

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - Quarterly Audit Plan Update</b>
Meeting date	12 January 2023
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2022/23 Audit Plan for the period October to December (inclusive) 2022. The report highlights that:</p> <ul style="list-style-type: none"><li>• Eleven audit assignments have been completed, ten 'Reasonable' audit opinions and one 'Partial' audit opinion;</li><li>• Twenty two audit assignments are in progress;</li><li>• Implementation of audit recommendations is satisfactory and none have required escalation to Audit &amp; Governance Committee;</li><li>• Through careful management of resource on the high risk areas in the Audit Plan the Chief Internal Auditor is still expecting to provide the annual overall opinion on the internal control environment.</li></ul>
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>
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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 October 2022 to December 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.

## Delivery of the 2022/23 Internal Audit Plan – Quarter 3 review

3. Eleven audit assignments have been fully completed in this quarter of 2022/23 (Oct-Dec 22) as outlined below.

### 2022/23 Audits Completed

	Service Area	Audit/Scope	Assurance Opinion	Recommendations		
				High	Med	Low
1	Children's Services	<p>The Priory School</p> <ul style="list-style-type: none"> <li>➤ Governance, Budgeting, Purchasing, Income &amp; Banking, Payroll, Voluntary funds, Asset Management &amp; Insurance</li> <li>➤ Compliance with Financial Regulations, and other instructions</li> </ul>	Reasonable	0	5	3
2	Children's Services	<p>Purchasing Cards</p> <ul style="list-style-type: none"> <li>➤ The issuing/cancellation of cards</li> <li>➤ Expenditure is reviewed and approved</li> <li>➤ Lost/ Stolen cards promptly cancelled</li> <li>➤ Expenditure compliant with Financial Regulations</li> <li>➤ Fuel card usage is controlled</li> </ul>	Reasonable	0	8	1
3	Destination & Culture	<p>Seafront Cash Checks</p> <ul style="list-style-type: none"> <li>➤ Arcade Float fully accounted for and associated controls and processes are operating effectively</li> </ul>	Reasonable	0	1	1
4	Education	<p>Alternative Provision</p> <ul style="list-style-type: none"> <li>➤ Governance of Alternative Provision</li> <li>➤ Placement planning</li> <li>➤ Placement processes</li> <li>➤ Placement completion</li> <li>➤ Funding</li> <li>➤ Contract monitoring</li> </ul>	Partial	5	4	0
5	Finance	<p>Insurance</p> <ul style="list-style-type: none"> <li>➤ Follow up of previous audit report recommendations</li> </ul>	Reasonable	0	1	1
6	Finance	<p>Business Continuity (Core KAF)</p> <ul style="list-style-type: none"> <li>➤ Strategic/operational oversight</li> <li>➤ Definition, support &amp; monitoring of specific roles inc. Gold and Silver officers</li> <li>➤ Policy, strategy and guidance documents</li> <li>➤ Provision and monitoring of training</li> <li>➤ Business Impact Assessment &amp; Service Response Plans</li> <li>➤ Corporate business continuity and emergency plans</li> </ul>	Reasonable	0	1	1

		<ul style="list-style-type: none"> <li>➤ Joint business continuity and emergency planning arrangements with partners</li> </ul>				
7	Finance	<b>Main Accounting System &amp; Financial Management</b> <ul style="list-style-type: none"> <li>➤ External Audit Recommendations</li> <li>➤ Journal Management &amp; Approval</li> <li>➤ Feeder system integrity</li> <li>➤ Suspense accounts review &amp; clearance</li> <li>➤ Bank reconciliation</li> <li>➤ Financial Planning &amp; Budget Setting</li> <li>➤ Budget Monitoring &amp; Reporting</li> </ul>	Reasonable	0	2	1
8	Finance	<b>Anti-Money Laundering Requirements (Counter Fraud)</b> <ul style="list-style-type: none"> <li>➤ The Council discharges its obligations</li> <li>➤ Employees discharge their obligations</li> </ul>	Reasonable	0	1	1
9	Finance	<b>Housing Benefits</b> <ul style="list-style-type: none"> <li>➤ Legislative Requirements</li> <li>➤ New Claims Processing</li> <li>➤ Changes in Circumstances</li> <li>➤ Payment/Overpayments</li> <li>➤ Reconciliations</li> </ul>	Reasonable	0	0	3
10	Housing	<b>Trade Card Accounts</b> <ul style="list-style-type: none"> <li>➤ Financial Regulations not complied with</li> <li>➤ Loss/theft of responsive repairs materials</li> <li>➤ Accounts not used for personal benefit</li> </ul>	Reasonable	0	1	1
11	Law & Governance	<b>Declaration of Interests (Councillors)</b> <ul style="list-style-type: none"> <li>➤ Guidance in place</li> <li>➤ Declarations made in accordance with legislation and best practice</li> </ul>	Reasonable	0	1	1
<b>Total Recommendations</b>				<b>5</b>	<b>25</b>	<b>14</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.

