

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - Quarterly Audit Plan Update</b>
Meeting date	21 January 2021
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2020/21 Audit Plan for the period October to December (inclusive) 2020. The report highlights that:</p> <ul style="list-style-type: none"> <li>• Thirteen audit assignments have been completed (with the following summary opinions - one 'Substantial', eleven 'Reasonable' and one Consultancy Review);</li> <li>• Thirty-seven audit assignments are in progress;</li> <li>• Implementation of audit recommendations is satisfactory.</li> </ul>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee are asked to note progress made and issues arising on the delivery of the 2020/21 Internal Audit Plan.</b></p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2020/21 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 Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Information

## Background

1. This report details Internal Audit's progress against the 2020/21 Audit Plan for the period October 2020 to December 2020 inclusive and reports the audit opinion of the assignments completed during this period.

- The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

### **Delivery of the 2020/21 Internal Audit Plan – Quarter 3 review**

- Thirteen audit assignments have been fully completed in this quarter of 2020/21 (October-December 20) as outlined below.

#### ***2020/21 Audits Completed***

	<b>Service Area</b>	<b>Audit</b>	<b>Assurance Opinion</b>
1	Adult Social Care	Shared Lives	Reasonable
2	Adult Social Care	Lone Working	Consultancy Review
3	Adult Social Care	Key Assurance Function: Financial Management	Reasonable
4	Adult Social Care	Key Financial System – Financial Assessments & Deferred Payments	Reasonable
5	All Services	Employee Claims	Reasonable
6	Children's Services	Christchurch Infant School	Reasonable
7	Children's Services	Linwood School	Reasonable
8	Destination & Culture	Seafront Services	Substantial
9	Development	Key Assurance – Asset Management	Reasonable
10	Environment	Fleet Management 2019/20/21	Reasonable
11	Law & Governance	Information Governance – Follow Up	Reasonable
12	Housing	Lifeline/Telecare Services	Reasonable
13	Growth & Infrastructure	Concessionary Travel Passes	Reasonable

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

- There were no 'Partial' or 'Minimal' assurance audit reports issued during the quarter.
- The status of other audits in progress (October-December 20) is outlined below:

#### **2020/21 Audits In Progress**

	<b>Service Area</b>	<b>Audit</b>	<b>Progress</b>
1	Adult Social Care	Performance Monitoring	Draft Report
2	Children's Services	High Needs Block	Draft Report

3	Environment	Cash Income – Waste & Recycling Centres 2019/20/21	Draft Report
4	Inclusion & Family	Tenancy Arrangements	Draft Report
5	Quality & Commissioning	School Transport	Draft Report
6	SVPP	Debtors 2019/20/21	Draft Report
7	Adult Social Care	Infection Control Grant	Fieldwork
8	Adult Social Care	Crisis Payments (counter fraud)	Fieldwork
9	All services	Purchase and Credit Card (counter fraud)	Fieldwork
10	Children's Services	Mudeford Junior School	Fieldwork
11	Children's Services	Mudeford Infants School	Fieldwork
12	Communities	Fire Safety	Fieldwork
13	Communities	Health & Safety – Follow up	Fieldwork
14	Destination & Culture	Beach Huts	Fieldwork
15	Development	Project Management High Level Review	Fieldwork
16	Finance	Main Accounting	Fieldwork
17	Growth & Infrastructure	Planning Applications (counter fraud)	Fieldwork
18	Housing	Wholly Owned Companies Governance – Follow up	Fieldwork
19	IT & IS	Modern Workspace Consultancy Review	Fieldwork
20	Organisational Development	HR Policies & Training	Fieldwork
21	Quality & Commissioning	Early Education Funding	Fieldwork
22	Adult Social Care	Joint Funding to support hospital discharge	Scoping
23	All Services	Declarations of Interest	Scoping
24	All Services	Safeguarding	Scoping
25	Communications, Marketing & Strategy	Business Planning & Performance Management	Scoping
26	Development	Smart Places	Scoping
27	Finance	Business Continuity	Scoping
28	Finance	Insurance	Scoping
29	Finance	Risk Management	Scoping
30	Finance/Law & Governance	External Arrangements (Partnerships)	Scoping
31	Housing	Housing Rents	Scoping
32	Law & Governance	Health & Safety – Lone Working	Scoping
33	Organisational Development	Equality & Diversity Action Plan	Scoping
34	Organisational Development	Programme / Project Management	Scoping
35	Quality & Commissioning	Mosaic Payments	Scoping (delayed)
36	SVPP / Finance	Council Tax	Scoping

