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## **BRISTOL CITY COUNCIL**

### **Audit Committee**

**3<sup>rd</sup> April 2009**

**Report of: Acting Strategic Director (Resources)**

**Report Title: Internal Audit - Report of Internal Audit Activity for the Period  
1<sup>st</sup> December 2008 - 28<sup>th</sup> February 2009**

**Ward: Citywide**

**Officer presenting report: Richard Powell, Chief Internal Auditor**

**Contract Telephone Number: 0117 92 22448**

#### **RECOMMENDATION**

The Audit Committee note the activities carried out by Internal Audit during the period 1<sup>st</sup> December 2008 - 28<sup>th</sup> February 2009.

This report was submitted to the Efficiency and Value for Money Executive Member at his meeting on 1<sup>st</sup> April 2009

#### **SUMMARY**

This report provides a summary of the audit activity during 2008/09 to date.

#### **The significant issues in the report are:**

- Activity and performance (section 2 - 5)
- Follow up activity (section 6)
- Partnerships (Section 7)

#### **Policy**

This report is submitted in accordance with the Audit Committee's Terms of Reference and Internal Audit's Charter and Strategy

#### **Consultation:**

**Internal:** None necessary

**External:** None necessary

## 1. Introduction

- 1.1 The Accounts and Audit Regulations 2006 require the City Council to review the effectiveness of the Council's system of internal audit. This responsibility has been assigned to the Audit Committee who continually review the effectiveness of Internal Audit itself by consideration of periodic and other reports by the Chief Internal Auditor. The purpose of this report is to provide details of Internal Audit activity during the period 1<sup>st</sup> December 2008 to 28<sup>th</sup> February 2009 to assist the Executive Member and the Committee in discharging this responsibility.

## 2. Internal Audit Activity and Performance - Summary

### Activity

- 2.1 During the period 01/04/2008 - 28/02/2009, Internal Audit Productive Activity was as follows:

Area of Activity	Actual Days	Full Year Planned Days	Pro-rata Plan Days
Assurance Work (Key and non key including work brought forward from 2007/08)	2543	2871	2632
Planning and Reporting	128	105	96
Planned Anti-fraud work	131	112	103
Fraud and Irregularity - Responsive work	224	117	107
Unplanned work	396	432	396
Liaison and Advice	204	275	252
Follow Up	60	105	96
Risk Management	129	113	104
Audit Standards and Development	271	336	308
HB Fraud Team Management	22	20	18
<b>Total</b>	<b>4108</b>	<b>4486</b>	<b>4112</b>

- 2.2 The above table demonstrates that assurance work is slightly below that planned for year to date, this is in part due to the need to complete a number of assurance audits in the final quarter of the year. The Fraud and Irregularity budget has been exceeded by 110% of that planned for year to date, see section 5 for details. Overall, the level of work delivered is still in line with that planned for at this point in the year.
- 2.3 Follow up work has continued following the implementation of the Internal Audit follow up and escalation procedure. However, due to the requirement for additional work in areas such as Fraud and Irregularity the level of follow

up work is below that planned at this time. Details of follow up work completed is provided in section 6 of this report.

## **Performance**

- 2.4 Key performance targets included in Internal Audit's Service Delivery Plan include percentage completion of planned assurance work. These targets are calculated and reported quarterly and are provided below together with updated figures to the end of February 2009 and previous year comparative data. It should be noted that many assurance assignments included in the audit plan are not finite in nature and take place throughout the year. As such, assignments in progress are included as well as those completed. Additionally, those items no longer required are included, as Audit involvement may be dependent on the progress made by others or on other external factors. Without these caveats, the indicator is of little value.

Indicator	Target 2008/09	Actual Performance					
		11 months to 28/02/09	Q3 2008/09	Q2 2008/09	11 months to 29/02/08	Q3 2007/08	Q2 2007/08
% of key audits completed	95%	87.7%	63.2%	45.6%	89.4%	80.3%	67.2%
% of non key audits completed	75%	87.3%	73.9%	59.9%	75.9%	66.5%	50.8%

- 2.5 Performance figures to date highlight that coverage on key audits is only marginally below that at this point last year, this is in part due to the need to delay a number of key audits until the last quarter for strategic reasons and at the request of External Audit. The coverage of non key audits is up on last year at this time and as such is also in part responsible for the reduced key audit coverage. This increased coverage is in part due to the need to complete a high number of school audits in preparation for FMSiS assessments which are currently underway.
- 2.6 Other service delivery plan targets include:

Indicator	Target 2008/09	Actual 11 months to 28/02/09	Q3 2008/09 Actual
Customer Satisfaction Survey - % Returning a Satisfactory Response.	90%	99%	99%
Final Reports Issued within 3 weeks of completion of field work	80%	74%	74%%
% of significant recommendations from key audit work either implemented or escalated.	100%	100% (Paragraph 6 below refers)	100%

## **Resource Issues**

- 2.7 Resourcing concerns have been alleviated to some extent with the return of one member of staff from maternity leave on a part-time basis (0.5 FTE). However the section remains under resourced against the original 2008/09 Plan, by 2 FTE posts. A limited number of agency staff have continued to be retained to assist with delivering the Audit Plan, the costs of which can be contained within the current year's budget.

