

Audit Committee

24th July 2023



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 highlighting the planned key activities for Quarter 2 and the implementation of agreed management actions.

Summary

The Committee received the internal audit and fraud annual reports for 22/23 in the last meeting. The Committee will receive a detailed report in September that will provide full details on internal audit performance against the approved quarterly plans and summary of outcomes from each of the completed reviews. Therefore, this report seeks to provide the Committee with a high-level update on internal audit priorities in the last quarter of this financial year.

The significant issues in the report relate to:

- Delivery of the 2023/24 internal audit plan
- The implementation of agreed audit actions



Policy

1. Audit Committee Terms of Reference

Consultation

2. **Internal**

Corporate Leadership Board including S151 Officer, Cabinet Member for Finance, Governance, Property and Culture

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 comprehensive annual reports in May 2023 which provided the Committee and Management with an update on the progress in delivering the approved 2022/23 Audit Plan. This update provides details of key priorities for Quarter 2 and the implementation of agreed management actions that were due for implementation on or before 30 June 2023.

Internal Audit Activities

6. The Internal Audit Plan 2022/23 that was approved by the Audit Committee in March 2022 has now been completed and all efforts are now focused on completing the approved 2023/24 Q1 and Q2 priorities.
7. The current internal audit workload includes a variety of activities that provide assurance over the council's internal control, governance and risk management arrangements. In addition to completing agreed individual audits, Internal Audit is also focusing on:
 - Delivering ongoing and continuous assurance over key programmes and projects particularly the top four programmes (Temporary Accommodation, Property, Our Families and Adult Social Care). This work is being prioritised because embedded assurance enables:
 - programme risks being timely identified and effectively managed

- programme processes to be robust and dependable
 - opportunities to be identified and fully maximised
 - compliance with corporate project management methodology
 - timely escalation of emerging significant risks
 - regular assurance reporting to those charged with governance and senior responsible officer
- Following up agreed management actions to provide assurance that management actions are being implemented within the agreed timelines as well as supporting management in embedding monitoring and reporting processes as part of regular performance management.
 - Undertaking grant audits to certify whether the council is complying with grant conditions. A considerable number of grants have already been certified and there were no compliance issues identified.
 - Undertaking assurance work in Bristol Waste and Goram Homes to provide assurance on the adequacy and effectiveness of the companies' internal control, governance and risk management arrangements.
 - Completing an IT risk assessment within the council to identify and prioritise areas requiring assurance in Q3 and Q4.
 - Optimising fraud prevention techniques to avoid or detect fraud and ensuring that allegations of fraud or corruption are timely investigated, and appropriate action taken to recover resultant fraud losses.
8. The audit environment remains challenging as the Council continues to operate in circumstances dominated by inflation, the impact of rising costs on budgets and the rising demand for services stemming from Covid. As managers try to deal with these challenges and plan for the coming year, the speed at which internal audits are completed will inevitably slow down impacting on the ability to finalise some reports timely. However, there is ongoing engagement with management to ensure audits are completed within the agreed quarter and any issues are escalated to the Corporate Leadership Board as appropriate.
9. We previously reported about the resourcing challenges faced but the appointment of apprentices and continuous use of KPMG as the strategic partner gives us confidence that the planned work will be completed.
10. There are no proposed changes to the agreed audit work programme.

Implementation of Agreed Management Actions

11. A key activity for Internal Audit is following up and reporting on the implementation of agreed management actions. The council uses the Pentana Audit Management System to monitor and

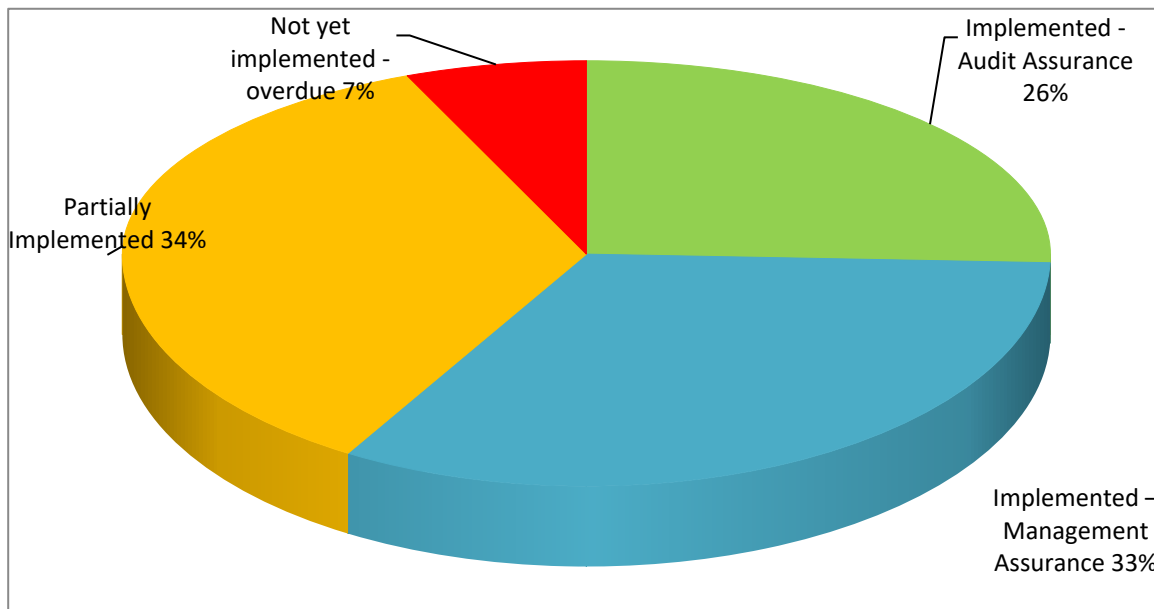
report the implementation of agreed management actions. Management is responsible for implementing the agreed actions and Internal Audit is responsible for undertaking follow up and ensuring that the progress in the implementation of the actions is monitored and reported to the Corporate Leadership Board and Audit Committee.

