

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Internal Audit - 2nd Quarter, 2023/24, Audit Plan Update
Meeting date	30 November 2023 (deferred from 26 October 2023)
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2023/24 Audit Plan for the period July to September (inclusive) 2023. The report highlights that:</p> <ul style="list-style-type: none"> • 4 audit assignments have been finalised, including 1 'Partial', 2 'Reasonable' and 1 'Consultancy' audit opinions; • 27 audit assignments are in progress, including 7 at draft report stage; • £12.7M of grant expenditure has been certified, as required by the issuing Government department, as meeting grant conditions; • Internal Audit issued a report on seafront pop-up activity, incorporating 'Bayside' restaurant making 18 recommendations. The Director of Commercial Operations has led on implementing recommendations and has finalised other investigatory work. • For a breach of Financial Regulation, previously reported to this Committee, an investigation has concluded and the Director of Commercial Operations has taken action in line with the disciplinary policy and procedures; • Three apprentices have been successfully recruited, however, the resignation of an auditor means that there will be further impact on the delivery of the audit plan; • 6 'High' priority audit recommendations have not been implemented by the original target date. Explanations from respective Directors appear reasonable and revised target dates have been agreed.
Recommendations	<p>It is RECOMMENDED that:</p> <p>a) Audit & Governance Committee note progress made and issues arising on the delivery of the 2023/24 Internal Audit Plan.</p> <p>b) Note the explanations provided (Appendix 3) and determine, in the case of High Priority recommendations not implemented by the initially agreed target date, if further explanation and assurance from the Service / Corporate Director is required.</p>

Reason for recommendations	To communicate progress on the delivery of the 2023/24 Internal Audit Plan. To ensure Audit & Governance Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.
Portfolio Holder(s):	Cllr Mike Cox, Finance
Corporate Director	Ian O'Donnell, Corporate Director Resources
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Wards	Council-wide
Classification	For Decision and Information

Background

1. This report details Internal Audit's progress against the 2023/24 Audit Plan for the period July 2023 to September 2023 inclusive and reports the audit opinion of the assignments completed during this period.
2. The report also provides an update on significant issues arising and implementation of internal audit recommendations by management.
3. Some audit fieldwork has 'straddled' both the 2022/23 and 2023/24 Audit Plan years, these audits are shown with the following description '2022/23/24'.

Delivery of the 2023/24 Internal Audit Plan – Quarter 2 review

4. Four audit assignments have been fully completed in this quarter of 2023/24 (Jul-Sep 23) as outlined below.

2023/24 Audits Completed

	Service Area	Audit & Scope	Assurance Opinion	Recommendations		
				High	Med	Low
1	Corporate Parenting	Care Leaver's Offer Care experienced young people have been offered the assistance they are entitled to	Partial	1	2	0
2	Housing & Communities	BCP Homes Governance Review – review of arrangements in the following key assurance function areas: ➤ Asset Management ➤ Financial Management	Reasonable	1	5	0

		<ul style="list-style-type: none"> ➤ Business Resilience ➤ Human Resources ➤ ICT ➤ Procurement ➤ Business Planning & Performance Management ➤ Risk Management ➤ Information Governance ➤ Health & Safety ➤ Project & Programme Management 				
3	Planning & Destination	Planning Contributions <ul style="list-style-type: none"> ➤ Contributions are consistent, fair and/or sufficient ➤ The Council collects payments when due ➤ Records are complete, accurate and/or timely ➤ Refunds 	Reasonable	0	7	5
4	Children's Services	Performance Management & Governance <ul style="list-style-type: none"> ➤ To confirm that assurance can be taken from the CS Governance Framework for high-risk areas and are monitored effectively 	Consultancy	-	-	-
Total Recommendations				2	14	5

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.
- **KFS** – Key Financial System
- **KAF** – Key Assurance Function

5. There was one 'Partial' assurance audit reports issued during the quarter as follows:

Corporate Parenting – Care Leaver's Offer

Three recommendations (1 high and 2 medium) were made in this Audit Report which resulted in a 'Partial Assurance' audit opinion. The following issues were found:

