

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 19 NOVEMBER 2020

SUBJECT OF REPORT: INTERNAL AUDIT UPDATE 20/21

TOWN OR PARISH: NONE

OFFICER PRESENTING: PETER CANN - AUDIT WEST

KEY DECISION: NO

RECOMMENDATIONS

The Audit Committee is asked to:

- Note progress in delivery of the 2020/21 Annual Audit Assurance Plan.
- Request views from the Audit Committee on priorities for the remainder of the year

1. SUMMARY OF REPORT

This report updates the Audit Committee on progress in delivering the 2020/21 Annual Audit Assurance Plan and summarises performance from 1st April to 30th September 2020.

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:

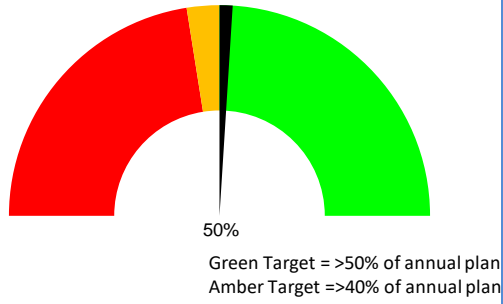
- The impact of COVID-19 and unplanned work has significantly impacted on scheduled work and will continue to do so over the next six months
- We will be agreeing with Senior Management a refocused set of reviews for the remainder of the year taking into account continued Covid-19 impacts;
- A significant level of sickness has impacted upon delivery of the plan;
- 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;
- Our opinions are however tempered by remote working as we cannot observe normal working practices.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

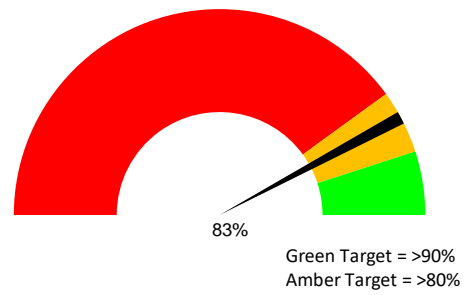
Client - North Somerset Council

Period - April 2020 - September 2020

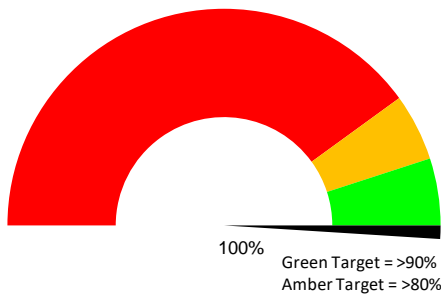
1. AUDIT PLAN COMPLETED



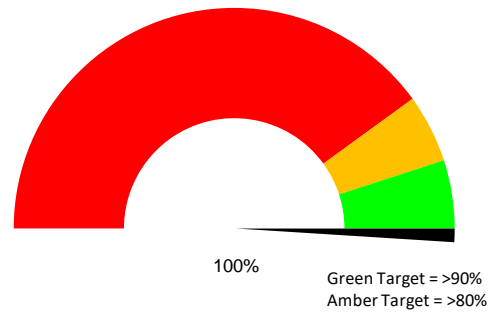
2. AUDITS COMPLETED IN PLANNED TIME



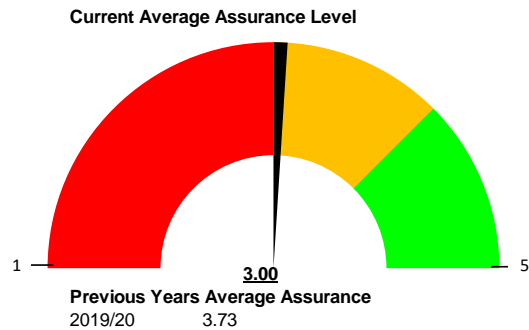
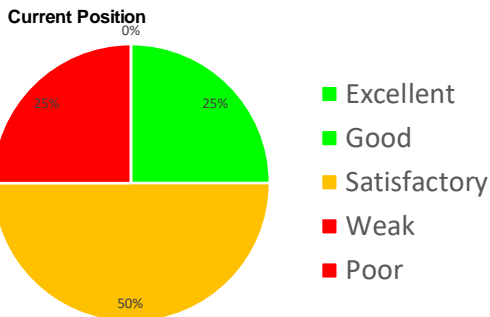
3. CUSTOMER SATISFACTION