- 12. In 2023/24 there is a target that 90% of all agreed management actions are implemented by the due date.
- 13. As of 30 June 2023, there were 297 management actions that were due for implementation by that date. Table 1 and the pie chart below show the status of these actions on this date.

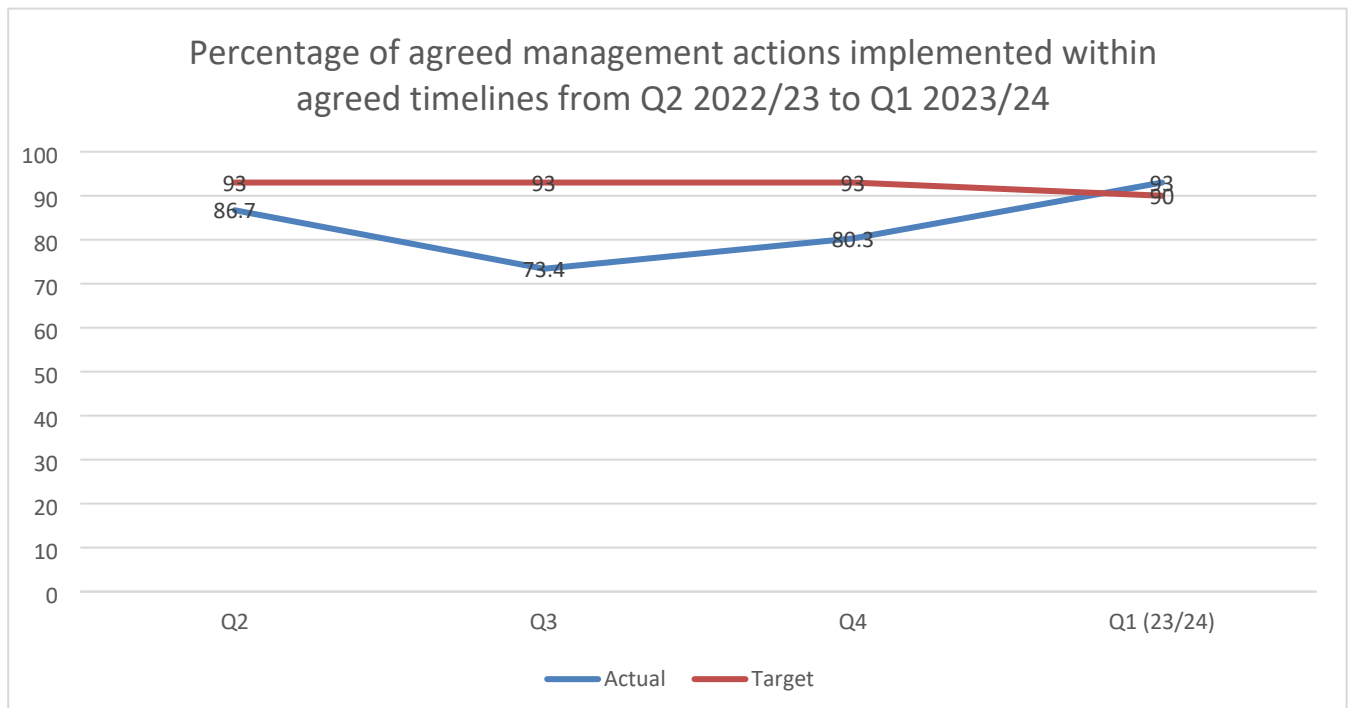
Table 1

Action Status	High	Medium	Grand Total
Implemented - Audit Assurance	23	53	76
Implemented – Management Assurance	32	66	98
Partially Implemented	33	68	101
Not yet implemented - overdue	2	20	22
Grand Total	90	207	297

All actions with a due date on or before 30 June 2023



14. As can be seen from the above table and pie chart 93% of the actions were either fully or partially implemented. This performance is better than the target of 90% and the graph below shows a significant improvement from the previous three quarters.



15. This positive trajectory will need to be sustained so work is now ongoing to ensure that management can independently review their progress regularly as part of their performance management arrangements. In this quarter Internal Audit will support management in enhancing management processes that ensure timely and robust monitoring of due actions. Management should maximise the opportunities arising from the automation of the follow up process to proactively management these actions. Once these processes are established, the role of Internal Audit will then be limited to undertaking detailed follow ups and quarterly reporting.
16. The next report on the implementation on agreed action will be presented to the Audit Committee in September 2023.

Proposal

17. The Audit Committee notes the Internal Audit Update Report highlighting the planned key activities for Quarter 2 and the implementation of agreed management actions.

Other Options Considered

18. Not applicable

Risk Assessment

19. 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:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

- Public Sector Internal Audit Standards
- Various Audit Files