

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 14 NOVEMBER 2019

SUBJECT OF REPORT: INTERNAL AUDIT ASSURANCE PLAN UPDATE 19/20

TOWN OR PARISH: NONE

OFFICER PRESENTING: JEFF WRING - AUDIT WEST

KEY DECISION: NO

RECOMMENDATIONS

The Audit Committee is asked to:

- Note progress in delivery of the 2019/20 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 2019.

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:

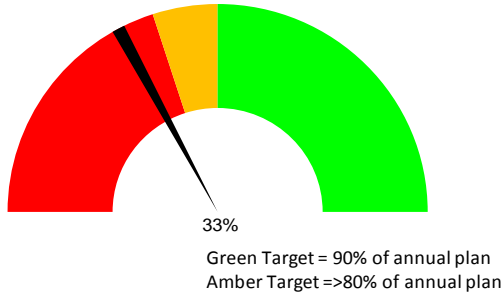
- Overall delivery of the plan is behind target;
- A significant level of sickness relating to a member of the team is impacting upon delivery of the plan, however mitigating actions are in place;
- Customers rated the service as 'excellent';
- Critical and High-level recommendations have been implemented;
- Audit Reviews are substantially being completed within their allocated days;
- State of the Internal Control framework is satisfactory, based on our audit opinions.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

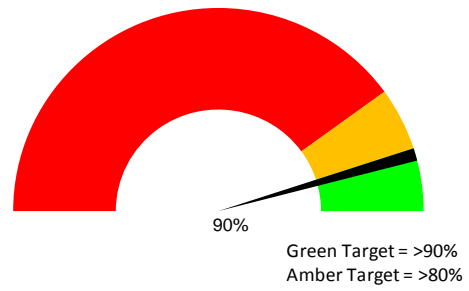
Client - North Somerset Council

Period - April to September 2019

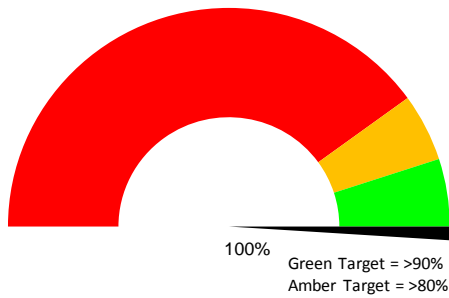
1. AUDIT PLAN COMPLETED



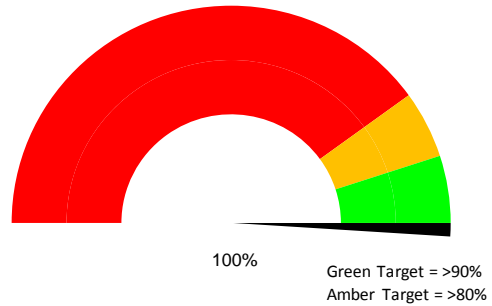
2. AUDITS COMPLETED IN PLANNED TIME



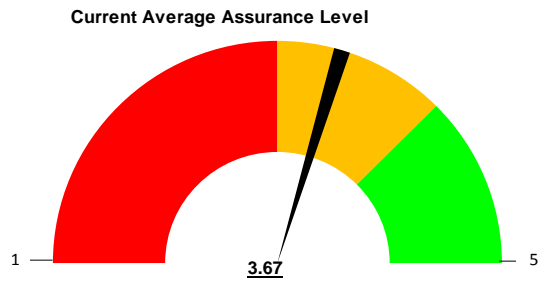
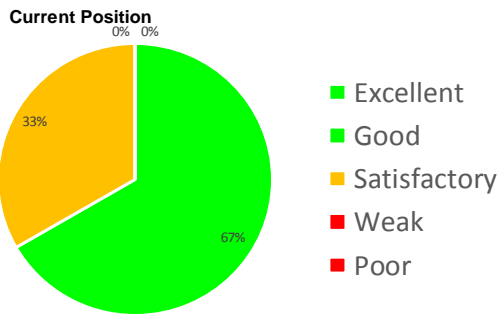
3. CUSTOMER SATISFACTION



4. IMPLEMENTATION OF RECOMMENDATIONS



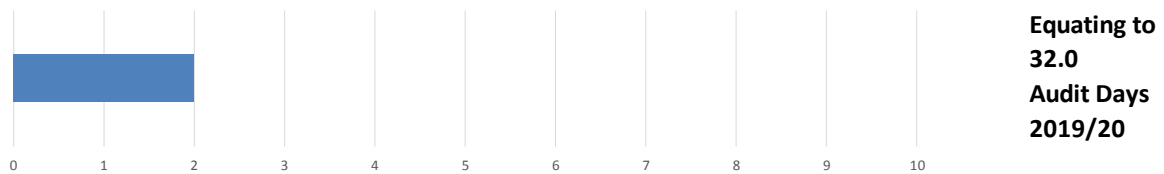
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



