

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - 4th Quarter interim Audit Plan Update</b>
Meeting date	9 March 2023
Status	Public Report
Executive summary	<p>This interim report details progress made on delivery of the 2022/23 Audit Plan for the period January to February (inclusive) 2023. The report highlights that:</p> <ul style="list-style-type: none"><li>• Seven audit assignments have been completed, six 'Reasonable' audit opinions and one 'Consultancy' audit review;</li><li>• Thirty three 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>• The Chief Internal Auditor is expecting to provide the annual overall opinion on the internal control environment through careful management of reduced resource on the high risk areas in the Audit Plan.</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>
Portfolio Holder(s):	Cllr Phil Broadhead, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Decision and Information

## Background

1. The pre-election period has resulted in the bringing forward of this Audit & Governance Committee meeting (from April 2023 to March 2023) and therefore the normal full quarter reporting is not possible to be produced at this stage.
2. This 'interim' report details Internal Audit's progress against the 2022/23 Audit Plan for the period January 2023 to February 2023 inclusive and reports the audit opinion of the assignments completed during this period. The Chief Internal Auditor's Annual Report, which will be presented to this Committee in July 2023, will record all 2022/23 Audit Plan work including individual audit report opinions.
3. 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 – Part Quarter 4 review

4. Seven audit assignments have been fully completed in this part quarter of 2022/23 (Jan-Feb 23) as outlined below.

### 2022/23 Audits Completed

	Service Area	Audit/Scope	Assurance Opinion	Recommendations		
				High	Med	Low
1	Adult Social Care	Social work Standard of Practice and Professional Leadership <ul style="list-style-type: none"> <li>➤ Quality Assurance &amp; Performance Management</li> <li>➤ Training</li> </ul>	Reasonable	1	1	2
2	Adult Social Care	Financial Management (KAF) <ul style="list-style-type: none"> <li>➤ Financial Planning &amp; Budget Setting</li> <li>➤ Financial &amp; Budget Monitoring</li> <li>➤ Scheme of Delegation</li> </ul>	Reasonable	0	3	0
3	Children's Services	Burton Primary School <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	6	5
4	Corporate	Partnerships (KAF) – Consultancy Review <ul style="list-style-type: none"> <li>➤ Follow up of AGS Partnership action plan and recommendations in 2020/21 external audit report</li> <li>➤ Advice on production of partnership guidance and register</li> </ul>	Consultancy	-	-	-
5	Environment	Climate and Ecological Action and Sustainable Environment (KAF) <ul style="list-style-type: none"> <li>➤ Embedding climate and ecological action into the organisational structure, objectives and culture</li> <li>➤ Ensuring data to support establishment of baseline and ongoing performance management</li> </ul>	Reasonable	0	3	1

6	HR & Organisational Development	<b>Human Resources (KAF)</b> <ul style="list-style-type: none"> <li>➤ Strategic and operational oversight arrangements</li> <li>➤ People's Strategy</li> <li>➤ HR Policies</li> <li>➤ Training &amp; Communication</li> <li>➤ Risk Management</li> </ul>	Reasonable	0	1	1
7	Policy & Research	<b>Business Planning &amp; Performance (core KAF)</b> <ul style="list-style-type: none"> <li>➤ Corporate Strategy</li> <li>➤ Business Planning</li> <li>➤ Performance Management</li> <li>➤ Complaint Management</li> </ul>	Reasonable	0	3	0
<b>Total Recommendations</b>				<b>1</b>	<b>17</b>	<b>9</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 reporting period. The status of remaining 2022/23 Audit Plan audits, as at the end of February 2023, is outlined below:

#### 2022/23 Audits In Progress

	Service Area	Audit	Progress
1	Adult Social Care	Direct Payments	Draft
2	Children's Services	Information Governance (KAF)	Draft
3	Children's Services	St Joseph's Catholic School	Draft
4	Destination & Culture	Leisure Contract Management	Draft
5	Destination & Culture	Major Events Governance	Draft
6	IT & IS	IT Risk Review (Consultancy Specialist Review)	Draft
7	IT & IS	IT Infrastructure & Hardware Procurement & Asset Management and ICT KAF	Draft
8	Adult Social Care	Partnerships (KAF)	Fieldwork
9	Children's Services	Financial Management (KAF)	Fieldwork
10	Children's Services	Highcliffe St Mark School	Fieldwork
11	Delivery of Regeneration	Governance Review	Fieldwork
12	Planning	KAFs Overview	Fieldwork
13	Various	Grant Award (Counter Fraud)	Fieldwork
14	PMO & Major Change	Project & Programme Management	Fieldwork
15	Law & Governance	Procurement & Management of External Legal Advice	Fieldwork

