told by management that this has been identified by the Commercialisation Development Team (CDT) and endorsed by the CIWG.
- At the time of the audit, the Council had not clearly identified and mapped out the interdependencies associated with the commercialisation agenda. However, Internal Audit was told by management this has been identified by the CDT and endorsed by the CIWG.
- The CDT is involved in many commercialisation related activities ranging from advisory to revenue generation. Currently there is no corporate performance management framework that clearly identifies the commercialisation success factors although Internal Audit were told by management that this had been identified by CDT and endorsed by CIWG and CDT has a performance management framework that measures success against targets reported to CIWG.

Internal Audit's view is that the success of the Council's corporate commercialisation agenda will largely depend on a robust council-wide Strategy as well as how the Council widely embraces new organisational development around commercial thinking including innovation and entrepreneurship.

The Council should be clear in terms of what it expects from the Commercialisation function and ensures that the function has authority, capacity and resources to deliver the commercialisation objectives. It is imperative that the Strategy is approved

by Full Council and widely communicated across the organisation so that there is clarity over its ownership and delivery.

In addition, there should be a corporate performance management framework that clearly sets out the key success factors and how the corporate commercialisation revenue generation and related savings targets will be delivered. Given that commercialisation is a Council wide issue, there should be a regular update to CLB on the progress made in addressing the development needs raised in this report.

### **Management Response (Executive Director, Growth & Regeneration)**

At the end of September 2020, the strategic accountability for Commercialisation will be transferring to the Executive Director, Growth & Regeneration and the responsibility for the delivery of commercialisation activities is to be mainstreamed so as to sit within each relevant Director's service area. This new approach to commercialisation is still under development, building on the progress to date and the audit findings. Commercialisation activities will form part of our commitment to transform service delivery.

Under our draft proposals (*all of which are subject to confirmation and change*) Commercialisation will form part of a revised annual service planning process from 2021. All opportunities will be assessed against strategic fit, financial impact and deliverability/risk with each Director required to identify and quantify commercialisation opportunities. A Commercialisation Delivery Plan (CDP) will be prepared based on consolidating the commercialisation sections of Director-led service plans and ensuring effective implementation plans are in place

Commercial opportunities which require additional financial or resource support will be evaluated by a new cross-council Commercialisation Delivery Executive (CDE), which will run along the similar lines as the existing Delivery Executive. This group will assess bids for funding and support and also monitor overall performance of the CDP. The group will be chaired by a Cabinet Member. Key Performance Indicators will be defined and monitored for individual commercialisation projects as well as the overall commercialisation programme.

Change Services will provide the capacity and capability to co-design and embed the new approach, will oversee the development and maintenance of the CDP and management of the CDE. The Commercialisation reserve will be maintained to enable funding support for medium and large scale commercialisation opportunities.

## 2. Audit Summary - Trading with Schools (TwS): Robustness for Commercialisation

### Scope and Objectives:

TwS is a not-for-profit, in-house, trading entity within the Council that offers a wide range of school improvement and support services to schools.

The audit review covered an assessment of the robustness of the TwS service offer for commercialisation and how effectively the risks associated with this are mitigated. The review also covered the operation of TwS.

### Audit Opinion:

Substantial assurance was obtained regarding the Trading with Schools operations, based on the completion of the fieldwork. However, a **Limited Assurance** opinion was concluded regarding robustness commercialisation arrangements.

### Key Messages:

The key findings identified during the review were as follows:

- No clear and transparent remit for TwS has been established by the Council, so it is difficult for TwS to prepare robustly for commercialisation.
- A commercial business model and operating plan has not been established.
- Appropriate Key Performance Indicators (KPIs) for commercial activity have not been established.
- The initial proposal to Cabinet in 2012 was to establish a traded entity for schools (Phase 1) and to consider an alternative delivery model for future service delivery to maximise commercial opportunities (Phase 2); Phase 2 has not been pursued by the Council to date.

### Management Response:

Management have agreed a number of actions in response to Internal Audit findings including:

- Review of the Cabinet report to evaluate the feasibility of recommendations within the current landscape and, subject to the outcome of that review, develop a commercial business plan and devise a new target operating model.
- Review of KPI's
- Working with colleagues with wider commercialisation responsibilities in development of best practice and marketing strategy.