Audit Reviews Position Statement

<u>AREA</u>	<u>STATUS</u>
HR/ PAYROLL	Final
GRANT CLAIMS – INTERNAL AUDIT VERIFICATION AND SIGN OFF	Final
FOLLOW-UP REVIEWS OF 18/19 AUDITS	Final
CANTEEN AND COMMUNITY MEALS	Final/ Consultation
DATA ANALYTICS	Reporting
IR35 – OFF PAYROLL WORKING RULES	Reporting
MANAGEMENT OF GYPSY AND TRAVELLER SITES	Reporting
PARKS AND STREET SCENE CONTRACT	Reporting
INTEGRATED TRANSPORT UNIT	Reporting
REACTIVE AND PLANNED MAINTENANCE CONTRACT	Reporting
MAPPING OF FINANCIAL APPROVAL LEVELS	In Progress
DISCRETIONARY HOUSING PAYMENTS	In Progress
PCI COMPLIANCE	In Progress
FLEXI TIME AND LEAVE – POLICY COMPLIANCE	In Progress
CHILDREN’S DIRECT PAYMENTS	In Progress
PUBLIC HEALTH	In Progress
SCHOOLS – ASSURANCE VISITS	In Progress
SCHOOLS FINANCIAL VALUE STANDARD CERTIFICATION	In Progress
HIGHWAYS CONTRACT	In Progress
PROCUREMENT COMPLIANCE	In progress
BARCLAYS.NET AND IPORTAL	Not yet started
COMPLIANCE WITH COUNCIL’S CONSTITUTION	Not yet started
COMMERCIAL ACTIVITY	Not yet started
AGILISYS CONTRACT	Not yet started
CORPORATE COMPLAINTS TRACKER	Not yet started
CORPORATE PERFORMANCE REPORTING	Not yet started
BUILDING COMPLIANCE RESPONSIBILITIES	Not yet started
SPECIAL EDUCATIONAL NEEDS AND DISABILITIES	Not yet started
CONTRACT MANAGEMENT (P&C)	Not yet started
SCHOOL PLACE PROJECTIONS	Not yet started
NURSING/ RESIDENTIAL HOMES – ESTABLISHMENT VISITS	Not yet started
ADULT CARE – DAY SERVICES	Not yet started
LIQUID LOGIC/ CONTROCC/ AGRESSO – INTERFACE	Not yet started
CEMETERIES AND CREMATORIUM CONTRACT	Not yet started
SEA FRONT OPERATIONS	Management request to defer
WASTE MANAGEMENT CONTRACT	Management request to defer

1) COMPLETION OF THE INTERNAL AUDIT PLAN

- 1.1 The performance dashboard shows that after six months of the 2019/ 20 financial year, 33% of the plan has been completed. This is directly comparable with the figures reported to Audit Committee at the half-way point last year.

Members are advised that at the end of the 2018/19 financial year, 84% of audits were completed and that mitigating actions (explained below) have already been put in place in order to achieve a similar positive outcome for 2019/20.

- 1.2 The reason for current performance being behind target is due to a combination of a restructure at the end of 2018/19, and sickness relating to a key member of staff.

1.2.1 Staff Sickness

Performance has been significantly affected by the absence of a key senior member of staff. This employee is largely involved in the operational management of the service and undertakes complex audit reviews. The period of sickness absence has reached five months.

1.2.2 Restructure and Recruitment

By the end of April 2019, a restructure process across Audit West had been completed. The restructure aimed to review the existing structure that had been in place since the Audit West partnership began in 2015, ensuring that there are the necessary skills, experience and expertise in place to meet the current and future context and needs of Local Authorities. As a result of this restructure, a number of staff left the service leading to an extensive recruitment drive over the summer. This has now been completed with a number of new appointments being made which will significantly strengthen the quality of the team and all of the new staff will be in place by January 2020.

2) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 2.1 There has been a 90% achievement rate of completing audits within planned time. Due to the previously highlighted tension on resources throughout the first half of the year, significant emphasis has been placed on reminding existing staff of the importance of providing value through the completion of audits within allocated time.
- 2.2 It should be noted, however, that the appointment of a new member of staff (March 2019) with a non-audit background, has resulted in a small reduction of achievement rate. This was anticipated whilst the new employee became familiar with the way the Audit service and Council operated. Where possible and where required, the time allocated to this individual to complete an audit will subsequently be adjusted to reflect their developing experience and anticipated time needed.
- 2.3 Meanwhile. the strategic approach across the partnership has been to ensure that joint working takes place wherever possible in order to yield further efficiency benefits across the two authorities through sharing of research, knowledge, workplans and audit findings.

