

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Internal Audit - Quarterly Audit Plan Update
Meeting date	13 January 2022
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2021/22 Audit Plan for the period October to December (inclusive) 2021. The report highlights that:</p> <ul style="list-style-type: none">• Fifteen audit assignments have been completed, of which there were thirteen 'Reasonable' and one 'Partial' audit opinions and there was also one 'Consultancy' audit review;• Twenty six audit assignments are in progress;• Implementation of audit recommendations is satisfactory;• Further progress to address the recommendations and suggestions made in the Public Sector Internal Audit Standards external assessment has been made resulting in one recommendation and three suggestions being implemented.
Recommendations	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee note progress made and issues arising on the delivery of the 2021/22 Internal Audit Plan.</p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2021/22 Internal Audit Plan.</p> <p>To ensure Audit & Governance 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 Decision and Information

Background

1. This report details Internal Audit's progress against the 2021/22 Audit Plan for the period October 2021 to December 2021 inclusive and reports the audit opinion of the assignments completed during this period.
2. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

Delivery of the 2021/22 Internal Audit Plan – Quarter 3 review

3. Fifteen audit assignments have been fully completed in this quarter of 2021/22 (Oct-Dec 21) as outlined below.

2021/22 Audits Completed

	Service Area	Audit	Assurance Opinion	Recommendations		
				High	Med	Low
1	Adult Social Care	Information Governance (KAF)	Reasonable	0	2	2
2	Adult Social Care	Homecare Provider Payments	Reasonable	0	2	0
3	Environment	Parks Partnerships Governance Arrangements*	Partial	5	6	0
4	Finance	Financial Management Code	Consultancy	-	-	-
5	Development	Discretionary Grants	Reasonable	0	2	5
6	HR & Organisational Dev	Pre-Employment Checks (counter fraud)	Reasonable	0	2	2
7	Children's Services	Poole High School	Reasonable	0	2	0
8	Communities	Health & Safety and Fire Safety	Reasonable	0	3	2
9	Law & Governance	Information Governance*	Reasonable	0	8	2
10	Finance	Contractor Selection & Payments (counter fraud)	Reasonable (combined report)	0	6	3
11	Finance	Procurement				
12	Finance	Treasury Management	Reasonable	0	5	5
13	Children's Services	Christchurch Learning Centre	Reasonable	0	2	2
14	Children's Services	St Katherine's School	Reasonable	1	2	2
15	Children's Services	St Walburga's School	Reasonable	0	5	5
Total Recommendations				6	47	30

*This audit is subject to final agreement with management

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.

4. There was one 'Partial' assurance audit report issued during the quarter:

Environment – Parks Partnerships Governance

Ten recommendations (5 high, 6 medium) were made in this Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Whilst in development, an overarching Green Infrastructure Strategy and associated policies and project plans are not yet in place preventing clear articulation and understanding of roles, responsibilities, levels of Council influence / control and associated governance arrangements plus inability to make meaningful assessment of alignment of external entities' objectives to those of the Council (High Priority)
- Ill-defined and inconsistent management and governance arrangements (High Priority X 3)
- Occupation of Council land and buildings by a third party without appropriate legal agreements in place in breach of Financial Regulations (note that this is an inherited position and not limited to Parks) (High Priority)
- Legal position regarding ex-Council employees' membership of the Parks Foundation Board and associated implications in need of clarification (Medium Priority)
- Formal Partnership Agreement for Stour Valley Park Partnership not yet developed (Medium Priority)
- Insufficient records to evidence decision to allow third parties to operate from Council land and buildings (Medium Priority)
- Failure to put appropriate conflicts of interest arrangements in place due to officer Declarations of Interest being considered from a third party rather than Council perspective (Medium Priority)
- Arrangements for post-award management of grant monies unclear (Medium Priority)
- Failure to hold regular Lower Central Gardens Trust Board meetings (Medium Priority)

Recommendations to address the issues have all been agreed with management and some are in progress.

