

North Somerset Council

REPORT TO THE AUDIT COMMITTEE

DATE OF MEETING: 20 SEPTEMBER 2021

SUBJECT OF REPORT: INTERNAL AUDIT UPDATE SEPTEMBER 2021

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 2021/22 Annual Audit Assurance Plan.

1. SUMMARY OF REPORT

This report provides an update on progress in delivering the 2021/22 Annual Assurance Plan since the last formal report to the Audit Committee on 29th April 2021.

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 summary position as at September 2021 is as follows:

- There have been no audit reports issued where it was considered that the overall systems of internal control provided 'No Assurance' or 'Limited Assurance'.
- Work on the plan is well underway and as at the 1st September, approximately 53% of audit activity was in progress or complete.
- There are currently two investigations which are ongoing, one of which is new since the last report to the Audit Committee.
- A total of 39 recommendations made during previous internal audit reviews were followed up.

1) **SIGNIFICANT ISSUES**

Assurance Levels and Significant Risks

- 1.1 Of the audits completed where an assurance rating has been given, there have been no internal audit reports issued so far this year where it was considered that the systems of internal control were poor (Level 1) or weak (Level 2).
- 1.2 There have also not been any significant control issues identified so far during our consultancy, advice and guidance work.

Investigations

- 1.3 Two investigations are currently underway, both of which relate to suspected COVID-19 grant payment frauds.

These have both been referred to the National Investigation Service (NATIS)/ National Anti-Fraud Network (NAFN). Whilst the larger of these two frauds is an open investigation with NATIS and the lower value is being considered for investigation, we have recently received confirmation that we can now pursue both of these payments locally. Therefore, Audit West will now be working with Liberata to attempt recovery of these funds.

Counter Fraud

- 1.4 A Counter Fraud update paper was presented to the Audit Committee in July 2021. This covered progress on the work being undertaken by the service in respect of:
 - Understanding the National Picture
 - Monitoring Emerging Risks
 - Participating in the National Fraud Initiative (NFI)
 - Fraud Reporting and Whistleblowing
 - Targeted Work and Investigations
 - Updating Strategy and Policy
 - Knowledge and Training
 - Use of Data Analytics

The new fraud/ whistleblowing reporting tool is now live on the North Somerset Council website and can be found at:

<https://www.n-somerset.gov.uk/form/fraud-referral-report>

2) COMPLETION OF AUDIT PLAN

2.1 There are currently 43 pieces of audit work within the plan. Of the total number of audits:

- 8 Audits had been completed or were at reporting stage
- 15 Audits were in progress
- 20 Audits were yet to commence

A breakdown of detailed activity is shown below.

There have been no major changes to the plan that was agreed on 23rd April 2021.

Audit Area	Status	Opinion	No of Rec's	High	Medium	Low
Data Analytics	In Progress					
National Fraud Initiative	In Progress					
Counter Fraud - Knowledge & Training	In Progress					
Governance - Annual Governance Statement	In Draft	N/A	N/A	-	-	-
Governance - Audit Committee, Advice & Guidance	Ongoing	N/A	N/A	-	-	-
Follow-up of Audit Recommendations	Ongoing					
WECA LGF - Weston Town Centre	Complete	N/A	N/A	-	-	-
WECA LGF - Foodworks	Complete	N/A	N/A	-	-	-
WECA LGF - Town Square	Complete	N/A	N/A	-	-	-
WECA LGF - Metrowest	Complete	N/A	N/A	-	-	-
Productivity Challenge Grant - UBS	Complete	N/A	N/A	-	-	-
Emergency Active Travel Fund	Complete	N/A	N/A	-	-	-
COVID-19 - Pre-payment Assurance	In Progress					
COVID-19 - Post-payment Assurance	In Progress					
COVID-19 - Governance (Contain Outbreak Management Fund)	In Progress					
Payroll	In Progress					
Transactional HR	In Progress					
Debt Monitoring	In Progress					
Council Tax Payments & Collection	Not Started					
Business Rates NNDR Income	Not Started					
Major Projects - Capital Recharges	In Progress					
ICT Server Migration	Not Started					
ICT Ransomware	In Progress					
ICT Software Asset Management	Not Started					
Information Governance - Handling of Post	Not Started					
Contract Management - Recommissioning Process	Not Started					
Contract Management - Post Procurement Training	Not Started					
New Waste Service - Governance Arrangements	Not Started					
Monitoring of Mandatory Training	Not Started					
Financial Assessments (Non-Residential)	Not Started					
Interfaces (Liquid Logic/ ContrOCC/ Agresso)	Not Started					
Housing Jigsaw System	Not Started					
Out of Authority Placements (SEND)	Complete	Reasonable Assurance	9	5	3	1
Payments to Childcare Providers	Not Started					
School Assurance Visits	Not Started					
SFVS	Not Started					
Alternative Provision (VLC)	In Progress					
Green Waste Charging and Income	Not Started					
Capital Projects and CILs	Not Started					
Climate Change - Corporate Planning	Not Started					
Metrowest and HIF	Not Started					
Home to School Transport	Ongoing					
Sea Front Concessions	Not Started					