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

#### **Education – Alternative Provision**

Nine recommendations (5 high, 4 medium) were made in this Audit Report which was given a 'Partial Assurance' audit opinion. The following issues were found:

- Placement planning: Inadequate arrangements in place to ensure needs assessments have always been carried out and reviewed for placements commissioned by the Council (High Priority)
- Placement processes: The reasons why young people are not always being placed into Alternative Provision within the statutory six day timescale have not been explicitly researched (High Priority); The monitoring of Alternative Provision education quality is limited (High Priority)

- Funding: There are discrepancies between the data held on the High Needs Spreadsheet and related Social Care systems which could lead to incorrect payments to a provider, although in testing none were identified (High Priority)
- Contract monitoring: Block funding of placements at settings requires reviewing to demonstrate value for money (High Priority)
- Governance of Alternative Provision: There is limited reporting of Alternative Provision performance information relative to targets or baseline information (Medium Priority)
- Placement Planning: There is no documented authorisation from Inclusion Service for Alternative Provision placements (Medium Priority); there is no Alternative Provision Admissions Policy in place in line with statutory guidance (Medium Priority)
- Placement completion: No target or monitoring on the rates of reintegration of young people back into mainstream education is in place (Medium Priority)

Recommendations to address the issues have all been agreed with management and target dates have been set to ensure implementation.

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

#### **2022/23 Audits In Progress**

	<b>Service Area</b>	<b>Audit</b>	<b>Progress</b>
1	Adult Social Care	Social work Standard of Practice and Professional Leadership	Draft
2	Children's Services	Burton Primary School	Draft
3	Children's Services	Information Governance (KAF)	Draft
4	Policy & Research	Business Planning & Performance (core KAF)	Draft
5	Environment	Climate and Ecological Action and Sustainable Environment (KAF)	Draft
6	Adult Social Care	Financial Management (KAF)	Draft
7	HR & Organisational Development	Human Resources (KAF)	Draft
8	Planning	KAFs Overview	Fieldwork
9	IT & IS	IT Infrastructure & Hardware Procurement & Asset Management and ICT KAF	Fieldwork
10	Various	Grant Award (Counter Fraud)	Fieldwork
11	PMO & Major Change	Project & Programme Management	Fieldwork
12	Delivery of Regeneration	Governance Review	Fieldwork
13	Corporate	Partnerships (KAF) – Consultancy Review	Fieldwork
14	Children's Services	Financial Management (KAF)	Fieldwork
15	Destination & Culture	Leisure Contract Management	Fieldwork
16	Destination & Culture	Major Events Governance	Fieldwork

17	IT & IS	IT Risk Review (specialist review)	Fieldwork
18	Law & Governance	Procurement & Management of External Legal Advice	Fieldwork
19	Transport & Engineering	SEND Passenger Transport	Scoping
20	Housing	Right to Buy (Counter Fraud Review)	Scoping
21	Adult Social Care	Direct Payments	Scoping
22	Transport & Engineering	Health & Safety (CDM Regulations)	Scoping

