

# **North Somerset Council**

## **REPORT TO THE AUDIT COMMITTEE**

**DATE OF MEETING: 7 DECEMBER 2017**

**SUBJECT OF REPORT: INTERNAL AUDIT ASSURANCE PLAN UPDATE 17/18**

**TOWN OR PARISH: NONE**

**OFFICER PRESENTING: JEFF WRING, HEAD OF AUDIT WEST**

**KEY DECISION: NO**

## **RECOMMENDATIONS**

The Audit Committee is asked to:

- Note progress in delivery of the 2017/18 Annual Audit Assurance Plan.

### **1. SUMMARY OF REPORT**

This report updates the Audit Committee on progress in delivering the 2017/18 Annual Audit Assurance Plan and summarises performance from 1<sup>st</sup> April to 30<sup>th</sup> September 2017.

### **2. POLICY**

The work of the Internal Audit Service is to provide independent assurance to the council's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the council's objectives.

### **3. DETAILS**

The performance chart overleaf shows that as at six months into the year:

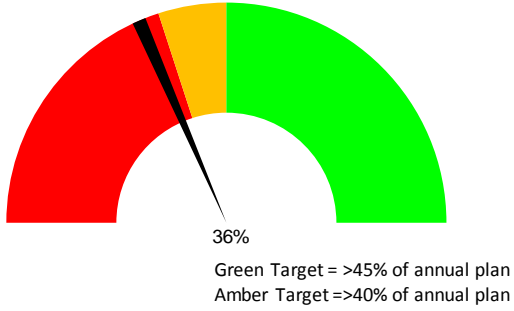
- Overall delivery of the plan is slightly behind target;
- Audit Reviews are being completed within their allocated days;
- Customers rated the service as 'excellent';
- Critical and High level recommendations have been implemented;
- State of the Internal Control framework is satisfactory, based on our audit opinions;
- Investigations and sickness are impacting upon delivery of the plan.

