

## Audit and Governance Committee

Report subject	<b>Internal Audit Plan Update – April to September 2019/20</b>
Meeting date	10 October 2019
Status	Public Report
Executive Summary	<p>This report details progress made on delivery of the 2019/20 Audit Plan for the period 1 July to 30 September 2019. The report highlights that:</p> <ul style="list-style-type: none"> <li>• Three audit assignments have been completed (two 'Reasonable' and one 'Partial' audit opinions);</li> <li>• Thirty-three audit assignments are in progress;</li> <li>• The implementation of audit recommendations by management is satisfactory;</li> <li>• Two Whistleblowing investigations are on-going.</li> </ul>
Recommendation(s)	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee are asked to note progress made and any issues arising on the delivery of the 2019/20 Internal Audit Plan.</b></p>
Reason for recommendation(s)	<p>To comply with Public Sector Internal Audit Standards.</p> <p>To communicate progress on the delivery of the 2019/20 Internal Audit Plan.</p> <p>To ensure Audit Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit &amp; Management Assurance ☎01202 451969 / ☎01202 633123 ✉ <a href="mailto:nigel.stannard@bcpCouncil.gov.uk">nigel.stannard@bcpCouncil.gov.uk</a></p>
Contributions	Simon Milne, Deputy Chief Internal Auditor
Wards	All

Classification	For Recommendation/Decision/Update and Information
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## Background

1. This report provides an update of Internal Audit's progress against delivering the 2019/20 Audit Plan. The status of audit assignments within the audit plan and where completed, audit opinions, are set out within this report.
2. As required by the Internal Audit Charter this report provides all audit assignments that have been concluded with a 'Minimal' or 'Partial' audit opinion and/or include high priority recommendations.
3. An update on any recommendations that require escalation to Audit & Governance Committee, as required by the Internal Audit Charter, is also included in this report.

## 2019/20 Internal Audit Plan Delivery

4. The 2019/20 Internal Audit Plan was agreed with the Audit & Governance Committee in July 2019 and it outline the planned audit areas.
5. The following table summarises Internal Audit activity during the first 5 months of the year in comparison to the original Audit Plan.

TYPE OF WORK / ACTIVITY	PLANNED DAYS (FULL YEAR)	5 MONTHS APRIL – AUGUST 2019			
		Actual Days	% Completed	% Straight line 5/12 <sup>th</sup> Projection	% Difference
<b>Core Audit &amp; Assurance</b> (Key Assurance Functions/High Level Risks /Counter Fraud Risks/Key Financial Systems/Schools/Advice & Follow Ups)	1615	528	33	42	-9
<b>Other Audit Work</b> (Special Investigations/Contingency Audits/Financial Regulations Compliance)	220	80	36	42	-6
<b>Corporate Assurance Work</b> (Corporate Fraud/Free Early Education Funding)	185	96	52	42	+10
<b>VFM/BCP Work</b> (Including MTFP savings/BCP implementation work)	110	17	15	42	-27
<b>Governance Work</b> (Corporate Management/Member Liaison/AGS)	155	77	50	42	+8
<b>Service Management</b> (Management/Audit Development & Planning /Performance)	411	258	63	42	+21
<b>Non Productive Time</b> (Leave/Training/Sick/Vacancy Contingency)	781	338	46	42	+4
<b>TOTAL RESOURCE</b>	3477	1394	41	42	-1

6. More time was spent than planned during the period on the following activities:
- Corporate Assurance Work (+10%) – The majority of planned reviews of early education establishments to confirm entitlement to funding has been completed at the beginning of the year.
  - Governance Work (+8%) – Time was spent on completion of the Annual Governance Statement for 2018/19 which will be proportionally less for the remainder of the year.
  - Service Management (+21%) – Time was spent on completion of annual appraisals and a recruitment exercise which will be proportionally less for the remainder of the year.
7. Less time was spent than planned during the period on the following activity:
- VFM/BCP Work (-27%) – There have not been any significant VFM or BCP implementation projects that have required time to be allocated to this activity. However, a project has recently been commenced to review BCP Fusion (accounting system) control/holding/suspense accounts which will require resource from this time budget.
  - Core Audit & Assurance (-9%) – This activity is planned to increase for the remainder of the year.
8. Three audit assignments have been fully completed in this quarter of 2019/20 (July- September 2019) as outlined below

***2019/20 Audits Completed***

	<b>Service Area</b>	<b>Audit</b>	<b>Assurance Opinion</b>
1	Finance	Treasury Management	Reasonable
2	Destination & Culture	Arcade Cash Income	Reasonable
3	Environment	Lower Central Gardens & Five Parks Charitable Trusts Governance	Partial

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
  - **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
  - **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk.
  - **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk.
9. Six recommendations (two high, three medium and one low priority) were made in the Lower Central Gardens & Five Parks Charitable Trusts Governance Arrangements Audit Report which was given a 'Partial Assurance' audit opinion. The recommendations have all been agreed with management and are detailed in Appendix A.

