

Audit Committee

26th July 2021



Report of: Chief Internal Auditor

Title: Internal Audit Update Report

Ward: Citywide

Officer Presenting Report: Chief Internal Auditor

Recommendation

The Audit Committee notes the Internal Audit Update Report for the period for the period up to 30 June 2021.

Summary

The Committee received a comprehensive annual report on internal audit activities in its meeting in June 2021 that detailed the work completed and arrangements in place during the previous year. This report seeks to provide the Committee with a high-level update on internal audit activities since the last meeting.

The significant issues in the report are:

- The longevity and uncertainty of the Covid19 pandemic has meant that the Council continues to face the challenge of responding to the pandemic as well as putting in place recovery measures. Consequently, the inevitable pressure on operational management has resulted in some audits carried forward from 2020/21 taking longer than anticipated to be completed.
- Consistent with our rolling plan approach approved by the Audit Committee in 2020/21, the 2021/22 Internal Audit Plan has been reviewed to take into account the continued uncertainty of the pandemic and the ever-changing operating environment. However, there are no proposals to amend the plan at this point.
- The Fraud team continued to support the distribution of government support grants through a programme of pre and post payment fraud checks.
- An assessment of the progress in the implementation of agreed management actions established that 84% of due actions have been implemented or partially implemented as at 7 July 2021. This is slightly below the target of 90%.

Policy

1. Audit Committee Terms of Reference

Consultation

2. Internal

Corporate Leadership Board including S151 Officer, Cabinet Member for Governance, Resources and Finance.

3. External

Not applicable

Context

4. 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.
5. This report provides an update on internal audit matters. The Committee received a comprehensive annual report at its meeting on 24 June 2021 and this report is intended to provide an update on progress and developments since then.

Internal Audit Delivery

6. As reported in June 2021 the Covid19 pandemic has had significant effect on the provision of the Internal Audit Service during 2020/21. The continued need to respond to the pandemic as well as initiating and adopting recovery approaches increased pressure on operational management which extended the time taken to complete individual audit assignments as services juggled service delivery priorities with audit commitments.
7. In Quarter 1, prioritisation was given to the completion of the audits carried forward from 2020/21 as well as finalisation of annual reports which were reported to the Committee in June 2020. As reflected in Appendix 1, most of the audits which were earmarked for starting in Quarter 1 are reported as work in progress. A key output during this period was the certification of 11 grants. In those instances, the Council was certified as complying with the relevant grant conditions. A comprehensive update on the 2020/21 Internal Audit Plan detailing the status and assurance opinion for each of the planned engagements will be presented to the Committee in the September meeting.

8. The 2021/22 Internal Audit Plan was approved by the Audit Committee in March 2021. This Plan at Appendix 1 is presented to this new Committee for both awareness and review. In doing so, the Committee should consider whether the Plan still addresses the Committee’s assurance needs; captures key risk areas and whether there are any amendments required. This regular review of the Plan is consistent with the agreed rolling audit planning approach which was adopted in 2020/21. Internal Audit is not recommending any changes to the Plan now.

9. During Quarter 1, we have completed an IT Risk Assessment to fully identify and assess key risks in this environment enabling us to prioritise assurance activities in the area. The draft outcomes are being discussed with senior management and will be reported to the Audit Committee in September 2021. Similarly, to enable us to effectively prioritise capital projects for both embedded assurance and project audit work we have undertaken a risk analysis of the whole capital project portfolio.