4. IMPLEMENTATION OF RECOMMENDATIONS



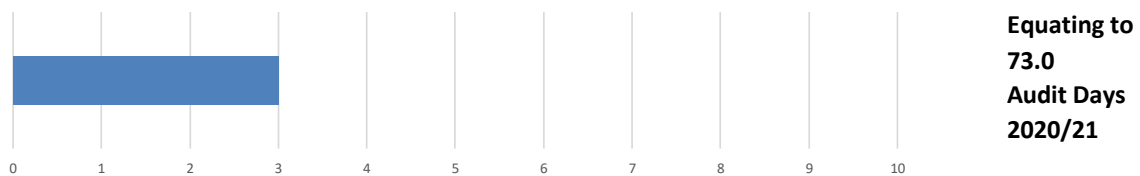
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED



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>
HOUSING (HMO'S)	Final
ICT DISPOSALS	Final
HOME TO SCHOOL TRANSPORT	Final
BLUE BADGES	Final
COVID-19 BUSINESS SUPPORT GRANTS (*UNPLANNED)	Final
USE OF RISK MANAGEMENT IN COUNCIL DECISIONS	Reporting
COVID-19 SELF ISOLATION GRANTS (*UNPLANNED)	In Progress
CUSTOMER ENGAGEMENT ROUTES AND PROCESS (*UNPLANNED)	In Progress
COUNCIL TAX	In Progress
MISSION IT SYSTEM (*UNPLANNED)	In Progress
FRAUD, GOVERNANCE & RISK MANAGEMENT WORK GRANT CERTIFICATION & FOLLOW-UP AUDITS	In Progress In Progress
ICT ASSET MANAGEMENT – INVENTORY CONTROL	In Progress but postponed at client request
RESIDUAL WASTE TREATMENT CONTRACT (WOE PARTNERSHIP)	SGLOS undertaking as Lead Authority
ALTERNATIVE PROVISION (VLC)	Planning
DATA CENTRE CHANGE CONTROL	Planning
IT/ CYBER SECURITY THREATS	Planning
SCHOOL ASSURANCE VISITS	Planning

Reviews Not Yet Started

PAYROLL	Not yet started
TRANSACTIONAL HR	Not yet started
CLIMATE CHANGE	Not yet started
RETENTION OF DOCUMENTS	Not yet started
FINANCIAL ASSESSMENTS (NON-RESIDENTIAL)	Not yet started
COMMUNITY MEALS – STOCK CONTROL	Not yet started
PAYMENTS TO CHILDCARE PROVIDERS	Not yet started
CONTRACT MANAGEMENT (PEOPLE AND COMMUNITIES) CONTRACT MANAGEMENT (CORPORATE SERVICES)	Not yet started Not yet started
OUT OF COUNTY PLACEMENTS (CHILDREN)	Not yet started
SCHOOLS FINANCIAL VALUE STANDARDS	Not yet started
MAJOR PROJECTS – CAPITAL RECHARGES	Not yet started
INTERFACES – LIQUID LOGIC/ CONTROCC/ AGRESSO	Not yet started
DEBT COLLECTION	Not yet started