# PERFORMANCE DASHBOARD - INTERNAL AUDIT

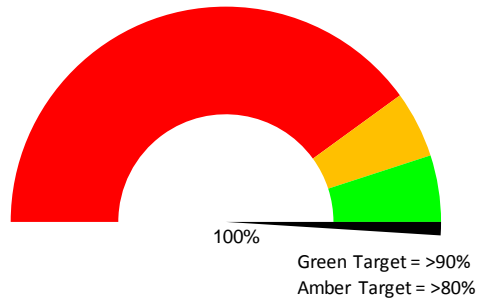
Client - North Somerset Council

Period - April 2017 - September 2017

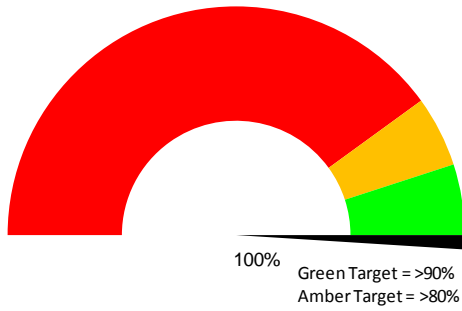
## 1. AUDIT PLAN COMPLETED



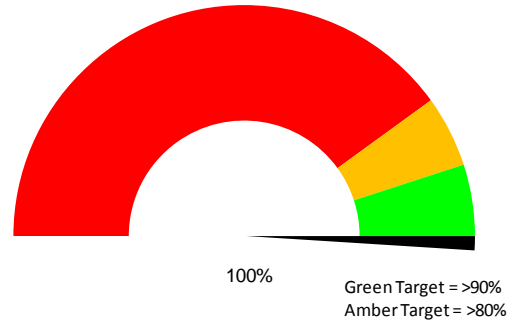
## 2. AUDITS COMPLETED IN PLANNED TIME



## 3. CUSTOMER SATISFACTION

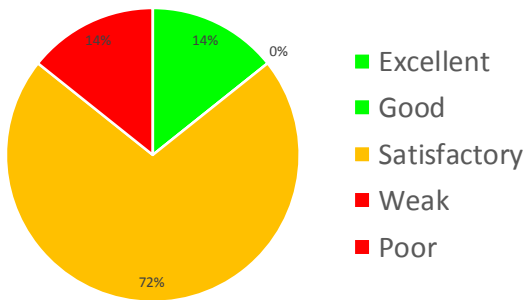


## 4. IMPLEMENTATION OF RECOMMENDATIONS

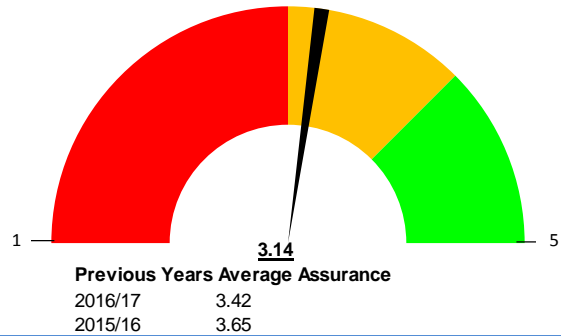


## 5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

### Current Position



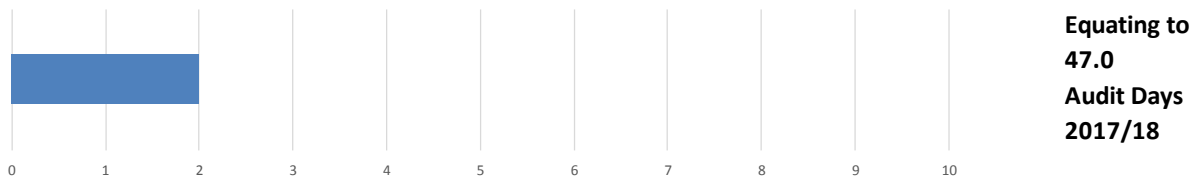
### Current Average Assurance Level



## 6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



## 7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



## 8. NEW UNPLANNED WORK



## Audit Reviews Position Statement

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
17-001N	Contract Management	Not yet started	0	0	0
17-002N	Spend Analysis (No PO No Pay, Use of Benchmarking, etc)	In progress	0	0	0
17-003N	Transformation & Project Management	Not yet started	0	0	0
17-004N	Shared Lives	In progress	0	7	0
17-005N	Personal Budgets	Final	3	6	6
17-006N	Community Meals & Canteen Service	Final	3	7	7
17-007N	Spot Providers/ Block Contracts	Not yet started	0	0	0
17-008N	Social Impact Bond	Not yet started	0	0	0
17-009N	Schools (assurance visits to Schools)	In progress	0	0	0
17-010N	NSETC Funding	In progress	0	0	0
17-011N	Housing (Rolling Programme of Reviews)	Not yet started	0	0	0
17-012N	Corporate Property Maintenance (inc Children's Centres)	Final	Position Statement	5	5
17-013N	Information Governance	In progress	0	0	0
17-014N	Joint Funding & Income Arrangements	In progress	0	0	0
17-015N	Ordinary Residence	Not yet started	0	0	0
17-016N	Project Commissioning Process	Draft	3	5	0
17-017aN	User Access Control - Starters, Leavers & Movers	Not yet started	0	0	0
17-017bN	Use of New Technologies	Not yet started	0	0	0
17-017cN	Logging and Monitoring - Unauthorised System Access & Data Leakage	Not yet started	0	0	0
17-018N	Cyber Security – Configuration Management	Not yet started	0	0	0
17-019N	GDPR (Data Protection)	Not yet started	0	0	0
17-020N	Core Systems & Financial Management	Not yet started	0	0	0
17-021N	Debt Recovery – Follow Up	Not yet started	0	0	0
17-022N	Data Analytics (Rolling programme of reviews inc. Creditors, Payroll, Gap Analysis)	In progress	0	0	0
17-023N	NNDR Specialist Work (Business Rates/ Mapping)	Not yet started	0	0	0
17-024N	HR – Adherence to policies	Not yet started	0	0	0
17-025N	HR – Overtime and enhanced hours	Draft	3	3	0
17-026N	HR – Starters and Leavers Process	In progress	0	0	0
17-027N	DevCo & Teckal (Project Board Attendance, etc)	In progress	0	0	0
17-028N	Contract Management (Waste)	Not yet started	0	0	0
17-029N	Cashless Car Parks/ Cash Collection	Not yet started	0	0	0
17-030N	Grants Claims – inc City Deal/ LEP/ etc (IA Sign-Off)	Final	5	0	0
17-031N	Land Charges	Not yet started	0	0	0
17-032N	Historic Environment Records	Final	3	4	4
17-033N	Corporate Financial Monitoring	Not yet started	0	0	0
17-034N	Fleet Management	In progress	0	0	0
17-035N	Confidential	Draft	2	9	0
17-036N	Concessionary Fares	In progress	0	0	0
17-037N	Business Engagement (Internal & External)	Not yet started	0	0	0
17-038N	HCA Funding Framework	Not yet started	0	0	0

## **A) COMPLETION OF THE INTERNAL AUDIT PLAN**

The performance dashboard shows that after six months, 36% of the plan is completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork. This compares with the figures reported to Audit Committee in December last year, where at the six month point 40% of the plan had been completed.

The reason for performance being behind target is not due to a reduction in team performance, but rather it can be attributed to two specific factors:

- i) Severe sickness in the team with levels already exceeding the previous two years combined. This is primarily as a result of staff being on long-term sick leave due to serious conditions, one of which is ongoing.
- ii) A new investigation taking up a significant amount of audit resource (47 days as at end of September)

As a result of these issues, the committee are advised that the likelihood of completing below 90% of the plan is a possibility and this will continue to be influenced by the above factors. Audit West are however able to draw on additional resources in such situations to mitigate these circumstances and a process is therefore underway to assess how resources can be aligned and any impacts this may cause.

## **B) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS**

There has been a continued emphasis on providing value through the completion of audits within planned time. This has so far resulted in a 100% achievement rate and has been realised not only through the team's ability to complete work within defined timescales, but also due to the efficiency that has been achieved through joint working.