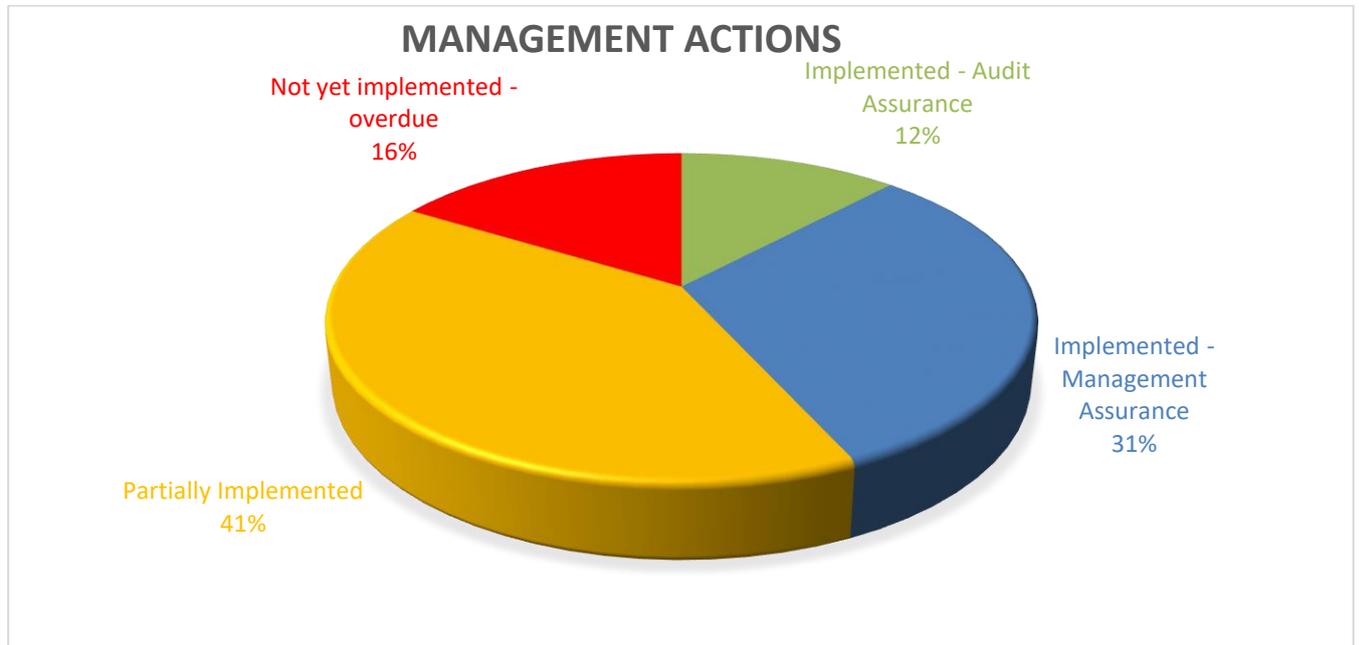
10. The challenges arising from Covid19 still remain although the lifting of most restrictions in July is a welcome development. The uncertainty of the pandemic makes it difficult to make firm plans, but it is hoped that the new approaches to internal audit delivery will ensure that the approved plan is delivered. Key to this will be:
 - Continued collaboration with KPMG, our strategic partner who provide both capacity and expertise in supporting delivery of the audit plan. In addition, KPMG will help develop the in-house team through knowledge transfer and joint working.
 - Maximising analytic tools to strengthen our assurance and improving audit efficiency.
 - Maximising the opportunity of relying on other assurance providers which is critical especially in the current environment through enhanced assurance mapping.
 - Working with the business to develop and implement continuous auditing and continuous monitoring methodologies.

Implementation of Agreed Management Actions

11. Internal Audit implemented an internal audit management software called Pentana Audit in 2020 with the aiming of improving audit productivity and efficiency. Within this system there is a module that provides the opportunity to automate procedures for monitoring and reporting implementation of agreed management actions. The relevant module enables responsible managers to update progress against implementation of each action for audit staff to evidence and verify during a re-audit of the area before closing that action. The role of Internal Audit is to regularly review the entries by management and seek additional evidence if required before closing the actions as completed. There is a target that 90% of agreed actions should be implemented by the due date.

The high-level summary of the agreed management actions due as at 7 July 2021 is shown in the pie chart below. As shown in the diagram overall, 84% of the actions were either fully or partially implemented. This outcome is expected given that this is now an iterative process. Quarterly discussions on the implementation of actions are held with senior management and

arrangements are being put in place to embed this process as part of performance management. A detailed report showing the overdue actions and the live demonstration of the system will be provided in the September meeting.



12. A Fraud Annual Report was presented to the Audit Committee in June 2021. The team continues to support the distribution of government support grants through a programme of pre and post payment fraud checks. In addition, the work relating to the Bristol Fraud Hub project, Whistleblowing and all other investigations is progressing well. It is hoped that the lifting of restrictions and improvement in the Covid19 situation will see the courts hearing more cases which could help us in finalising some outstanding tenancy fraud cases.

Exception Reporting

13. Under the agreed escalation procedure, the summaries of every audit with a no or limited assurance opinion are presented to the Audit Committee for consideration. The Committee may seek additional assurances on the actions being taken to address the issues identified. Consistent with this procedure the summaries relating to the audits listed below are being presented for consideration and the relevant senior responsible officers will be in attendance to answer any questions the Committee may have:
 - Information Technology Transformation Programme (ITTP) Closure Report – Appendix 2
 - Capital Projects Governance – Appendix 3
 - Affordable Housing Supply – Grant Allocation – Appendix 4

14. It is recognised that the Council is faced with significant risks arising from the pandemic and Brexit. Internal audit will continue to engage with management regularly to ensure that assurance activities align with the Council’s priorities and risks.

Proposal

15. The Audit Committee note the internal audit update.

Other Options Considered

16. Not applicable

Risk Assessment

17. The work of Internal Audit minimises the risk of failures in the Council’s internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal

Not Applicable

Financial

Not Applicable

Land

Not Applicable

Personnel

Not Applicable

Appendices:

Appendix 1 – Internal Audit Plan 2021/22

Appendix 2 – ITTP Closure Report Summary

Appendix 3 – Capital Projects Governance Report Summary

Appendix 4 – Affordable Housing Supply – Grant Allocation Report Summary

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards

Various Audit Files