1) COMPLETION OF THE INTERNAL AUDIT PLAN

- 1.1 The Audit Plan was originally prepared pre-Covid-19 and so the impacts on the original plan have altered our work through the year and the Committee was updated on examples on this at its last meeting.
- 1.2 As we know from the National position the situation remains fluid but it is clear that Covid-19 will remain with us for the rest of the financial year and likely well into 2021.
- 1.3 Therefore we need to be agile and supportive to Senior Management to ensure the right work gets done at the right time and provide whatever support we can where it is needed for the remainder of the year.
- 1.4 Core work around Fraud, Risk Management, Grant Certification, Follow-up Audits and the Annual Governance Statement are ongoing and will remain unaffected as will any requested Investigation work, but we need to review the remainder of our planned areas.
- 1.5 This means that we will be re-focussing our planned time only on key issues and risks agreed with Senior Management and continuing to support the Council's Covid-19 work where we can and to this end we are asking the Committee for any views on these priorities for the remainder of the financial year.
- 1.6 To assist this the tables above on page 3 summarise planned work completed or in progress along with additional reviews which we will need to assess in terms of achievability with Senior Management.
- 1.7 It is therefore proposed that anything already in 'planning' stage or above should be completed as intended. Audits planned but not yet started should then be completed on a priority basis as determined in agreement with the relevant Director or Service Lead in that area. Views of the Committee are also sought to support this.
- 1.8 **Additional issues affecting delivery of planned work include –**
- 1.9 Level of Unplanned Work
The Performance Dashboard records that a total of 127 days has been used on 'Unplanned Work / Investigations'. This has already exceeded our contingency for the year and the detail of unplanned work, including COVID-19 activity is detailed in section 7 of this report. Details of the immediate resources required to undertake investigations are highlighted in section 6.
- 1.10 Staff Sickness
Performance has continued to be affected by the absence of a key senior member of staff. This employee was largely involved in the operational management of the service and undertook complex audit reviews. At the end of August 2020 (5 months

into the new financial year) the employee left their employment due to ill-health and further resources were allocated in replacement.

In addition further sickness has recently affected the team, with an Audit Manager contracting COVID-19 and subsequently being admitted to hospital.

1.11 Remote Working

Whilst we can carry out audit reviews remotely and have good quality IT equipment our approach has had to be adapted to a range of issues connected to working at home, including wi-fi and network availability, home working conditions, access to systems and data remotely and access to team members and management that we are auditing. There are some limitations to this and it can and has slowed up or limited some of our work and our audit opinions are tempered by these facts.

2) AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

2.1 There has been an 83% achievement rate of completing audits within planned time. Due to the previously highlighted tensions on resources throughout the first half of the year, the team have worked hard to ensure the completion of audits within allocated time.

2.2 However, the impact of COVID-19 and the “stay at home” message has meant a complete shift to home working, and thus the need to complete all audits remotely. Whilst the audit team have used this technique innovatively in the past and were in a good position in terms of experience and IT provision to fully switch to this method of working, the same position of readiness could not be applied to all auditees and thus, this has occasionally led to the overrun of audits.

2.3 It is expected that as North Somerset Council’s IT infrastructure continues to strengthen and Council staff adapt further to remote working, the time taken to complete audits will reduce.

3) CUSTOMER SERVICE

3.1 The capturing of information to feed into the ‘Customer Service’ performance measure has been subject of discussion at previous Committee meetings. In July, the Audit Committee were contacted and provided with further details of the feedback mechanisms currently used and the hope is to work with members to further develop this process, whilst still adhering to professional standards.

3.2 Meanwhile, it is important to reemphasise that Audit Management doesn’t just rely on the completion of ‘end of audit’ feedback to monitor client satisfaction and continuous monitoring of all types of client feedback takes place to ensure the quality of the internal audit service is maintained. Feedback remains very positive and an example of some of the comments received include:

I just thought I would drop you a line to let you know how supportive (auditor) has been during her audits. The words “we have the auditors in” is always quite a daunting concept, but (auditor) visits are always so constructive.

As a newly formed (team) her visits have been essential to us. She requests information in advance and during the audit I know she has done her homework

she will always refer back to it – challenging it, checking what we have in place, checking our policies and procedures make sense and reflect our current practice and questioning how our processes work. She will always come up with very useful “what if” scenarios that put her challenges into context.

She brings that level challenge with a very sensible and measured approach and always willing to have that reasonable conversation to the table, giving us the tools to move forward positively as a (team).

I have learnt a lot from (auditor), she has such a wealth of knowledge of how (team) ticks and I have found her visits invaluable.

4) IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 4.1 The prioritisation of follow-up work is focussed on ensuring that critical and high level recommendations have been implemented. This is because these recommendations made will have either identified significant risk, or identified improvement that could best help the organisation to achieve its objectives.
- 4.2 The dashboard shows that all critical or high level recommendations followed up were found to have been implemented. It should be noted that one particular audit (Transactional HR), which was completed in 2019/ 20 and contained seven high level recommendations, will receive a complete audit review this year as planned in order to provide full assurance to management of implementation and improvement.

All other non-critical recommendations continue to be followed-up in line with the dates that they are due to be implemented.