37	SVPP / Finance	NNDR	Scoping
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### Significant Issues Arising and Other Work

6. Three Publications have recently been released regarding the effects of Covid-19 on Internal Audit and how this may affect the conformance with the Public Sector Internal Audit Standards (PSIAS). The publications received are as follows:

- CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies
- UK Public Sector Internal Audit Standards Advisory Board (IASAB) – Conformance with the PSIAS during the coronavirus pandemic
- CIPFA – Facing up to Covid-19 in the Public Sector – The Internal Audit Response.

The publications all raise similar issues that Internal Audit, Leadership Teams and Audit & Governance Committees should be aware of during the Covid-19 pandemic. The summary below highlights these issues:

- There is a recognition that Local Authorities are facing considerable challenges due to the pandemic and are having to make difficult decisions on how best to use their staff and financial resources to meet critical needs. However, there is still an expectation that Internal Audit teams will conform to the Public Sector Internal Audit Standards (PSIAS).
  - In summary conformation to the PSIAS will consist of ensuring that sufficient assurance can be obtained within the year to allow the Head of Internal Audit to produce an annual opinion. Where sufficient assurance cannot be obtained then the Head of Internal Audit may need to issue a 'limitation of scope'. In this instance the Head of Internal Audit will need to inform the Audit & Governance committee of the extent of the limitation, the reasons for the limitation and any remedial actions required. Any limitations of scope will also need to be reported in the Annual Governance Statement.
  - Internal Audit will need to assess the new risks to the Council brought on from Covid-19 and the audit plan should be updated where necessary to include these risks.
  - The CIPFA – Facing up to Covid-19 in the Public Sector – The Internal Audit Response includes key questions which can be used by audit committee members to reflect on how internal audit has responded to the COVID-19 pandemic, its impact on performance and plans going forward. A response to these questions has been provided in Appendix A.
7. It is not currently expected that a 'limitation of scope' will need to be issued for the 2020/21 Internal Audit Opinion, but the possibility is very real and is subject to constant review and consideration. If this circumstance arises then the Head of Internal Audit will duly update the Committee as soon as is practicable. Considering the publications and issues raised above, Internal Audit have targeted identified high risks, streamlined Internal Audit reports so that they are concise and are utilising new ways of working.
8. Due to Covid-19 and national restrictions, the Internal Audit Team are required to work from home. The use of Microsoft Teams and other associated software has allowed improved remote communications between Internal Audit and clients. This new environment has also allowed the Audit Team to evaluate the current audit process and to identify processes which can be improved or streamlined using Microsoft applications. A project is currently underway to implement identified improvements for the start of April 2021.

9. The Head of Audit & Management Assurance has line management responsibilities for the Emergency Planning and Resilience Team. This team has been heavily involved in the Council's, and the multi-agency (Local Resilience Forum (LRF)), response and recovery work in relation to the COVID-19 pandemic. Reports arising from this work will be brought to the Committee according to the agreed Forward Plan and in a similar format to the report received in October.
10. CIPFA have agreed to carry out an external assessment of the Internal Audit function as required by the Public Sector Internal Audit Standards at the end of June 2021. CIPFA will be required to take into account any significant interruption to business as usual experienced by the Internal Audit team due to Covid-19. The outcome of the assessment will be brought back to this committee. The likely cost will be in the region of £3,500.
11. Work is continuing to take place on post Covid-19 grant assurance. More grant schemes have been announced and it is likely that further post assurance will be required.

### **Recommendations Implementation**

12. 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 recommendations are required to be escalated to Audit & Governance Committee.
13. Due to the pressures on services arising from the Council's transformation process and the Covid-19 pandemic there has been some pragmatic revisions to some previously agreed dates for certain internal audit recommendations, but, any such pragmatism has been risk based and dependent on nature and priority of individual recommendations.

