

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 29 NOVEMBER 2018

SUBJECT OF REPORT: INTERNAL AUDIT PLAN UPDATE 18/19

TOWN OR PARISH: NONE

OFFICER PRESENTING: JEFF WRING – INTERNAL AUDIT (AUDIT WEST)

KEY DECISION: NO

RECOMMENDATIONS

The Audit Committee is asked to:

- Note progress in delivery of the 2018/19 Annual Audit Assurance Plan.

1. SUMMARY OF REPORT

This report updates the Audit Committee on progress in delivering the 2018/19 Annual Audit Assurance Plan and summarises performance from 1st April to 30th September 2018.

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:

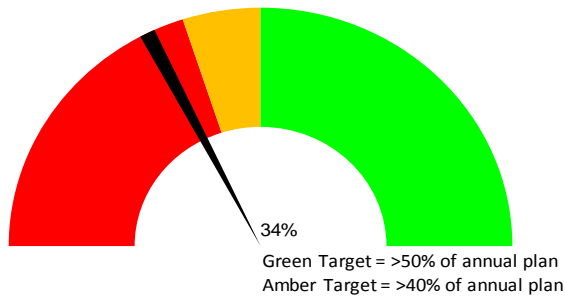
- Overall delivery of the plan is slightly behind target;
- Delays in completion of 17/18 Plan leading to impacts on plan delivery for 18/19
- Level of unplanned and investigative work is slightly above that originally planned
- Unplanned reduction in staff resources has had a marginal impact on the plan;
- Customers rated the service as 'excellent';
- Critical and High-level recommendations have been implemented;
- Audit Reviews are being completed within their allocated days;
- State of the Internal Control framework is satisfactory, based on our audit opinions.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