5) ASSURANCE LEVEL PROVIDED

- 5.1 From the audit reviews completed to date thus far in the 2020/21 financial year, it has been found that all but one of the audits completed have an overall audit opinion of satisfactory to excellent (between ‘Level 3’ and ‘Level 5’).
- 5.2 There was one audit report issued where it was considered that the overall systems of internal control were weak (‘Level 2’) and this was in respect of Blue Badges (Disabled Parking Permits).
- 5.2.1 As background, the Department for Transport provide guidance and legislation on the issuing of Blue Badges. However, it is up to each individual authority to review and process application and at North Somerset Council the Blue Badge service is managed by Business Support (Agilisys) on behalf of Adult Social Services.

The team have various duties, including the responsibility for reviewing and processing both online and paper applications. This involves checking evidence of I.D. and addresses and determining the applicant’s eligibility.

- 5.2.2 During the audit, a range of issues in relation to the ineffective operation of the Blue Badge service were identified and high-risk exposure was found in the areas of:
- Evidence required to support applications (badge requests) was regularly not being retained

- There was no formal independent quality checking process for applications processed by the team (which would ensure consistency and accuracy)
- Although proof of I.D. was checked against the application form details, there was no process for cross-checking the information against other Council systems i.e. Council Tax, Electoral Register, etc.
- The national Blue Badge database was not being checked to identify if applicants have an active Blue Badge elsewhere in the country
- There is a lack of formalised criteria for issuing organisational badges and where badges have been issued to organisations records are not always kept of what vehicle they have been issued to.

5.2.3 Notwithstanding the above issues, it was recognised that the team held clear written guidance for administering most aspects of Blue Badges and were processing large volumes of applications within the defined timescales. They also engaged well during the review and have responded positively to the audit findings.

6) INVESTIGATIONS/ WHISTLEBLOWING

6.1 The audit service has undertaken three new investigations during the year, equating to approximately 73 days thus far.

6.2 The first investigation related to an employee who had attempted to use the Council's internal post system to send private goods. Internal Audit completed background work and subsequently a conduct meeting was held in June. The employee admitted the indiscretion as a one-off, citing excessive queues at the post office due to COVID-19 as the reasoning for this misuse. The employee was sanctioned accordingly.

6.3 The second investigation involved a newly appointed employee who was undertaking a physical role. Concerns were raised that the employee, who was also a Blue Badge holder, may have submitted a false declaration – either through a false Blue Badge application or through false medical information on the employment application form.

Internal Audit reviewed the information and documentation surrounding the case and provided advice to both service management and HR, particularly in relation to discrepancies identified in the documents and points to consider in a subsequent HR interview. Following interviews and additional unrelated conduct concerns, the employee's employment was ceased.

6.4 The most recent investigation was completed at the request of D&E Management, where Internal Audit were asked to carry out a fact-finding investigation in a specific service area. This was a significant review and a draft report has now been issued and the findings and associated recommendations are currently being fed back to management.

6.5 In addition to the above, regular fraud awareness and guidance has been published in the Council's newsletter (The Knowledge), via the Intranet, through targeted communication to local schools and academies, and direct discussion with service areas.

7) UNPLANNED AUDITS

7.1 As recorded in the Performance Dashboard, the Internal Audit service has so far spent 54 days on four unplanned audits, all of which in varying degrees are related to COVID-19:

1) COVID-19 Business Support Grants, including a formal review of the control framework related to the processing of small business, RHL (Retail, Hospitality & Leisure) and Discretionary grants, as well as associated support / advice.

2) COVID-19 Self-Isolation Grants (work being undertaken as above).

3) Customer Engagement Routes and Processes, with work predominantly being to ensure that correspondence and requests for service reach the correct destination first time, particularly in the D&E Directorate.

4) Mission Passenger Transport IT System, this audit will review controls around the IT transport system used to facilitate home to school transport for children.

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

AUTHOR

Jeff Wring - Audit West

Pete Cann – Audit & Assurance (Audit West)

Jeff.wring@n-somerset.gov.uk

Peter.cann@n-somerset.gov.uk

BACKGROUND PAPERS

Annual Audit Assurance Plan 2019/20

Audit Committee July 2020