16	Transport & Engineering	SEND Passenger Transport	Fieldwork
17	Transport & Engineering	Health & Safety (CDM Regulations)	Fieldwork
18	Finance	Procurement (KAF)	Fieldwork
19	Finance	Risk Management (KAF)	Fieldwork
20	Finance	Criminal Finances Act Requirements (Counter Fraud)	Fieldwork
21	Housing	Housing Rents (KFS)	Fieldwork
22	Housing	Right to Buy (Counter Fraud Review)	Fieldwork
23	Customer & Business Delivery	Fire Safety	Fieldwork
24	Finance	Health & Safety (KAF)	Fieldwork
25	Law & Governance	Information Governance (KAF)	Fieldwork
26	Adult Social Care	Managing Other People's Money	Scoping
27	Adult Social Care	Corporate Safeguarding (KAF)	Scoping
28	Children's Services	Business Planning & Performance Management (Consultancy)	Scoping
29	Communities	Safeguarding	Scoping
30	Development	ARG Monitoring (additional audit)	Scoping
31	Environment	Bereavement Services (Coroner & Mortuary Service Review)	Scoping
32	Planning	Developer Contributions ( <b>2022/23/24 audit*</b> )	Scoping
33	Adult Social Care	Brokerage Procurement ( <b>2022/23/24 audit*</b> )	Scoping

**2022/23 Audits Planned To Commence in March 2023**

	<b>Service Area</b>	<b>Audit</b>
1	Customer & Business Delivery	Asset Management (Facilities Management) (KAF)
2	Development	Asset Management (Estate Management) (KAF)
3	Housing	Housing Tenancy (Data Matching Counter Fraud)
4	Communities	Asset Management – Health & Safety Compliance ( <b>2022/23/24 Audit*</b> )
5	Housing	New Housing Management Model Governance Review (BCP Homes) ( <b>2022/23/24 Audit*</b> )

\* **2022/23/24 Audit** – these audits include fieldwork and therefore provide assurance for both 2022/23 and 2023/24 audit plan years.

**2022/23 Audit Plan Changes**

	<b>Service Area</b>	<b>Audit</b>	<b>Comment/rationale</b>
1	Development	Economic Development Strategy Review	Postponed until 2023/24 and replaced with high risk audit review on ARG Monitoring (see audit ref 29 in table above).

2	Customer & Business Delivery	Customer Service (Reorganisation of services)	Following discussion with management on the status of the customer centre project (now complete and no issues have arisen) this audit has been removed and resource has been allocated to higher risk audits.
3	Public Health	Public Health	Responsibility for auditing the Public Health partnership itself rests with South West Audit Partnership as a Dorset Council hosted service. We have assessed BCP's own governance risks as low and therefore a formal audit review is not required.

### **Significant Issues Arising and Other Work**

6. Recruitment to a vacant Auditor post has been in progress following a minor service restructure earlier in the year. Unfortunately, the recruitment has not been successful to date and therefore further advertising exercises are being carried out in order to fill this important post.
7. As previously reported, the delay in recruiting to the vacant auditor post will result in a lower level of overall audit days available in the 2022/23 Audit Plan, but with careful management of the reduced resource on high risk areas in the Plan the Chief Internal Auditor is still expected to be able to provide an annual overall opinion on the internal control environment.

### **Recommendations Implementation**

8. 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.
9. 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.

### **Options Appraisal**

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

### **Summary of financial implications**

11. The BCP Internal Audit Team budgeted cost for 2022/23 is £717,100 (unadjusted for delayed 2022/23 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.
12. 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 will result in a service underspend of approximately £40,000 for the year.

### **Summary of legal implications**

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

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

14. The BCP Internal Audit Team consists of 13.53 FTE for the 2022/23 financial year. 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 the Council's corporate agency contract.

### **Summary of sustainability impact**

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

### **Summary of public health implications**

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

### **Summary of equality implications**

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

### **Summary of risk assessment**

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

### **Background papers**

None

### **Appendices**

None