5. There were no 'Minimal' assurance audit reports issued during the quarter. The status of other audits in progress (Oct-Dec 2021) is outlined below:

2021/22 Audits In Progress

	Service Area	Audit	Progress
1	Finance	Creditors	Draft Report
2	HR & OD	Human Resources (KAF)	Draft Report
3	Children's Services	Somerford Primary School	Draft Report
4	Children's Services	Winchelsea School	Draft Report
5	Adult Social Care	Direct Payments (counter fraud)	Draft Report
6	Destination & Culture	Russell Cotes Income Collection	Fieldwork
7	Finance	Serious & Organised Crime (counter fraud)	Fieldwork
8	Finance	Business Planning & Performance Management (KAF)	Fieldwork
9	Development	Estates - Asset Management	Fieldwork
10	Children's Services	Business Planning & Performance Management	Fieldwork
11	Children's Services	Children's Residential Services	Fieldwork
12	Children's Services	Capital Programme	Fieldwork
13	IT & IS	Network Security	Fieldwork
14	IT & IS	Business Continuity Arrangements	Fieldwork
15	IT & IS	Policies (KAF)	Fieldwork
16	Housing	Bournemouth Neighbourhood Housing Assets (Health & Safety Compliance)	Fieldwork
17	Finance	Debtors	Fieldwork
18	Finance	Council Tax	Fieldwork
19	Finance	NDR	Fieldwork
20	Finance	Risk Management	Scoping
21	Housing	Non-Rental Income	Scoping
22	Customer & Business Delivery	Facilities Management - Asset Management (follow up)	Scoping
23	Development (Finance)	Project & Programme Management – Smarter Places Programme	Scoping
24	Adult Social Care	ICT (KAF)	Scoping
25	Finance	Main Accounting System	Scoping
26	Children's Services	Safeguarding	Scoping

2021/22 Audit Plan Changes

	Service Area	Audit	Comment/rationale
1	Policy & Research	Business Planning & Performance Management	Scope of recent Corporate Peer Challenge included a review of this area
2	Resources	Programme & Project Management	Considered more value at looking at individual projects in service areas. This work has been completed.

Significant Issues Arising and Other Work

6. Internal Audit carried out a review of a BCP cemetery to provide assurance on income collected. Income received matched burial records and there was no evidence of fraud. Recommendations were made to improve controls.
7. As reported to Audit & Governance Committee during the previous audit plan quarter update, Internal Audit are working on an action plan to address the four recommendations and four suggestions arising from a recent CIPFA validation of our self-assessment against the Public Sector Internal Audit Standards (PSIAS).
8. Further progress has been made on the action plan resulting in one recommendation and three suggestions being implemented as detailed below:

Ref	Recommendation	Action
R2	Include the following in the annual plan reported to the Audit & Governance Committee: <ul style="list-style-type: none"> • How the plan addresses BCP's strategies, objectives, priorities & risks • How internal audit is delivered and developed • How its resource requirements are assessed • The relative priorities of the planned audit work 	Included in Audit Planning Consultation Report being presented to 13 Jan 2022 A&G Committee
Ref	Suggestion	Action
S2	Place risk at the forefront of all audit planning, especially in discussions with auditees and the information shared with them	Audit approach is risk focused on all documentation and is shared with clients
S3	Look for ways to integrate Quality Assurance & Improvement Programme (QAIP) activities across the audit team and audit year, by carrying out rolling reviews or similar	QAIP updated with rolling reviews
S4	As well as showing how the annual plan addresses BCP's strategies, objectives, priorities and risks (R2), make this clear in individual audit plans and terms of reference to demonstrate the value of the audit (see also S2)	Audit documentation has been updated

9. One recommendation and one suggestion require action before 31 March 2022 to complete all work required, these are in progress and will be completed as part of the annual Audit Charter review. A further update will be brought to Audit & Governance Committee in April 2022.
10. Regarding Internal Audit team resourcing arrangements, plans are in place to recruit two new Audit Managers following the departure of one member of staff who transferred to a Capital Accountant post, and another Audit Manager who is planning on leaving for career progression to another government department. In the interim temporary staffing arrangements are in place through increasing hours for existing part time staff.

Recommendations Implementation

11. All recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management or on a risk basis subject to pragmatic revisions to previously agreed dates.

12. No recommendations are required to be escalated to Audit & Governance Committee for non-implementation.
13. Work is being undertaken using new Microsoft technology applications to develop real time management information on recommendation statuses for both clients and other stakeholders. Further updates and recommendation information will be brought to future Audit & Governance Committee meetings.

Options Appraisal

14. An options appraisal is not applicable for this report.

Summary of financial implications

15. The BCP Internal Audit Team budgeted cost for 2021/22 is £697,900 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 managing the departure of an Audit Manager and the planned departure of another Audit Manager at the end of February 2022 through temporary cover arrangements. There will be no detriment to the delivery of the annual audit plan/CIA opinion.

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 13.53 FTE for the 2021/22 financial year however this is currently subject to minor variance due the departure of an Audit Manager and the planned departure of another Audit Manager at the end of February 2022, and corresponding temporary cover arrangements.

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

None