### **Options Appraisal**

14. An options appraisal is not applicable for this report

### **Summary of financial implications**

15. The BCP Internal Audit Team budgeted cost is £694,700 and which is inclusive of all direct costs including 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 other teams.
16. The Internal Audit Team is currently at full establishment. There are no anticipated material projected year end budget variances to report for 2020/21. Only contracted or essential Covid-19 related expenditure will be approved from this budget for the remainder of the financial year in line with the corporate stance.

### **Summary of legal implications**

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

### **Summary of human resources implications**

18. The BCP Internal Audit Team consists of 13.42 FTE.

**Summary of sustainability impact**

19. There are no direct sustainability impact implications from this report.

**Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

Appendix A CIPFA Facing up to Covid-19 in the Public Sector – The Internal Audit Response – Key Questions for Audit Committee members to ask

## **CIPFA – Facing up to Covid-19 in the Public Sector – The Internal Audit Response.**

### **Key questions for audit committee members to ask**

Audit committees not only make use of the output of internal audit, they also play a key role in providing support to the head of internal audit and oversight of the resourcing, performance and professional conformance with the Public Sector Internal Audit Standards.

The following key questions can be used by audit committee members to reflect on how internal audit has responded to the COVID-19 pandemic, its impact on performance and plans going forward.

1. Has the internal audit service redeployed any staff during 2020/21 to support high risk COVID-19 related activity?  
  
There was significant impact on commencement of 2020/21 Internal Audit Plan due to requested corporate support on the delivery of COVID 19 NDR Grants during April and May 2020. A revision to the Audit Plan was agreed to ensure an adequate audit opinion on the internal control environment could be delivered at the end of the year. This was reported to Audit & Governance Committee in July 2020.
2. What impact have any redeployments or furlough had on the overall operation of the internal audit service?  
  
As above.
3. Have key organisational risks (identified in the organisation's risk registers) been subject to some form of internal audit review during 2020/21?  
  
Yes, the Council's Corporate Risk Register (CRR) was used along with discussions with Service Directors to identify and ensure coverage of key organisational risks. Note the Audit & Governance Committee actively played a part in shaping the Council's Covid19 specific risk register at the start of the pandemic which has subsequently been subsumed back into the CRR which now incorporates all risks.
4. Has internal audit been able to follow up on outstanding recommendations and are there any significant areas where there are concerns over progress of implementation?  
  
Yes, recommendations have been followed up as normal, however timescales for implementation have been pragmatically revised and adapted to allow for Covid-19 impact in some instances.
5. Is there sufficient audit resource to facilitate the delivery of an internal audit opinion at the end of the year?  
  
Yes, as above, the Audit Plan was revised in July 2020.
6. Will the head of internal audit be able to take assurance from any second line functions? Please give examples.  
  
Yes, reliance has been placed on Corporate Incident Management Team (CIMT) receiving, debating and approving 'Decision Records' which impact matters such as specific service delivery options and wider more over-arching corporate governance arrangements such as Health & Safety.
7. Can internal audit clarify which planned audit areas have been deferred or cancelled and any potential impact?  
  
No significant audit deferrals to date although Quarter 4 is typically the time of year where certain audits may be deferred subject to any conflicting demands on scarce resource. As is normally the case any such deferrals will be reported as part of the annual Chief Internal Auditor's report to the Audit & Governance Committee.

- 8.** Has the head of internal audit been able to keep up to date with changes in the organisation's COVID-19 governance processes?

Yes, the Head of Internal Audit attends Corporate Incident Management Team (CIMT).

- 9.** Is senior leadership providing the audit committee with regular information around key risks and governance developments arising from COVID-19 arrangements and keeping engaged with their work?

Yes, the Corporate Risk Register is presented to Audit & Governance Committee. Most reports, whatever the specific or detailed subject, that are considered by the Committee make reference to how the covid19 pandemic is impacting and being mitigated as far as is practicable.

- 10.** Does the internal audit team need to undertake a skills assessment to ensure the skills mix is appropriate in a changing environment?

Not considered necessary, current skills of Internal Audit team considered adequate to provide assurance of current risks. There is regular attendance at webinars and other training material is obtained on current issues facing Internal Audit due to the changing environment.