10. There were no 'Minimal' assurance audit reports issued during the quarter.

11. The status of other audits in progress (July-September 2019) is outlined below:

***2019/20 Audits In Progress***

	<b>Service Area</b>	<b>Audit</b>	<b>Progress</b>
1	Housing	Governance of Companies	Draft Report
2	All Service Areas	Petty Cash Accounts (various services)	Draft Report
3	Family & Learning	Christchurch Learning Centre	Draft Report
4	Family & Learning	Christchurch Infant School	Draft Report
5	Family & Learning	Mudeford Junior School	Draft Report
6	Family & Learning	Mudeford Community Infants School	Draft Report
7	Family & Learning	Somerford Primary Community School	Draft Report
8	Family & Learning	St Joseph's Catholic VA Primary School	Draft Report
9	Family & Learning	Highcliffe St Mark Primary School	Draft Report
10	Family & Learning	Burton CE Primary School	Draft Report
11	Family & Learning	The Priory CE VA Primary School	Draft Report
12	Children's Social Care	Aspire Adoptions Services	Draft Report
13	All Service Areas	Income Systems (various services)	Fieldwork
14	Destination & Culture	Adult Education	Fieldwork
15	Financial Services	Debtors	Fieldwork
16	Development	Asset Management	Fieldwork
17	Environment	Parks Asset Management, Health & Safety & Income	Fieldwork
18	Communities	Poole Market	Fieldwork
19	Law & Governance	Declaration of Interests	Fieldwork
20	IT & IS	Councillors IT Equipment	Fieldwork
21	IT & IS	User Lifecycle Management	Fieldwork
22	Finance	SVPP (GDPR compliance)	Fieldwork
23	Organisational Development	Payroll (TUPE transfer of data)	Fieldwork
24	Adult Social Care	Debt Management Review	Fieldwork
25	Adult Social Care	Finance Review Project	Fieldwork
26	Adult Social Care	Mosaic Payments System Review	Scoping

27	Growth & Infrastructure	Car Parks	Scoping
28	Children's Social Care	Out of Hours Service	Scoping
29	Finance	Main Accounting	Scoping
30	Finance	External Arrangements	Scoping
31	IT & IS	Local Land Property Gazetteer	Scoping
32	IT & IS	Travel of IT Equipment	Scoping
33	IT & IS	Security Policies	Scoping

12. In summary, good progress is being made on completion of the 2019/20 Audit Plan. No issues are currently identified which would prevent the Audit Plan being materially delivered as planned.

### **Significant Issues Arising/ Other Work**

13. One Whistleblowing referral was received during the second quarter of this financial year and is being investigated. The total number of Whistleblowing referrals for the financial year to date stands at two.

14. The Whistleblowing referral which was received during the first quarter (as reported to July Audit & Governance Committee) is still being addressed and is not yet finalised. This referral related to legacy Council arrangements in place prior to BCP Council but which BCP Council inherited.

15. Further transformation work has been carried out moving from legacy Council arrangements to BCP arrangements during the second quarter of 2019/20.

16. In particular, Internal Audit is supporting Accountancy on a review of BCP Oracle Fusion financial system processes. The objectives of the review are to ensure that; financial system interfaces are efficient and fit for purpose; appropriate control accounts are in place and used correctly, and transaction processing in allocating and clearing control/holding/suspense accounts is efficient and appropriate.

### **Recommendations Implementation**

17. All high priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management. No escalation to Audit & Governance Committee is therefore required in this regard.

18. Management across BCP Council is currently working to implement, to agreed timescales\*, 40 high priority and 203 medium priority recommendations. (\*with Internal Audit).

### **Summary of Financial Implications**

19. The BCP Internal Audit Team budgeted cost is £699,600 which is inclusive of all direct costs including apportioned corporate accommodation costs and supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages several other teams.

20. This allocated budget resource is adequate to deliver the Internal Audit Charter and Plan as described in this report. Audit & Governance Committee are asked to note the budget for the Internal Audit Team which has been previously approved by Council.

21. The Internal Audit Team is currently at full establishment. There are no anticipated projected year end budget variances to report for 2019/20.

#### **Summary of Legal Implications**

22. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

#### **Summary of Human Resource Implications**

23. The BCP Internal Audit Team consists of 13.55 FTE.

#### **Summary of Environmental Impact**

24. There are no direct environmental implications from this report.

#### **Summary of Public Health Implications**

25. There are no direct public health implications from this report.

#### **Summary of Equality Implications**

26. There are no direct equality implications from this report.

#### **Summary of Risk Assessment**

27. The risk implications are set out in the content of this report.

#### **Background Papers**

None.

