

# Audit Committee

27<sup>th</sup> September 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 31 August 2021 and receives assurance on actions being taken to address any weaknesses identified through internal audit activities.

## Summary

This report seeks to provide the Committee with a high-level update on internal audit activities since the last meeting. The Committee will receive the half year report in November that will provide full details on performance against the approved plan and summary of outcomes from each of the completed reviews.

## The significant issues in the report are:

- The Internal Audit Service continues to work flexibly in supporting management in balancing Covid response and recovering with the need to complete assurance activities timely. Given the uncertainty of the current pandemic there is an inherent risk that some reviews may not be completed as planned. However, satisfactory progress is being made in completing planned activities.
- The rolling plan methodology which was agreed by the Audit Committee in 2020/21 enables the approved audit plan to be reviewed regularly. Following a recent review, there are no proposals to amend the 2021/22 internal audit 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 only one action that was due for implementation by 6 September 2021 was outstanding.

## **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 will receive a comprehensive half year report in November which will provide the Committee and Management with an update on the progress in delivering the approved 2021/22 Audit Plan. This update will cover the period of 1<sup>st</sup> April to 31<sup>st</sup> October 2021, building on the information which has been provided to Committee at its previous meetings in this financial year.

## **Internal Audit Delivery**

6. The Internal Audit Service continues to adapt its working practices in delivering its mandate recognising the significant impact of Covid on service delivery and provision. As reported in previous meetings the Covid19 pandemic continues to affect the timely completion of audits although this is improving.
7. Although there is an inherent risk of some planned audits not being completed due to the current operating environment created by the pandemic there is satisfactory progress being made in delivering the annual plan. A key output during this period was the certification of grants and there were no compliance issues noted. The half year internal audit report that will be presented in November will provide a comprehensive update on the completion of the approved 2021/22 Internal Audit Plan detailing the status and assurance opinion for each of the planned reviews.

8. Consistent with the rolling plan methodology, the 2021/22 Internal Audit Plan has been reviewed and there are no changes recommended at this time.
9. During the period under review, Internal Audit faced some resourcing challenges due to sickness absence and failure to recruit a fixed term Group Auditor as planned. The resultant risk on the delivery of the approved is being mitigated by additional support from KPMG, our internal audit strategic partner. In addition to this, we are exploring the recruitment of two Level 7 Internal Audit Professional Apprentices consistent with our audit strategy that was approved by the Audit Committee in November 2020. In an effort to strengthen the control environment, a programme is underway in which we are exploring the development and implementation of continuous auditing and continuous monitoring methodologies.

### Implementation of Agreed Management Actions

10. A key activity for Internal Audit is following up and reporting on the implementation of agreed management actions. Over the last year there has been significant improvement in the management of outstanding actions and there is evidence that management are prioritising improvements in this area. Using Pentana Audit, both Management and Internal Audit can timely report on progress. Management is responsible for implementing agreed actions whilst Internal Audit is responsible for regularly reviewing the entries by management and seeking 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 status of the agreed management actions due as of 6 September 2021 is shown in Table 1 below.

**Table 1 – Agreed Management Actions**

| Action Status                      | High      | Medium     | Total      |
|------------------------------------|-----------|------------|------------|
| Implemented - Audit Assurance      | 37        | 70         | 107        |
| Implemented - Management Assurance | 31        | 77         | 108        |
| Partially Implemented              | 19        | 40         | 59         |
| Not yet implemented - overdue      | 1         |            | 1          |
| <b>Grand Total</b>                 | <b>88</b> | <b>187</b> | <b>275</b> |

As reflected in the above table, all agreed management actions except one were either fully or partially implemented. This performance at almost 100% significantly exceeds the 90% target and reflects the impact of the new monitoring and reporting arrangements. The regular reporting of outstanding actions at both Executive Director Meetings and Corporate Leadership Board meetings should be maintained to sustain this good performance. In addition, more work is being undertaken to improve the monitoring process by exploring the options of automating the procedure for reminding actions owners when the actions are due for implementation.

11. Following on from the Fraud Annual Report that was presented to the Committee in June 2021, a half year report will be presented in November 2021. During the period under review, the team continued to focus on post payment fraud checks in addition to prioritising whistleblowing

cases. The work relating to the Bristol Fraud Hub project is progressing well and currently at the Outline Business Case stage. All other counter fraud activities and investigations are progressing well. Whilst the impact of the lifting of restrictions has not yet been felt in terms of actual outcomes it is hoped that outstanding court cases will now be heard resulting in more outcomes from tenancy fraud activities.

### **Exception Reporting**

12. 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:
- Risk Management – Appendix 1
  - Housing Rents – Appendix 2
  - Managers Health and Safety Assessments – Appendix 3
  - Cyber Security – Appendix 4

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**

13. The Audit Committee note the internal audit update.

### **Other Options Considered**

14. Not applicable

### **Risk Assessment**

15. 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 – Risk Management Summary Report

Appendix 2 – Housing Rents Summary Report

Appendix 3 – Health and Safety Summary Report

Appendix 4 – Cyber Security Summary Report

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:**

Public Sector Internal Audit Standards

Various Audit Files