



BRISTOL INTERNAL AUDIT

Internal Audit Half Year Report

April 2021 to October 2021



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 2021/22 Internal Audit Plan was approved by the Audit Committee in March 2021 and provides a programme of work designed to enable provision of an evidence-based audit opinion on the risk management, governance and control environment to the Corporate Leadership Board and Audit Committee and in support of the Annual Governance Statement (AGS). As previously agreed with the Audit Committee risks to the Council continue to evolve at pace so Internal Audit maintain a rolling plan which is formally reviewed quarterly.
- 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 used to inform the Chief Internal Auditor's opinion in the Annual Internal Audit Report on the effectiveness of internal control, risk and governance arrangements within the Council.
- 1.3 This Half Year Report provides Members of the Audit Committee and Management with an update on the progress in delivering the 2021/22 Audit Plan. The update covers the period of 1st April 2021 to 31st October 2021, building on the information which was provided to the Committee at its meeting in September 2021 enabling the Committee to track the progress on planned internal audit activities throughout 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' since the last meeting;
 - Internal Audit resourcing as required by the Public Sector Internal Audit Standards (PSIAS);
 - Grant certification;
 - Implementation of agreed audit recommendations and agreed management actions.
- 1.5 The summary of internal audit activities completed or in progress during the review period is provided at Appendix 1 to this report.
- 1.6 The Internal Audit function also provides a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection and investigation of fraud. The activities of the Counter Fraud Service are the subject of a separate half year report also being considered at this meeting.

2. Key Messages

- Satisfactory progress towards the delivery of the 2021/22 Audit Plan.
- Good progress in implementing agreed actions. This was reported to the Audit Committee at the September 2021 meeting and the next report will be presented in the January meeting focusing on actions due for implementation by 30 November 2021.
- The Internal Audit Service continues to face staffing challenges. The Service is carrying vacancies and there have been some long-term staff absences during the period. These have been mitigated in part by the increased use of the Internal Audit Strategic Partner as well as the appointment of an interim Group Auditor until February 2022. 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.
- 22 grants with a total value of £13.6m have been certified to date. This is a key requirement for grants received by the Council from both central government and the West of England Combined Authority (WECA). Non-compliance with this condition poses a financial risk to the Council so this work is always prioritised.

3. Updates

Annual Risk Based Assurance Plan Status:

- 3.1 The audit work brought forward from 2020/21 is now all complete, although the budget allocated for this work was exceeded due to some audits taking longer to complete than initially planned due to Covid pressures and the complex nature of some of the review areas. The delay has slightly impacted on the current delivery position of the 2021/22 Audit Plan.
- 3.2 The work on the 2021/22 Audit Plan is now progressing satisfactorily. The planned audit activities to completion and draft report stage are at 41%, against a target of 45% at the end of Quarter 2. This performance is reflective of the additional time taken to complete the carried forward reviews, reduced audit resource due to staff absences, prioritisation of grant certification work and continued delays in the audit process due to Covid pressures. In noting the current position there is reasonable assurance that the planned audit activities will be completed by 31 March 2022.
- 3.3 The summary of the planned work either completed or in progress for the period 1st April to the 31st October 2021 is provided at Appendix 1 together with the level of assurance concluded from each review. Consistent with the Audit Committee reporting protocol, summaries of reviews that had a 'No' or 'Limited' assurance opinion are provided at Appendices 2 to 4 for discussion at the meeting, where senior officers from the responsible service will be in attendance. The summary of the Housing Stock - Rent Collection and Arrears Recovery report was provided to the September meeting. The summaries at Appendices 2 to 4 therefore relate to:
 - Adult Safeguarding (2020/21 review);
 - Responsive Repairs;
 - IT Resilience.
- 3.4 As reflected in Appendix 1, 92% of the 40 audits completed and grants certified in the period under review had a **reasonable** or better assurance opinion with three audits having a **limited** assurance opinion. In these

three areas 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.