**2022/23 Audits Planned for Quarter 4  
(Jan-Mar 23) - Provisional**

	<b>Service Area</b>	<b>Audit</b>
1	Adult Social Care	Managing Other People's Money (delayed from Quarter 3)
2	Adult Social Care	Partnerships (KAF) (delayed from Quarter 3)
3	Adult Social Care	Brokerage Procurement
4	Adult Social Care	Corporate Safeguarding (KAF)
5	Children's Services	Business Planning & Performance Management (delayed from Quarter 3)
6	Children's Services	Highcliffe St Mark School
7	Children's Services	St Joseph's Catholic School
8	Communities	Safeguarding (delayed from Quarter 3)
9	Communities	Asset Management – Health & Safety Compliance
10	Customer & Business Delivery	Customer Service (Reorganisation of Services)
11	Customer & Business Delivery	Asset Management (Facilities Management) (KAF)
12	Customer & Business Delivery	Fire Safety
13	Development	Economic Development Strategy Review
14	Development	Asset Management (Estate Management) (KAF)
15	Environment	Bereavement Services (including Coroner)
16	Finance	Criminal Finances Act Requirements (Counter Fraud)
17	Finance	Risk Management (KAF) (delayed from Quarter 3)
18	Finance	Health & Safety (KAF)
19	Finance	Procurement (KAF)
20	Housing	New Housing Management Model Governance Review (BCP Homes)
21	Housing	Housing Rents (KFS)
22	Housing	Housing Tenancy (Data Matching Counter Fraud)
23	Law & Governance	Information Governance (KAF)
24	Planning	Contributions

## 2022/23 Audit Plan Changes

	Service Area	Audit	Comment/rationale
1	HR & Organisational Development	Recruitment & Retention of Staff	Postponed until 2023/24 due to current HR team priority work on new HR system (due to be implemented April 2023). Assurance provided on retention element through review of honorariums and market supplements in 2022/23 Payroll audit.

### Significant Issues Arising and Other Work

6. A light touch review of government issued guidance on the making and disclosure of special severance payments was carried out. The statutory guidance sets out the government's view that special severance payments do not usually represent value for money and should only be considered in exceptional circumstances.
7. Reasonable arrangements are in place to support the decision making process over settlement agreements in BCP. Actions have been agreed to produce a new 'decision record' to cover all potential types of special severance payments (including settlement agreements), include reference to the new guidance 'exceptional circumstances' and also to follow the recommended officer/member approval process for any payments over £20k.
8. Following a minor service restructure and internal promotion, temporary cover to assist with the completion of the 2022/23 Audit Plan was obtained using the Council's corporate agency contract. This placement has subsequently ceased and recruitment to the vacant Auditor post is underway. This post is being recruited to ensure the service can provide necessary assurance on the Council's internal control environment and has passed through the Council's internal governance controls where the need for posts to be filled is robustly challenged.
9. The delay in recruiting to the vacant auditor post will result in a lower level of overall audit days available within the Plan. The reduced resource of approximately 250 days has been managed through careful reduction of days on individual audits across high risk/key financial systems/key assurance functions alongside postponing some audits to 2023/24 on a risk basis.
10. As previously reported, with careful management of reduced 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, subject to no significant other work such as a large investigation occurring.

### Recommendations Implementation

11. 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. There were no 2022/23 Audit Plan High Priority recommendations that required follow up during the period (in line with the agreed action plan) and therefore none have required escalation.
12. 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.

13. Work is still ongoing to use a new Microsoft technology application to provide real time management information on recommendation status for both clients and other stakeholders. This will now form part of a new audit management system using Microsoft Dynamics which is due to be implemented from 1 April 2023.

### **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 2022/23 is £717,100 (unadjusted for recent final pay award) 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.

16. The Internal Audit Team is managing the vacancy of an Auditor post following a minor service restructure. The recruitment to the post was temporarily ceased in line with recruitment revised control measures however the process has now begun again. This is likely to result in a minor service underspend for the year.

### **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 2022/23 financial year however, as outlined above, the budgeted establishment will not be in place for the full year. The slightly lower team FTE has been part covered through the temporary use of Council's corporate agency contract.

### **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