There is however a risk to time performance as the severity of future budget cuts, particularly in 2018/19, will mean that delivering savings is given priority over all other activities. Auditee involvement in this process may therefore impact on the ability of the Audit Service to complete audits in planned time.

## **C) CUSTOMER SERVICE**

Providing quality and value is a key element of our service model and customer feedback remains as an essential performance indicator for Audit West.

Feedback on customer satisfaction is sought through quality assurance surveys that are sent to auditees at the end of a review. Performance again of 100% satisfaction exceeds targets and demonstrates extremely high levels of service. A further measure of success is the excellent voluntary feedback received from individual Council officers throughout the year. Such comments have included:

*"The Audit has been a very valuable exercise and it has given us the opportunity to focus efforts on making some real service improvements"*

*"The approach you have taken has been collaborative and supportive"*

*"Very thorough and realistic expectations and recommendations"*

## **D) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS**

Resources in this area are focussed on ensuring that critical/ high level recommendations have been implemented, i.e. those recommendations that either identify significant risks, or could best help the organisation to achieve its objectives.

Performance remains strong in this key area with 100% of critical or high level recommendations found to be implemented when followed up during the year. All other non-critical recommendations continue to be followed-up in line with the dates that they are due to be implemented.

Close work with teams to ensure that recommendations from audits remain relevant and achievable to the business, means that all audit recommendations proposed within our reviews have been accepted and agreed by the respective service managers.

## **E) ASSURANCE LEVEL PROVIDED**

At the time of report publication, it has been found that 86% of audits completed have an audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').

So far this year there have been no internal audit reports issued where it is considered that the systems of internal control are poor (i.e. 'Level 1') and only one area where we considered the control framework to be weak ('Level 2'), the details of which are as follows:

### **Summary of Findings**

There were found to be insufficient controls and processes in place to ensure the efficient and effective functioning of a commercial operation in one of the Council's Directorates. This included insufficient business planning, as well as operational findings relating to poor management, record keeping and lack of audit trails.

Senior Management has taken immediate action to address the audit report findings, both in terms of developing a new strategic business plan and improving management arrangements. Internal Audit are continuing to work closely with Senior Management (at least on a weekly basis) to ensure the effective running of the businesses going forwards.

This review is connected to the new investigation detailed below and as the disciplinary process is ongoing the Committee will be briefed in a future confidential session. A new internal audit review has also been agreed in the New Year to provide further assurance over the new governance arrangements in place.

## **F) INVESTIGATIONS/ WHISTLEBLOWING**

Audit West has undertaken one new investigation during the year and continued work on one further investigation carried over from the previous year, as follows:

i) The investigation carried forward relates to the potential misappropriation of money and has been referred to the Police. The Police are collecting further evidence so that it can be presented to the CPS who will then make a charging decision. This investigation therefore remains ongoing as it may require further involvement from internal audit.

ii) The new investigation has several strands and has taken up a large amount of officer time. The main issues involved with this investigation relate to a substantial sum of money being unaccounted for (no audit trail in place), potential breach of financial regulations and contract standing orders along with inadequate contract management, cash and stock control and a series of other management issues. Audit West's involvement has continued from the initial investigation into the disciplinary process alongside direct support to management.

The investigation remains ongoing and aims to be concluded in the new year.

Details of both of these investigations will be reported to the Committee in a confidential session, once they have been completed.

## **G) UNPLANNED AUDITS**

Four pieces of audit work have been undertaken that were not in the original plan. This work was due to management requests and need for immediate assurance. As such they could not wait for inclusion in the following years audit plan.

The total amount of time spent on unplanned audits to date is 17 days and has included:

- A short review of corporate Credit and Procurement cards use
- Audit of D&E Petty Cash and assistance with implementation of new procedures (after a change of management)
- Extended advice and guidance on the procedures for Direct Payments
- Joint work with the Information Governance team in ensuring robust controls for the Environmental and Consumer Service section

Audit West recognises the importance and value to management of being able to respond to these types of requests, however this flexibility is becoming increasingly more challenging as budget cuts are applied.

## **4. CONSULTATION**

In developing and delivering the Annual Audit Assurance Plan the Internal Audit Service has consulted widely with officers, members and the external auditors.

## **5. FINANCIAL IMPLICATIONS**

There are no direct financial implications from this report which is focussed on performance.

## **6. LEGAL POWERS AND IMPLICATIONS**

There are no direct legal implications from this report which is focussed on performance

## **7. RISK MANAGEMENT**

Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. The Internal Audit Service assists the council in addressing its risk profile. Internal Audit helps by identifying risks, improvement areas and by institutionalising good practice.

## **8. EQUALITY IMPLICATIONS**

Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

## **9. CORPORATE IMPLICATIONS**

Failure to deliver the agreed Annual Assurance Plan may result in an inability to provide assurance to officers, members and the public of the soundness of the council's corporate governance.

## **10. OPTIONS CONSIDERED**

None

## **AUTHOR**

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## **BACKGROUND PAPERS**

Annual Audit Assurance Plan 2017/18  
Audit Committee Annual Report to Council 2016/17

Audit Committee March 2017  
Audit Committee September 2017