## **3. Planned Work - Reports Issued and Matters Arising**

- 3.1 The Internal Audit Strategy includes the requirement to report any changes to the plan approved by the Audit Committee. No amendments have been made to the agreed plan to date.
- 3.2 Internal Audit Planned work has progressed in line with the approved plan. A list of work completed or in progress during the period, together with the audit opinions for any completed work during the period is provided at Appendix A. Internal Audit provide standard opinions with each audit report within the range of 'very good' to 'poor' as follows:

Very Good	All controls were in place and operating effectively. No weaknesses in control were identified.
Good	All significant controls were in place and operating effectively. Only minor weaknesses in control were identified.
Satisfactory	Most significant controls were in place and operating effectively. There were however areas where improvements are required.
Needs Improvement	Some significant weaknesses in control have been identified and/or some controls were not working effectively. Management can only have limited assurance that the matters covered by this review are properly managed and controlled.
Poor	There are no/inadequate controls in place. Management cannot be assured that the matters covered by this review are properly managed and controlled.

- 3.4 Given the nature and breadth of the Council's activities, it is inevitable that areas for control improvement are identified by Internal Audit work. In some cases the level of improvements identified means that the existing control environment is rated as poor or needs improvement. Appendix B provides a brief summary of work completed during the period, where this was the case. For each audit, action plans for control improvements have been agreed with relevant officers and it is anticipated that recommendations will be implemented. Progress against these action plans will be monitored in line with Internal Audit's follow up procedure. Where improvements are not satisfactory, matters will be escalated to management and the Audit Committee notified. The appendix also includes areas of concern where Internal Audit staff contribute to pieces of work going on elsewhere in the

Council. The following table details the number of audit assignments completed during 2008/09 to date together with a summary of the opinions issued:

Total Audits Completed	Period 3 1/12/08 - 28/02/09		YTD Total	
	Key	Non Key	Key	Non Key
	4	25	13	92
<b><u>Audit Opinion</u></b>				
Satisfactory or better	2	12	6	44
Needs Improvement	2	10	4	30
Poor	0	1	0	3
No Opinion Necessary	0	2	3	15

#### 4. Unplanned Assignments

- 4.1 Details of unplanned work completed during the period can be seen at Appendix C. These include assignments completed or continuing from the previous year where significant continued work was not foreseen when compiling the audit plan.
- 4.2 The nature of these assignments is such that it was not possible to foresee the need for the work at the time of preparing the annual Internal Audit plan. However upon consideration of the issue, Internal Audit involvement with the work was considered necessary as the circumstances indicate a breakdown in the control environment.
- 4.3 Resources of 432 days are provided in the Audit Plan to accommodate such work. To date, 396 Days (92% of those planned) have been used .

#### 5. Fraud and Irregularity

- 5.1 Internal Audit have responsibility for the investigation of fraud and irregularity. Again, a contingency provision is made in the annual audit plan each year for this type of work and this year the provision was 117 days. However, to date 224 days (191% of those planned) have been used in work in this area since the beginning of the year. As mentioned in the previous report a considerable amount of that time has been spent on a fraud investigation concerning irregularities within Parking Services, part of the City Development Directorate.
- 5.2 Full details of the fraud responsive work can be seen at appendix D. This includes investigations continuing from previous periods where they are not included in the annual plan as well as new cases during the current period

which are endorsed in bold in the appendix.

## **6. Follow up and Escalation Matters**

- 6.1 In accordance with Internal Audit's Follow up and Escalation Procedure, which was introduced in April 2007. Follow up on significant recommendations made following key audits has been completed. Please see paragraphs 6.2 for details.

### **Follow Up of Significant Findings From Key Audits**

- 6.2 To date 16 significant recommendations have been made in relation to key systems. Details of these and an update on significant recommendations which were outstanding at the close of 2007/08 are set out in Appendix E.

### **Other Follow Up Work Completed:**

- 6.3 In addition to follow up of significant recommendations, follow up work has been completed in those areas identified in our previous periodic reports as attracting a poor or needs improvement opinion, details of action taken is also set out in Appendix E.

### **Matters for Escalation**

- 6.4 The follow up and escalation procedure includes the requirement/facility to inform the Audit Committee of occasions where escalation of control matters or audit access matters through the City Council's management structure has not successfully resolved issues. No matters have occurred during the current period.