3) IMPLEMENTATION OF RECOMMENDATIONS

3.1 A total of 39 recommendations made during previous audits were due to be followed up. Specifically, there were 11 High, 27 Medium and 1 low recommendations.

3.2 Whilst all of these recommendations have been followed up with the officer(s) responsible, we are still awaiting evidence on five audits to confirm actual implementation. These are shown below.

TABLE 1: Recommendations implemented or awaiting evidence to confirm implementation

Audit Name	Recommendations Raised				Recommendation Status	Planned Implementation Date
	High	Medium	Low	Total		
Test and Trace - Self Isolation Grant	0	5	0	5	Followed-up – Implemented	11/02/2021
Children’s Direct Payments	3	6	0	9	Followed-up – Awaiting evidence	30/04/2021
Building Compliance Responsibilities	3	10	0	13	Followed-up – Awaiting evidence	01/04/2021
Commercial Activity	4	3	0	7	Followed-up – Awaiting evidence	01/04/2021
ICT Disposal	0	6	0	6	Followed-up – Awaiting evidence	01/04/2021
Data Centre Change Control	1	2	1	4	Followed-up – Awaiting evidence	01/07/2021
	11	27	1	39		

TABLE 2: Recommendations to be implemented but are not yet due

Audit Name	Recommendations Raised				Recommendation Status	Planned Implementation Date
	High	Medium	Low	Total		
Customer Engagement Routes and Processes	1	5	1	7	Agreed by Management	31/03/2022
Out of Area Placements (Children)	5	3	1	9	Agreed by Management	31/12/2021
Totals	6	8	2	16		

4. CONSULTATION

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

5. FINANCIAL IMPLICATIONS

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

6. LEGAL POWERS AND IMPLICATIONS

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

7. 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.

8. 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.

9. EQUALITY IMPLICATIONS

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

10. 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.

11. OPTIONS CONSIDERED

None

AUTHORS

Jeff Wring – Service Director

jeff.wring@n-somerset.gov.uk

Peter Cann – Head of Audit & Assurance

peter.cann@n-somerset.gov.uk

BACKGROUND PAPERS

Annual Audit Assurance Plan 2021/22
Internal Audit Annual Report 2020/21

Audit Committee April 2021
Audit Committee April 2021

Appendix A – Internal Audit Opinions

Assurance Rating	Opinion
Comprehensive Assurance - Level 5	The systems of internal control are excellent with a number of strengths and comprehensive assurance can be provided over all the areas detailed in the Assurance Summary
Substantial Assurance – Level 4	The systems of internal control are good and substantial assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Reasonable Assurance – Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there is one area detailed in the Assurance Summary which requires improvement and specific recommendations are detailed in the Action Plan
Limited Assurance – Level 2	The systems of internal controls are weak and only limited assurance could be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
No Assurance – Level 1	The systems of internal controls are poor , no assurance can be given and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee