

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - Quarterly Audit Plan Update</b>
Meeting date	27 October 2022
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2022/23 Audit Plan for the period July to September (inclusive) 2022. The report highlights that:</p> <ul style="list-style-type: none"> <li>• Seven audit assignments have been completed, all of which were 'Reasonable' audit opinions;</li> <li>• Twenty four audit assignments are in progress;</li> <li>• Implementation of audit recommendations is satisfactory and none have required escalation to Audit &amp; Governance Committee;</li> </ul> <p>BCP internal audit arrangements have been assessed against the questions posed in the recent CIPFA publication 'Internal Audit untapped potential' and found to be robust.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee note progress made and issues arising on the delivery of the 2022/23 Internal Audit Plan.</b></p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2022/23 Internal Audit Plan.</p> <p>To ensure Audit &amp; 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 2022/23 Audit Plan for the period July 2022 to September 2022 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.
3. Some audit fieldwork has 'straddled' both the 2021/22 and 2022/23 Audit Plan years, these audits are shown with the following description '2021/22/23'.

### Delivery of the 2022/23 Internal Audit Plan – Quarter 2 review

4. Seven audit assignments have been fully completed in this quarter of 2022/23 (Jul-Sep 22) as outlined below.

#### 2022/23 Audits Completed

	Service Area	Audit	Assurance Opinion	Recommendations		
				High	Med	Low
1	Education	SEND (2021/22/23 audit)	Reasonable	0	2	0
2	Development	Smart Places (2021/22/23 audit)	Reasonable	0	1	1
3	Children's Services	St Edwards School	Reasonable	0	6	4
4	Finance	Creditors	Reasonable	0	4	1
5	Finance	Payroll	Reasonable	0	2	0
6	Finance	Treasury Management	Reasonable	0	3	1
7	Various	Identity Fraud (Counter Fraud)	Reasonable	0	1	0
<b>Total Recommendations</b>				<b>0</b>	<b>19</b>	<b>7</b>

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.

5. There were no 'Partial' or 'Minimal' assurance audit reports issued during the quarter. The status of other audits in progress (Jul-Sep 2022) is outlined below:

#### 2022/23 Audits In Progress

	Service Area	Audit	Progress
1	Children's Services	Purchasing Cards	Draft Report

2	Housing	Trade Card Accounts	Draft Report
3	Finance	Business Continuity (Core KAF)	Draft Report
4	Destination & Culture	Seafront Cash Checks	Draft Report
5	Finance	Insurance	Draft Report
6	Education	Alternative Provision	Draft Report
7	Finance	Anti-Money Laundering Requirements (Counter Fraud)	Fieldwork
8	Planning	KAFs Overview	Fieldwork
9	Adult Social Care	Social work Standard of Practice and Professional Leadership	Fieldwork
10	Children's Services	Information Governance (KAF)	Fieldwork
11	Adult Social Care	Financial Management (KAF)	Fieldwork
12	Environment	Climate and Ecological Action	Fieldwork
13	IT & IS	IT Infrastructure & Hardware Procurement & Asset Management	Fieldwork
14	IT & IS	ICT (KAF)	Fieldwork
15	Finance	Financial Management (KAF)	Fieldwork
16	Finance	Main Accounting System	Fieldwork
17	Finance	Housing Benefits	Fieldwork
18	Various	Grant Award (Counter Fraud)	Fieldwork
19	Policy & Research	Business Planning & Performance (core KAF)	Scoping
20	Children's Services	Financial Management (KAF)	Scoping
21	Transport & Engineering	SEND Passenger Transport	Scoping
22	Communities	Safeguarding	Scoping
23	Delivery of Regeneration	Governance Review	Scoping
24	Environment	Sustainable Environment	Scoping

**2022/23 Audits Planned for Quarter 3  
(Oct-Dec 22) - Provisional**

	<b>Service Area</b>	<b>Audit</b>
1	Adult Social Care	Direct Payments
2	Adult Social Care	Managing Other People's Money
3	Adult Social Care	Partnerships (KAF)
4	Children's Services	Business Planning & Performance Management
5	Children's Services	The Priory School
6	Children's Services	Burton Primary School
7	Communities	Partnerships (KAF)
8	Destination & Culture	Leisure Contract Management

9	Destination & Culture	Major Events Governance
10	Finance	Risk Management (KAF)
11	Housing	Right to Buy (Counter Fraud Review)
12	HR & Organisational Development	Human Resources (KAF)
13	IT & IS	IT Risk Review (specialist review)
14	Law & Governance	Procurement & Management of External Legal Advice
15	PMO & Major Change	Project & Programme Management (delayed from Quarter 2)
16	Transport & Engineering	Health & Safety (CDM Regulations)

### 2022/23 Audit Plan Changes

	Service Area	Audit	Comment/rationale
1	Communities	Port Health	Postponed until 2023/24 due to still awaiting clarification of legislative requirements from Government
2	Finance	Business Continuity (KAF Service review)	Core Business Continuity key assurance function audit completed. Corporately, work is being carried out to improve business resilience arrangements across the organisation including in service directorates. Audit postponed to 23/24
3	Customer & Business Delivery	Business Continuity (KAF Service review)	As above

### Significant Issues Arising and Other Work

6. Temporary cover to assist with the completion of the 2022/23 Audit Plan was obtained using the Council's corporate agency contract. This has now ceased following the Cabinet decision on 7 September 2022 to implement revised control measures for recruitment and people-related spend.
7. This will result in a slightly lower level of overall audit days available within the Plan however with careful management and refocussing of resource on the high risk areas in the Plan this is not expected to impact significantly on the ability of the Chief Internal Auditor to provide the annual overall opinion on the internal control environment. However this is subject to no significant events occurring that would require internal audit resource (e.g. significant investigations or internal control failures).
8. As reported to the last Audit & Governance Committee meeting, CIPFA have produced the report 'Internal Audit untapped potential' as they believe internal audit has a vital role to play in supporting public service organisations to achieve their goals. An appendix was contained in the report 'Maximising the impact of internal audit – Ten questions to ask your internal auditors'. These questions have been reproduced at Appendix A along with BCP arrangements and potential further actions.
9. In summary BCP internal audit arrangements are generally robust however there are some opportunities to further improve.