- There is no high-level overview of whether individual Care Leavers have been offered appropriate services to meet their needs and whether outcomes have been met (high)
- The range of services which make up the Council's Care Leaver Offer is not currently available on the Council website (medium)
- Pathway Plans for Care Experienced Young People are not being updated as regularly as required (medium)

7. There were no 'Minimal' assurance audit reports issued during the quarter.
8. The status of other audits in progress (Jul-Sep 2023) is outlined below:

2023/24 Audits In Progress

	Service Area	Audit	Progress
1	Finance	Council Tax Data Analytics	Draft Report
2	IT & Programmes	Disaster Recovery	Draft Report
3	People & Culture	Scheme of Delegation Compliance	Draft Report
4	Finance	Business Continuity (Core KAF)	Draft Report
5	Commissioning	Brokerage & Contracts	Draft Report
6	Finance	Council Tax (KFS)	Draft Report
7	Operations	Council Wholly / Partly-Owned Entities Governance Self-Assessment	Draft Report
8	Finance	NNDR (KFS)	Fieldwork
9	Schools (Education & Skills)	Christchurch Infants School	Fieldwork
10	Schools (Education & Skills)	Mudeford Juniors	Fieldwork
11	Schools (Education & Skills)	Mudeford Infants	Fieldwork
12	Adult Social Care	Managing Other People's Money	Fieldwork
13	Environment	Bereavement Services Income	Fieldwork
14	Children's Services	Agency Staffing	Fieldwork
15	Finance	Financial Assessment (KFS)	Fieldwork
16	Adult Social Care	Health & Safety and Fire Safety (KAF)	Fieldwork
17	Safeguarding & Early Help	Section 17	Fieldwork
18	People & Culture	HR (Core KAF)	Fieldwork
19	Adult Social Care	Hospital Discharge Service	Fieldwork
20	IT & Programmes	Network Security (PSN/Cyber)	Fieldwork
21	Finance	Financial Management (Core KAF)	Scoping
22	Finance	Main Accounting (KFS)	Scoping
23	Housing & Community	Housing Tenancy (Counter Fraud)	Scoping
24	People & Culture	Payroll (KFS)	Scoping
25	Customer, Arts & Property	Business Planning & Performance Management – Customer Services (KAF)	Scoping
26	Finance	Treasury Management (KFS)	Scoping
27	Finance	Treasury Management (Counter Fraud)	Scoping

2023/24 Audits Planned for Quarter 3 (Oct-Dec 23) - Provisional

	Service Area	Audit
1	Commercial Operations	Seafront Recruitment
2	People & Culture	Employee Additional Payments Review
3	Children's Services	Risk Management (KAF)
4	IT & Programmes	Project Management (Core KAF)
5	Schools (Education & Skills)	St Katherines Church of England School
6	Infrastructure	Road Safety
7	Finance	Asset Management (Estates)(Core KAF)
8	Education & Skills	Schools Admissions (Counter Fraud)
9	Finance	Creditors (KFS)
10	Commissioning	Procurement (Core KAF)
11	Education & Skills	Pupil Premium Grant
12	Infrastructure	Delivery of Regeneration
13	Planning & Destination	Developer Contributions - Management of Spend
14	Law & Governance	Information Governance (Core KAF)
15	Finance	IR 35 Compliance
16	Environment	SEND Passenger Transport

9. The 2023/24 audit plan is kept under review to ensure that any emerging higher risks are considered along with available resource. No additional planned changes have been made to the 2023/24 audit plan during this quarter.