### 3. Audit Summary - Appointment of Interims and Consultants

#### Scope and Objectives:

The objective of the review was to assess the effectiveness of procedures and controls in place for the appointment of interim support to the Council.

The review included assessing the adequacy of arrangements for ensuring value for money for the Council.

#### Audit Opinion:

Whilst improvements have been made in the way interim staff are appointed, through a corporate contract with Guidant, Internal Audit obtained **limited assurance** on effectiveness of procedures and controls in place for the appointment of interim support to the Council.

Internal Audit accepts that the use of expensive interims is inevitable in a complex organisation like Bristol City Council so arrangements for securing value for money should be robust. This opinion acknowledges the high fees paid to interims and the length of some of the appointments.

#### Key Messages:

The key observations from the review are summarised below:

- There are no oversight arrangements in place for ensuring the effective monitoring and management of interims and consultants including contract length reviews and performance management in respect of hiring of interims and consultants outside of Guidant.
- Not all engagements outside of Guidant are supported with the correct authorisations as stated in the policy, therefore increasing the risk of BCC procurement rule breaches.
- Sufficient time is not given to evaluate the business case and/or extension requests as part of the authorisation procedures.
- Although the intranet holds up-to-date processes and procedures for hiring interim staff through the corporate contract, this does not include the process for when the contract ends e.g. the cancellation of ICT access and ID security pass.
- Steps have been taken to reduce the number of interim staff outside of the Guidant contract.

#### Management Response

- Clear guidance and advice published setting out procurement compliant procedures and authorisation arrangements that must be followed by hiring managers who wish to commission and interim manager or agency worker outside of the Management Service Provider contract.
- The current guidance to hiring managers in relation to assignment duration and review points will be refreshed and updated to take account of the findings in this report. Stronger controls in relation to assignment periods will also be introduced.

- Online guidance which deals with the situation when an employee leaves will be extended to make it clear it also applies to agency workers, interim managers and consultants.

### Scope and Objectives

This audit is completed annually with the objective of reviewing and assessing the extent to which risk management arrangements are embedded and effective across the Council.

Actions agreed at the previous Internal Audit review were also revisited as part of this assignment.

### Opinion

From the work undertaken, a **Limited Assurance** audit opinion was assigned regarding the extent to which risk management is embedded and the current adequacy and effectiveness of the Council's risk management arrangements.

### Key Findings:

The Risk and Insurance Manager has put a framework for risk management in place including:

- A policy, guidance and templates which are available and accessible by colleagues.
- Making training available, facilitating drop in sessions and including risk management as part of the corporate induction process.
- Corporate and Directorate Risk Reports are now updated in a timely manner with quarterly risk reporting through senior management structures, scrutiny and audit committee.
- There had been much improvement in the support and encouragement from senior leadership to support embedding risk management

However, some key areas to further embed risk management are required:

- A detailed plan, with timescales, was not in place setting out how the Council will achieve risk maturity.
- A risk management communication plan had yet to be rolled out to enhance understanding across the Council of risk management principles and processes.
- Take up of training available was inconsistent. Managers recognised the need to prioritise this going forward.
- Audit testing identified a lack of correlation between Service Plan objectives and risks identified on Service Risk Registers
- Alignment of risk management processes with project management processes remains in progress.
- The approach to management of risk in partnership working is to be finalised
- Inconsistency in recording risk discussions and decisions within Directorates.

### Management Response:

Embedding risk management effectively is a journey and detailed annual activity planning will be undertaken to improve risk management processes each year for approval by the Corporate Leadership Board. Planned activities for 2020/21 were briefed to CLB Team in May 2020. Other actions agreed in response to audit findings include:

- Approval and delivery of a risk management communications plan

- Reforming the Corporate Risk Management Group and reviewing appointment of Risk Co-ordinators with CLB
- Development of E learning training on risk management as well as continuing workshops and drop in sessions. Some targeted sessions are planned.
- Ongoing improvement to alignment of annual service planning, budget setting, risk management and performance. Service planning for 2020/21 saw the first communication to begin to align the processes.
- Working with the executive office to strengthen recording of risk discussions and decisions as well as providing a system for doing such when considering service risks.

## 5. Audit Summary – Records of Data Processing Activities

To comply with the Data Protection Act, the Council must “maintain a record of all categories of processing activities (ROPA) for which it is responsible.” The ROPA is a key document that supports implementation of “appropriate technical and organisational measures to ensure a level of security appropriate to the risks arising from the processing of personal data”.