## **Recommendations Implementation**

10. The 2022/23 Audit Charter requires all High Priority recommendations that have not been implemented by the agreed target date to be reported/escalated to the Audit & Governance Committee. 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 and therefore none are required to be escalated to Audit & Governance Committee for non-implementation.
11. The 2022/23 Audit Charter also requires any management proposed revisions to the implementation dates of Medium Priority recommendations to be agreed by the Chief Internal Auditor. The Chief Internal Auditor is required to report to Audit & Governance Committee any such requests considered unreasonable and for the service to provide an explanation. There are no such instances this quarter.
12. As previously reported, work is being undertaken on using a new Microsoft technology application to provide real time management information on recommendation status for both clients and other stakeholders. Following a trial with one service directorate further work (in liaison with ICT Services) is required to ensure appropriate access controls are in place before being rolled out to all other directorates.

## **Options Appraisal**

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

## **Summary of financial implications**

14. The BCP Internal Audit Team budgeted cost for 2022/23 is £717,100 (subject to any final pay awards) 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). The budget cost above is inclusive of the Head of Audit & Management Assurance who manages other teams.
15. The Internal Audit Team was managing the vacancy of an Auditor post following a minor service restructure and internal promotion through temporary cover arrangements, however this has now ceased in line with new recruitment revised control measures. This is likely to result in a minor service underspend for the year.

## **Summary of legal implications**

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

## **Summary of human resources implications**

17. The BCP Internal Audit Team consists of 13.53 FTE for the 2022/23 financial year, however this is subject to a small variance due a minor service restructure and part compensating cover through the temporary use of Council's corporate agency contract.

## **Summary of sustainability impact**

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

## **Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

Appendix A - CIPFA Internal Audit: untapped potential publication

## Maximising the impact of internal audit – Ten questions to ask your internal auditors

Question	BCP arrangements	RAG Status	Evidence	Further Action Required
<b>Engagement with the organisation</b>				
1. Does internal audit receive the right level of support and engagement from the audit committee?	Challenge and support from Audit & Governance Committee through regular core meetings and additional deeper dive meetings on specific subjects		Meeting records	-
2. Does internal audit get good engagement from across the organisation when it plans and conducts audits?	Good engagement from all service directorates. Opportunity for further improvement through use of new technology		Audit plan meetings. Audit survey results	Implement recommendation status power BI dashboards and reports across all directorates.
3. Do managers within the organisation seek advice or assurance from internal audit? What are the drivers of or obstacles to this?	Regular advice & assurance sought by service directorates however recognise in some areas opportunity to further promote value of Internal Audit.		Time spent on advice and other assurance work e.g. COVID grants	Embed quarterly meetings and two way conversations with service management teams.
4. Has the head of internal audit indicated that resources (capability or capacity) need to increase? What steps are being taken to address this?	Approved 2022/23 Audit Plan has sufficient resources. The head of internal audit makes specific reference to adequacy of resource in annual report linking this to delivery of the plan.		Approval of 2022/23 Audit Plan by A&G Committee	-
<b>Quality, impact and continual improvement</b>				
5. Does internal audit conform to PSIAS as demonstrated by an independent external quality assessment undertaken within the last five years? For local government organisations, this should also include conformance with the Local Government Application Note.	External assessment of PSIAS compliance undertaken by CIPFA June 2021 which showed full compliance.		CIPFA assessment report which was reported in full to the A&G Committee	-
6. What action is internal audit taking to continually improve its quality, engagement and impact for the organisation? Is internal audit considering the skills and competencies it will need in the future as well as now?	Quality Assurance and Improvement Plan in place. Further work on skills and competencies needed for the future to be considered.		Quality Assurance and Improvement Plan	Consider skills & competencies review for future service requirements
<b>Assurance</b>				
7. Is there a clear view of the assurance that internal audit does, and does not, provide? What assurance is provided by other functions or parties? Are there gaps in the assurance that management or the audit committee require?	BCP Assurance Framework in place. Opportunity to develop further with formal assurance mapping across BCP		BCP Assurance Framework	To progress development of BCP assurance mapping following guidance from CIPFA in Autumn 2022
8. How do internal audit plans map to the organisation's strategic priorities and risks?	Audit plan aligns to BCP Corporate strategies and risk registers as part of the planning process.		2022/23 Audit Plan report(s) to A&G Committee	-
9. How is internal audit developing its approach to providing assurance – for example, making greater use of data or undertaking audits with a more strategic focus?	Data analytics work on audits is currently undertaken however opportunity to develop this with a formal data analytics strategy.		Audit Process	Progress data analytics work via implementation of a strategy and liaison with other IA teams
<b>Strategy</b>				
10. What factors currently determine our internal audit strategy? Are we confident that the strategy will deliver our internal audit needs in the future?	Audit Charter and Plan refresh for each year provides audit strategy. Opportunity to consider longer term separate strategy document.		Audit Charter Audit Plan 2022/23	Consider need for formal IA Strategy