3) CUSTOMER SERVICE

- 3.1 Providing quality and adding value is fundamental to the success of the partnership. Therefore, this remains an essential performance indicator for Audit West.
- 3.2 Feedback on customer satisfaction is generally sought through quality assurance surveys that are sent to auditees at the end of a review. Whilst performance has again reached 100% satisfaction, it is acknowledged that this figure is based on limited feedback from the relatively small number of audits finalised.

4) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 4.1 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.
- 4.2 All critical or high level recommendations were found to have been implemented. All other non-critical recommendations continue to be followed-up in line with the dates that they are due to be implemented. Continued close work and ongoing communication with teams throughout audits helps to ensure that recommendations remain relevant and achievable to the business, and therefore recommendations proposed within our reviews are accepted and agreed by the respective service managers.

5) ASSURANCE LEVEL PROVIDED

- 5.1 From the audit reviews completed to date thus far in the 2019/20 financial year, it has been found that all audits completed have an overall audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').
- 5.2 Whilst there have been no internal audit reports issued where it is considered that the overall systems of internal control are poor (i.e. 'Level 1') or weak ('Level 2'), issues were identified during the review of transactional HR/ Payroll which was assessed as a 'Level 3' overall.
 - 5.2.1 For context, the North Somerset Council HR Transactional and Payroll service has been outsourced to Liberata since May 2010. This HR Service Centre (HRSC) should provide the first line of advice and guidance on various subject matters, including; the recruitment process; discipline and grievance; absence, capability and performance; redundancy and deployment; service restructure; maternity/ paternity/ adoption leave; resignations and terminations. The SLA provides a breakdown of responsibility between HRSC and NSC HR for HR and Payroll.

The Council has raised ongoing concerns with the quality of this service, highlighting a range of issues in relation to the ineffective operation of the HR Payroll service.

- 5.2.2 During the audit, the following key control areas were considered to be weak:
 - i) Issues/ errors are identified and resolved in a timely manner; Liberata ensures that these are reported to the Client.*
 - ii) There are contingency arrangements in place for HR and Payroll should there be a reduction or change in levels of staffing at any one time.*

- 5.2.3 The overall issues relating to transactional HR and Payroll, including the internal audit findings, are the subject of ongoing discussion at Senior Management level.

6) INVESTIGATIONS/ WHISTLEBLOWING

- 6.1 The audit service has undertaken two new investigations during the year, equating to approximately 32 days thus far.

- 6.2 In respect of the first investigation, Internal Audit were contacted by the Integrated Transport Unit (ITU) following some issues that had been identified with a taxi company with whom the council had contracted to provide Home to School Transport. Various issues existed that broadly related to service delivery and professional conduct, which were addressed by colleagues across the council. As part of this overall work, Audit were asked to complete an analysis of invoices and associated data from the taxi company.

Whilst the detailed conclusions from this review are confidential, the summary finding was that any variation in journeys/ amounts charged to that expected is of a negligible amount and was considered due to error rather than anything untoward.

- 6.3 The second investigation remains ongoing and therefore details of the specific issue and service area it relates to cannot currently be reported in full. However, it can be confirmed that it relates to a whistle blowing allegation of alleged fraudulent practice. The audit team are continuing to work with the relevant Directorate to establish whether the allegations can be substantiated.

- 6.4 There has also been a revision and update of the following areas of fraud prevention strategy and policy:

- Anti-Fraud and Corruption Strategy
- Whistleblowing Policy
- Anti-Bribery & Corruption Policy
- Anti-Money Laundering Policy and Guidance

7) UNPLANNED AUDITS

- 7.1 One specific piece of audit work is being undertaken that was not in the original plan. This work relates to the area of Blue Badges and comes on the back of an extension to the scheme to cover 'hidden disabilities, including autism and mental health conditions.

The purpose of internal audit's work will be to ensure that with this new extension to the scheme there continues to be a robust fraud prevention framework in place for the area of Blue Badges. This includes providing assurance that there are mechanisms in place for the public to raise concerns of potential fraud, as well as throughout the various teams across the Council that have involvement with the Blue Badge process.

8. CONSULTATION

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

9. FINANCIAL IMPLICATIONS

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

10. LEGAL POWERS AND IMPLICATIONS

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

11. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. There are referenced or noted, where appropriate, throughout the report and associated appendices.

12. 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.

13. EQUALITY IMPLICATIONS

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

14. 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.

15. OPTIONS CONSIDERED

None

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BACKGROUND PAPERS

Annual Audit Assurance Plan 2019/20

Audit Committee July 2019

Audit Committee Annual Report to Council 2019/20

Audit Committee July 2019