3.5 Whilst the responsibility for maintaining an effective control environment rests with management, Internal Audit continue to actively support management in identifying solutions and particularly in the monitoring and reporting of the progress in implementing agreed management actions and establishing appropriate management assurance reporting arrangements. This work is articulated in the Internal Audit Strategy which is a separate Agenda item for this meeting. For the past 18 months, the Internal Audit Service has been working on strengthening its engagement and relationship with the business and the success of this approach is reflected in performance feedback which currently shows that 90% of customers rate Internal Audit as either Good or Better after audits.

3.6 By necessity, the Audit Plan must be flexible to ensure it remains relevant to risks facing the Council throughout the year which is consistent with the rolling plan methodology adopted. 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. The Committee is requested to agree to the proposals.

Table 1 – Proposed Amendments to the 2021/22 Audit Plan

No.	Reasonable Assurance Area	Audit Assignment	Rationale
1	Value For M	Value for Money	This area is receiving significant coverage from the External Auditor during their audit of 2020/21 accounts.
2	Governance	Partnership Working – Tracking of Outcomes	Deferred to 2022/23. Processes for tracking outcomes are still being developed.
3	Information Security	Information Security	Interim arrangements for information security will be covered in the audit of the implementation of the new Information Security Management System.
4	Financial Control	Debt Management	Deferred to 2022/23 as recovery processes suspended due to Covid.
5	Governance	Group of Companies Governance	A number of governance reviews have been undertaken and actions are being taken to address any issues identified.
6	IT	Housing IT System Controls Review	Now part of embedded assurance on Housing and Landlord Services IT project.

Grant Certification:

3.7 To date, the team has audited and certified 23 grant claims to the value of approximately £17.1m, see Appendix A. There were no significant grant compliance issues identified. Work is progressing on further grants into Quarter 3.

Resources:

3.8 As reported in the September Audit Committee report, Internal Audit has faced some resourcing challenges due to sickness absence and other unplanned absences. As a result, a total of 80 days were lost and we failed to recruit a fixed term Group Auditor for a six-month period. The market for Internal Audit staff is currently very limited although we have been successful in appointing an Interim until March 2022. There have also been absences in client teams which have delayed some audit work. However, the resultant risk on the delivery of the approved plan is being further mitigated by additional support from KPMG, our internal audit strategic partner. In addition to this, we continue to explore 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. The increased use of analytics will also help to increase efficiencies in the audit process.

Implementation of Agreed Management Actions:

- 3.9 Whilst 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.
- 3.10 It is pleasing to note the good progress in implementing agreed management actions. This was reported to the Audit Committee at the September 2021 meeting and the next report will be to the January meeting focusing on actions due for implementation by 30 November 2021.
- 3.11 The success of this approach in implementing agreed management actions is reflected in the Internal Audit performance indicator 'Percentage of agreed management actions implemented within agreed timelines, which, for the period, stands at 100% against a target of 90%.

4. Conclusion

- 4.1 This report focuses on Internal Audit activities only as the activities of the Counter Fraud and Investigation Team are covered separately in the Counter Fraud Half Year Report.
- 4.2 There has been satisfactory progress in delivering the 2021/22 Internal Audit Plan to date. Looking forward to Quarters 3 and 4; completion of audits is anticipated to be more challenging due to the following reasons:
- Increased pressure on audit clients through budget pressures, staffing issues and other corporate priorities including audit planning and Annual Governance Statement
 - Increased pressure to complete all audits including those carried forward from previous quarters.
 - Planned Internal Audit work in Quarters 3 and 4 is more complex than the grant certification audits undertaken in Quarters 1 and 2.

4.3 In order to meet these challenges, it is essential for Internal Audit to continue to work closely and flexibly with management to ensure changes in risk are identified and acted upon and that agreed management actions continue to be implemented. Internal Audit will continue to work with strategic partner in completing the planned activities as well exploring the appointment of higher-level apprentices to build capacity and resilience in the team. There is also need to ensure that Internal Audit maximises the opportunity of placing reliance on other sources of assurance and strengthens collaborative arrangements with other assurance providers.