#### **Appendices**

Lower Central Gardens & Five Parks Charitable Trusts Governance Arrangements  
2019/20 – Audit Report Recommendations

## Appendix A

### LOWER CENTRAL GARDENS & FIVE PARKS CHARITABLE TRUSTS GOVERNANCE ARRANGEMENTS 2019/20 – AUDIT REPORT RECOMMENDATIONS

	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
R1	<p>It is recommended that in conjunction with Law &amp; Governance the relationship between the Council, the Lower Central Gardens Trust (LCGT) and the Five Parks Trust (FPT) is the subject of formal expert review with input from current and past Trust Board members as appropriate. Amongst other things, this review should include explicit consideration of:</p> <ul style="list-style-type: none"> <li>(a) Suitability of governance arrangements for the LCGT and FPT, taking the findings and recommendations of the recent external Russell-Cotes governance review report into account as appropriate, including whether a Trust Board is required for the FPT;</li> <li>(b) The roles and responsibilities of Trust Board members and the need for adoption of clear Terms of Reference for each Trust;</li> <li>(c) Arrangements for managing potential conflicts of interest (including between relevant Charities legislation and the Local Government Act) to ensure that all decisions are made and can be demonstrated to be in the Trusts' best interests; and</li> <li>(d) Trust Board meeting rules and procedures including decision-making records.</li> </ul>	High	Agreed with Management	Head of Parks Development	December 2019
R2	<p>It is recommended that:</p> <ul style="list-style-type: none"> <li>(a) The Lower Central Gardens Management Plan is formally reviewed and updated to ensure that delegated authority for day-to-day parks operations decision-making is clear including any decisions reserved to the Trust. This revised plan should be subject to formal approval by both the Council and the LCGT Board;</li> <li>(b) Management ensure that a clear management plan with appropriate and clearly documented delegations of authority is put in place; and</li> <li>(c) Formal consideration be given, after the governance review recommended in R1 is carried out, as to whether service level agreements should be put in place between the Council and each Charitable Trust. If put in place, these agreements should be subject to formal approval by both parties.</li> </ul>	High	Agreed with Management	Head of Parks Development	March 2020

R3	<p><b>It is recommended that:</b></p> <p><b>(a) A separate accounting ledger is created for each Charitable Trust. Alternatively, specific cost centres or project codes should be set-up to allow relevant transactions to be coded appropriately for financial management and accounting purposes; and</b></p> <p><b>(b) The process for apportionment of income to each Charitable Trust is formally reviewed. This should include:</b></p> <ul style="list-style-type: none"> <li>• <b>An examination of income received by the Council for events which take place on Trust land; and</b></li> <li>• <b>A full review of assets on Trust land to identify potential income streams and ensure that all income due to the Trust is received and accounted for correctly.</b></li> </ul>	Medium	<p><i>Agreed with Management</i></p> <p>There are cost centres and project codes that are specific to the Trusts, but non-specific Trust codes are reviewed so as to include income and expenditure that has been miscoded;</p> <p>A formal review will be undertaken to review: (i) the events undertaken, and income generated, on Trust land, and (ii) the assets held to identify potential income streams and ensure that all income due to the Trust is received and accounted for correctly.</p>	Companies Accountant	January 2020
R4	<p><b>It is recommended that arrangements are put in place to ensure that Trust Board meetings are scheduled to allow sufficient time for the production, review, audit, formal approval and sign-off of Charitable Trust accounts and Trustees' Annual Reports ahead of the Charity Commission submission deadline.</b></p>	Medium	<p><i>Agreed with Management</i></p> <p>The Council has no influence over when the Trust Board meetings take place – if the Board wishes to meet more frequently, either formally or informally, this will help to avoid this issue.</p> <p>Arrangements will be made to ensure that the accounts are reviewed and agreed by the Board to meet the Charities Commission deadline, whether that is in a formal Board meeting or by meeting / email communication.</p>	Companies Accountant	January 2020
R5	<p><b>It is recommended that consideration is given as to which stock should be included in the Trust accounts.</b></p>	Low	<p><i>Agreed with Management</i></p> <p>Stock due to be included in the accounts will be reviewed.</p>	Companies Accountant	January 2020
R6	<p><b>It is recommended that the basis, process for and timing of the Trusts' fixed asset valuation is subject to formal review and update to minimise the use of estimates in the accounts.</b></p>	Medium	<p><i>Agreed with Management</i></p> <p>The basis, process of and timing of the Trusts' fixed asset valuations will be reviewed to minimise the use of estimates in the accounts.</p>	Companies Accountant	January 2020