## **7. Other Issues**

### **7.1 Partnerships**

- 7.1.1 Partnership working is an important part of the Council's core aims and objectives in order to ensure it maximises the outcomes for the community. It is a government expectation that Councils will increasingly participate in partnership working to meet the needs of the community.
- 7.1.2 The role of Internal Audit within partnership working is to provide an independent opinion on the governance arrangements within the partnership, ensuring that these arrangements are in line with the Council's own governance framework. Audit will also examine financial responsibilities and accountabilities, and performance information.
- 7.1.3 A review of the governance arrangements in place for the Children & Young People's Partnership has recently been completed, and resulted in a 'Satisfactory' Audit opinion. However, there were a number of areas identified

where improvement is required, the main one being the need to prepare a Risk Register which identifies the risks specific to the Children's Partnership.

- 7.1.4 The Risk Register for the Children's Partnership was due to be brought to the 3<sup>rd</sup> April 2009 Committee meeting, however the Partnership Board decided that, having reviewed the Register earlier in the year, there were areas where further work was required and requested that the register be brought back to them in May. Therefore, the Risk Register will be presented to the Audit Committee once that further Partnership Board consideration has taken place.
- 7.1.5 A review of the governance arrangements within the Bristol Partnership and Safer Bristol Partnership is currently underway, as is an overall review of Partnership working within the Bristol Partnership. A review of the West of England Partnership is also ongoing.

## **7.2 Business Transformation**

- 7.2.1 Internal Audit are periodically called upon to either actively participate or provide input and guidance on particular projects throughout the Council and as such are currently involved with the following project boards:
- Corporate Online Procurement System (COPS)
  - Payroll e-Forms
  - Housing and Council Tax Benefits Lean Thinking
  - Shared Transactional Services
  - Project Management Centre of Excellence.
- 7.2.2 It is anticipate that Internal Audit will continue to provide support and guidance to all of the proposed changes as a result of the Transforming Bristol Plan and as such have made corporate Business Transformation provision in the annual Audit Plans for both 2008/9 and 2009/10.

## **7.3 External Reports**

- 7.3.1 As well as internal audit work, the Audit Committee is able to draw assurance from external inspections and the recommendations they make. So far this year there have not been a considerable number of external inspections, however the Committee will wish to be aware that the following external reports were received:

<b>Report Received</b>	<b>Key Outcomes</b>
Ofsted - Annual Performance Assessment letter for Children and Young People in Bristol. (2008)	<p>Overall effectiveness of Children's Services was graded as a 2 (Adequate) with 3/6 of the sub-sections scoring a 2 and 2/6 scoring a 3 (Good). Areas for improvement have been identified in all 6 sections.</p> <p>This Performance Assessment is based on a self-assessment submission made by Children, Young People and Skills Directorate.</p> <p>The letter was brought to the attention of the Executive Member for Children's Services in December 2008.</p>
CSCI - Annual Performance Assessment of Adult Social Care Services. (2008)	<p>There are two key judgements in this assessment, Delivering Outcomes and Capacity to Improve. For 2008 the Council rated as 'Good' for Delivering Outcomes and 'Promising' for Capacity to Improve, with an overall performance rating of 2 stars. Key areas for development have been identified and will be monitored throughout the year.</p> <p>Report presented to the Care and Safer Communities Scrutiny Commission on 6<sup>th</sup> January 2009</p>
I&DeA - Strategic Housing Peer Review (October 2008)	<p>This review concentrated on four key themes:</p> <ul style="list-style-type: none"> <li>● Leadership and Corporate Working</li> <li>● Service User Focus and Resident Engagement</li> <li>● Achieving Effective and Sustainable Outcomes</li> <li>● People, Performance and Resource Management</li> </ul> <p>Report presented to the Quality of Life Scrutiny Commission on 23<sup>rd</sup> March 2009.</p>

## **8. Other Options Considered**

8.1 None necessary

## **9. Risk Assessment**

9.1 There are no risks arising directly from this report, although clearly the work of Internal Audit minimises the risk of failures in the Council's internal control environment and governance arrangements, reduces the risk of fraud and other losses and increases the potential for prevention and detection of such issues.

## **10. Equalities Impact Assessment**

10.1 None necessary for this report

## **11. Legal and Resource Implications**

11.1 **Legal** - none sought

11.2 **Resources** - none arising from this report

### **Appendices**

- Appendix A Audit Work Completed and In Progress during the period  
01/12/2008 to 28/02/2009
- Appendix B Summary of Audit Work Completed During the Period where  
Controls are not Adequate
- Appendix C Summary of Unplanned Work
- Appendix D Summary of Fraud and Irregularity
- Appendix E Audit Follow Up Activity

## **LOCAL GOVERNMENT ACCESS TO INFORMATION**

Background Papers      Exempt