Significant Issues Arising and Other Work

Grant certification work

10. During the quarter, work was undertaken to certify grant and external funding schemes totalling approximately £12.7 million as required by the grant funding conditions. The grants include:
- Aspire;
 - Supporting Families;
 - Various Department for Transport grants;
 - Disabled Facilities Grant;
 - Early Education Funding

Review of Pop-up/Temporary activities incorporating Bayside restaurant

11. At the 27 July meeting of A&G Committee the following brief update was given:

Commercial Operations – Seafront: Review of Pop-Up / Temporary Activities Incorporating Bayside Restaurant

Eighteen recommendations were made. Due to the nature of the review, assurance ratings were given across the sixteen agreed scope areas as follows - Minimal (3), Partial (11), and Reasonable (1) (utilising the agreed assurance ratings adopted by Internal Audit in line with the agreed Audit Charter).

It should be noted that the investigation found no evidence of fraud.

The final investigation report has only recently been issued and service management are in the process of implementing the agreed recommendations and considering any further actions that may be necessary. Once any further management actions are determined, A&G committee will receive a further update which will include a summary of the issues found and how the implementation of recommendations has progressed.

12. The Executive Summary from the Internal Audit report is shown at Appendix 1.

13. The full Internal Audit report contains exempt information as set out in the Access to Information Procedure rules:

The report contains information that meets the definitions at:

9.2.1. information relating to any individual;

9.2.2. information which is likely to reveal the identity of an individual;

9.2.3. information relating to the financial or business affairs of any particular person (including the authority holding that information);

The full Internal Audit report is provided at Appendix 2, should Councillors wish to ask questions about the full report the Committee will need to move into a Part 2 session excluding the press and public.

14. The final audit investigation report was issued on 12 June 2023 and contained eighteen recommendations. A summary of the recommendations is shown below:

- The overarching approach for pop-up restaurants and activities should be formally documented.
- Formal consideration should be given to the creation of an overarching Pop-Ups Programme.
- Consideration should be given to making appropriate reference to pop-ups and inclusion of supporting high-level actions in Service and Team Plans.
- All future pop-up activities should be informed by a business case, financial assessment, risk assessment and an issue log.
- Consideration should be given to completing formal Officer Decision Record forms for all future decisions to undertake pop-ups and events.
- Arrangements should be put in place to ensure that Licence applications are sufficiently focussed and detailed to allow key stakeholders to make a pragmatic assessment of likely effects on legal duties including prevention of public disturbance, public nuisance and harm to children.
- Detailed financial analysis should be undertaken of contractors involved in pop-up activities.
- Formal consideration should be given to aggregating activities into larger packages where possible and appropriate to do so to increase the number of potential providers and potentially offer better value for money for the Council through greater competition.

- Where potential conflicts of interests are declared, detail should be provided on how these are to be managed and whether the individuals or their organisations currently or will potentially transact with the Council.
 - Contractual arrangements should ensure an appropriate balance of risk and reward.
 - Sufficient time should be allowed to ensure Legal Agreements with suppliers are drafted and signed-off as far in advance of operation as possible.
 - Stock control procedures and processes should be determined in advance and sufficient time should be allowed between infrastructure installation and commencement of trading to ensure they function as expected.
 - Budget codes and cost centres should be reviewed and disaggregated to ensure that arrangements better align to activity and financial performance of individual pop-up activities and events can be more readily measured.
 - Officers should be reminded that Purchase Orders should be raised at the point of order and not on receipt of invoice.
 - Formal lessons learned exercises should be undertaken for each pop-up 'project' and the outcome documented and disseminated appropriately.
 - Process / responsibility for responding to FOI and other information requests should be formally agreed to ensure they're dealt with as efficiently and effectively as possible and with due regard to transparency principles.
 - Sufficient time should be allowed for planning future pop-ups and events projects to ensure that risks and challenges are fully considered, and alternative options are explored and evaluated.
 - For future in-house or hybrid operations, sufficient time should be allowed for staff training and systems set-up following installation of infrastructure.
15. The audit investigation concluded that there was no evidence of fraud, although various shortcomings were identified in terms of how the project was developed and that learning has led to a range of actions required for improvement.
16. The findings and learnings from this audit report have been taken seriously by the Service area as well as the organisation as a whole and the Director of Commercial Operations is committed to ensuring the improvements and changes to practices required are delivered upon.
17. The Director of Commercial Operations has instigated a number of actions to ensure the recommendations are understood by staff and are acted upon, and to directly respond to the audit report recommendations, some examples of the improvements that have been made so far are:
- Training delivered to staff on financial regulations and procurement processes, this is due to be refreshed in the coming months.
 - Staff understand the Officer Decision Record process, including when these are required and how to complete them and Officer Decision Records are now firmly established as standard practice.
 - A review of the Seafront Strategy is underway, this will consider the fit of Pop-ups to the strategic direction and intent of BCP Council and will help inform the response to a number of the recommendations from the audit report.