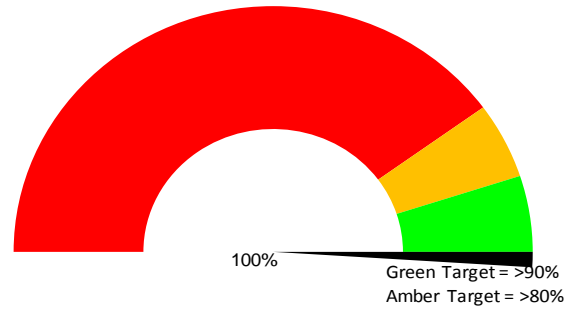
Client - North Somerset Council

Period - April 2018 - September 2018

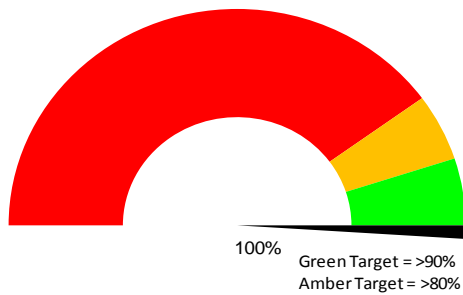
1. AUDIT PLAN COMPLETED



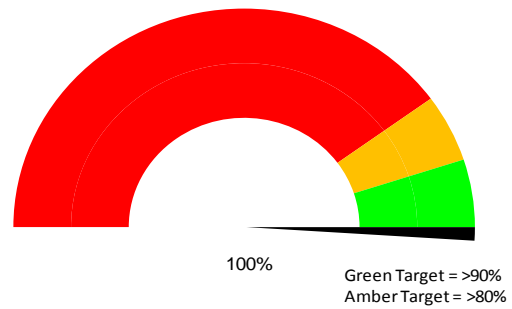
2. AUDITS COMPLETED IN PLANNED TIME



3. CUSTOMER SATISFACTION

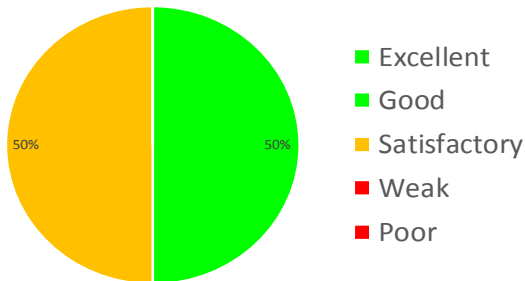


4. IMPLEMENTATION OF RECOMMENDATIONS

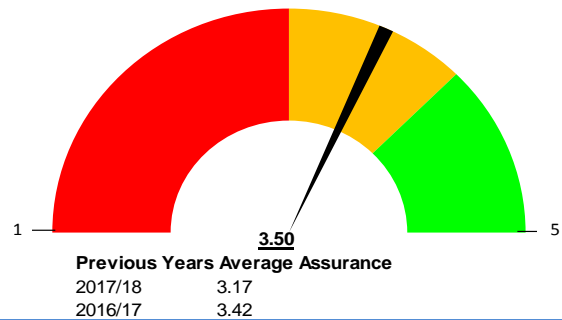


5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

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
18-001N	Core Financial Systems - Payroll	In Progress
18-002N	Core Financial Systems – Journals & Virements	Not yet started
18-003N	Core Financial Systems – To be Confirmed	Not yet started
18-004N	Council Tax Payments	Final
18-005N	Housing Benefit Overpayments	In Progress
18-006N	ICT Cyber Security	Not yet started
18-007N	ICT Disaster Recovery & Back-Up Arrangements	In Progress
18-008N	Data Protection (GDPR) & Information Management	Not yet started
18-009N	Contract Monitoring & Payments	In Progress
18-010N	Supplier Resilience	Final
18-011N	Delegated Authority (Sign-Offs)	Reporting
18-012N	Declaration of Interests and Gifts & Hospitality	Final
18-013N	NNDR Specialist Work (Business Rates/ Mapping)	Not yet started
18-014N	Data Analytics (Rolling programme of reviews inc. Creditors, Payroll, Gap Analysis)	In Progress
18-015N	SPV – Governance & Performance Reporting	Not yet started
18-016N	Health & Safety Compliance	Reporting
18-017N	Evacuation Procedures – Major Incidents	Reporting
18-018N	Section 117/ CCG Funding	Not yet started
18-019N	Individual Care Packages – Resource Allocation	Not yet started
18-020N	Financial Assessment Process	In Progress
18-021N	Adult Care Finance System (Liquid Logic)	In Progress
18-022N	Fostering – Recruitment Process & Payments	In Progress
18-023N	South West Sub-Regional Children’s Residential Placements	Not yet started
18-024N	Children’s Direct Payments	Not yet started
18-025N	Transitions – Children’s to Adult Services	In Progress
18-026N	Social Impact Bond – PRG Payments	In Progress
18-027N	Housing Complaints Process	In Progress
18-028N	Homelessness	In Progress
18-029N	Public Health	In Progress
18-030N	Schools – Assurance Visits	Not yet started
18-031N	NSC Contract Management Arrangements (inc Highways)	In Progress
18-032N	Waste Contract	In Progress
18-033N	Leisure Contract – Profit Share	In Progress
18-034N	Integrated Transport Unit	In Progress
18-035N	Sea Front Operations	Not yet started
18-036N	Wyvern SW Limited (DevCo) inc Updates to Constitution	In Progress
18-037N	Commercial Investments	In Progress
18-038N	Cashless Car Parking	In Progress
18-039N	Community Infrastructure Levy	In Progress
18-040N	National Productivity Investment Fund	In Progress
18-041N	Fuel Cards	In Progress
18-042N	Community Meals Overtime and Expenses	In Progress

A) COMPLETION OF THE INTERNAL AUDIT PLAN

The performance dashboard shows that after six months, 34% of the plan has been completed which is slightly below our expected target of between 40% and 50% of the plan. 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 at the same stage last year, where at the seven month point 42% of the plan had been completed.

The reason for performance being behind target is predominantly due to a longer time than expected in completing last years planned work some of which was delayed into this year due to service requests, a reduction in a full-time member of staff's working hours due to ongoing health issues following a serious illness, extension of the scope of some planned work and the level of unplanned work.

A recruitment campaign has been launched this month (November 2018) and has already proved successful and should help support in improving the level of performance against the plan for 18/19.

B) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

There has been a 100% achievement rate of completing audits within planned time. Members will recall from previous updates that significant staff emphasis has been placed on the importance of providing value through the completion of audits within allocated time.

The ongoing approach to ensuring that joint working takes place wherever possible has also continued to yield further efficiency benefits across the two authorities through sharing of knowledge, workplans and audit findings.

It should be noted, however, that any appointment of new staff may result in a reduction of achievement rate whilst they become familiar with the way the Audit service and Council operate. Where possible and where required, the time allocated to the individual to complete an audit will be adjusted to reflect their experience and anticipated time needed.

C) CUSTOMER SERVICE

Providing quality and adding value is fundamental to the success of the partnership. Therefore, this remains an essential performance indicator for Audit West.

Feedback on customer satisfaction is generally 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.

D) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

Follow-ups are focussed on ensuring that critical and high level recommendations have been implemented. This is because the critical and high level recommendations made will have either identified significant risk, or identified improvement that could best help the organisation to achieve its objectives.

Once again, 100% of critical or high level recommendation were found to have been implemented when followed-up with the Auditee. 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

To date in the 2018/19 financial year, it has been found that all audits completed have an audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').

Currently there have been no internal audit reports issued where it is considered that the systems of internal control are poor (i.e. 'Level 1') or weak ('Level 2'). However, two specific follow-up audits are currently underway, both in the area of Contract Management, which were both rated as having a weak control environment in the previous year.

F) INVESTIGATIONS/ WHISTLEBLOWING

The audit service has undertaken one new investigation during the year, alongside colleagues from HR.

The investigation is ongoing and therefore details of the specific service area it relates to cannot currently be reported in full. However, it can be confirmed that the investigation is within the People and Communities Directorate and relates to allegations made against an individual.

The broad accusation that Internal Audit were investigating related to the alleged agreement of payments and time off to staff outside of Council policy and without due authorisation. Audit's findings have been passed to HR and the investigation remains ongoing whilst HR finalise their work.

At our next Audit Committee meeting we will be focussing the Committee's attention on our approach to Counter Fraud and giving a fuller update on range of investigative work.

G) UNPLANNED AUDITS

Several pieces of unplanned work have been undertaken, however these have been brief and more consultative and only one specific piece of formal audit work has been undertaken that was not in the original plan. This work was due to a management request and linked to the investigation previously referenced. As such, it could not wait for inclusion in the following years audit plan.

The partnership recognises the importance and value to the Council of being able to respond to these types of requests, especially where there are specific concerns from management around the robustness of the control framework within their service.

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 2018/19
Audit Committee Annual Report to Council 2017/18

Audit Committee April 2018
Audit Committee July 2018