### Scope and Objectives:

The objective of this assignment was to review and assess the ROPAs maintained by the Council and the process in place to ensure that they are completed for all processing activities and maintained up to date. Specifically, the audit aimed to review the processes in place regarding:

- Clarity of ownership of information and data processing activities
- Completeness and quality of records maintained
- Changes to processing activities requiring update of ROPA's

### Opinion:

**Limited Assurance** could be provided that internal control, governance and risk management arrangements were in place and operating effectively.

### Key Findings:

Positively, the following areas of good practice were identified during the audit

- ROPA's were completed upon implementation of GDPR in 2018.
- A ROPA's register is now in place and central point has now been assigned for storage of them which will ease oversight of updating and completeness.
- High risk areas of processing activity have been identified within the register.

However, a number of areas where practice required improvement were also identified:

- No work has been undertaken to maintain ROPAs since the 2018 implementation. ROPA's have not been updated to reflect new processing since 2018 or changes in Information Asset Owners.
- Information assets owners are unclear on their role in respect of ROPAs and they have not received training.
- A record of all Information Asset Owners is not maintained.
- There is no system in place to remind information asset owners of the need to review ROPA's.
- Audit testing of a sample of ROPA's identified that each of them had incomplete information.

### Management Response:

- The Information Governance team will maintain and update a record of Information Asset Owners. They will drive awareness of responsibilities of Information Asset owners through senior leadership meetings.
- Funding has been sought to enable provision of training to Information Asset owners during 2020/21.
- A GDPR Phase 2 Project is being planned for 2020/21 and will include a review of arrangements to being ROPA's up to date and refresher guidance and training on ROPAs for information asset owners.

## 6. Audit Summary – Adult Social Care Debt

In January 2020, the People Directorate commissioned an audit of the debt recovery processes for Adult Social Care. The level of Adult Social Care debt at that time amounted to £30.2m of which £13.6m were arrears due from individuals. An increase in bad debt written off and the growth in volume and value of aged debt represented a risk of significant loss to the Council.

### Scope and Objectives:

The objective of this assignment was to review and assess the effectiveness of the recovery of Adult Social Care arrears in respect of private individuals. Specifically, the audit aimed to review processes in place to mitigate the following risks in the debt collection process:

- Debtors invoices not raised accurately or in a timely manner
- Ineffective debt recovery processes where invoices raised are not paid

The audit approach included sample checking a number of arrears cases for detailed review of recovery action taken.

### Opinion

Based on the work undertaken, only **Limited Assurance** could be provided that internal control, governance and risk management arrangements were in place and operating effectively.

### Key Findings

A number of areas of good practice were identified. These included:

- All service users sampled had had needs assessed under the Care Act
- Invoicing was generally completed accurately and without undue delay
- The Council act responsibly towards service users in collection of care debt.

Whilst it is acknowledged that it is inherently difficult to recover such debt, a number of areas where practice required improvement were identified:

- Prioritisation and Resourcing - There was insufficient resource to deal with debt recovery activities with less than 1 Fte dedicated to this key role during 2019/20 and no dedicated resource in place for 2020/21. Given the size of the debt, recovery needs to be prioritised to avoid increasing debt levels.
- There was no formal role for Care Management staff in debt recovery and little evidence of them raising debt issues.
- Escalation of cases to the Debt Management team was inconsistent with only 83 of 1650 cases escalated.
- Early intervention measures to prevent service users falling into debt were not in place.
- Changes to information used to assist in debt collection (e.g address data) was not automatically updated in the finance system.

### Management Response:

A number of actions have been agreed by Adult Social Care Management to address the matters raised:

- Seeking approval for the creation of a Direct Payments Financial Audit and Debt Management Team. This will enhance the resource dedicated and the priority assigned to debt collection.
- Updating practice guidance for practitioners to include a checklist which includes exploration of the risks of non-payment and contingencies that need to be made. This guidance will also include charging procedures so that practitioners are aware of these.
- Introduction of a finance form into the practice guidance to support practitioners to apply practices that will help to mitigate debt risk.
- Identifying high risk service users for action planning
- Researching the costs and feasibility of changing invoicing formats and a shared case note recording system.
- Researching how information relevant to debt collection can be routinely updated on the finance system from entries made in the adult care system.