- Staff understand the income generation requirements for commercial services, staff now ensure that all resource required to deliver and support the service is taken into account when setting fees to ensure at least full cost recovery is achieved.
 - Teams are now carrying out regular reviews of services, reviewing performance and operations to ensure triggers for pausing or ending a service are identified as early as possible.
 - Teams are owning the review of the operation and delivery of seasonal, temporary or one-off services and activities, these reviews take place during the operation as well as a more detailed review on completion of the service, this includes a lessons learned log. For the 2023 seafront pop-ups offer, this review is underway, once finalised, the findings and learnings will be disseminated to wider teams and staff and will feed into the Seafront Strategy review. An early learning identified from this review is that moving forward, planning permission is required to have been obtained, where required, for any pop-up offer.
 - Declaration of interest forms submitted by staff, and where required mitigations have been put into place.
18. Staff now take responsibility for undertaking their own mandatory training, this is monitored by the Head of Service and is supported by additional guidance around corporate processes and procedures. Dates for refresher, face to face, training sessions where examples specific to Commercial Operation will be discussed are in the process of being arranged.
19. As part of the response to the Seafront Pop-up and Bayside Restaurant internal audit report findings, at the request of the Chief Operations Officer, an independent Code of Conduct, disciplinary investigation has been undertaken in relation to one member of BCP Council staff in connection to Bayside Restaurant, the focus of the investigation was to consider four areas of concern which have been summarised below:
- A declaration of interests form had been signed declaring a close personal interest with an organisation, yet there were no measures taken to distance the staff member involved from the procurement process.
 - The audit report highlights concerns relating to the contract award and the subsequent financial performance. Appropriate scrutiny was not applied to the financial forecast provided and the figures provided were unrealistic.
 - The absence of a formal decision record does not facilitate transparency and public justification and had the potential to be construed as masking improper influence over procurement decisions.
 - Limited risk assessment undertaken in procurement process.
20. The HR team sought to procure an external investigator to oversee this disciplinary investigation, four external consultants were approached by the Council in relation to this piece of work but none of them were able to commit to undertaking this work for a variety of reasons including a potential identified conflict of interest, the requirement for specific knowledge relating to internal local government procurement processes and the perceived complexities of the case.
21. The disciplinary investigation was therefore undertaken by an independent BCP Council Service Director who gathered evidence from a number of individuals as well as undertaking a desk-based review of documentation.

22. The conclusion of the investigation was that ‘despite the fact that lessons can be learnt, which are comprehensively detailed in the audit report, it is the conclusion of this investigation that a specific disciplinary focus on the staff member investigated is not warranted, that the allegations are not substantiated and that the involvement they had does not constitute misconduct’.

Updated information on previous reported breach of Financial Regulations

23. As part of the July 2023 Annual Breaches & Waivers report to Audit & Governance Committee, a breach (Br3) of £39,125 in respect of a wellbeing experience project funded by European Regional Development Funding (ERDF – Aspire). A further £9,120 was subsequently incurred in the same manner as the reported breach, bringing the total breach to £48,245.

24. Also, as part of the July 2023 Annual Breaches & Waivers report to Audit & Governance Committee report, a breach (Br11) of £425,000 was reported, as follows, in relation to a project in the Destination & Culture directorate, which has now been restructured and forms part of the Commercial Operations Directorate:

Br11, Destination & Culture, £425,000 (rounded) A Procurement Decision Record (PDR) was appropriately created for an initial £25,000 to commission a strategy and action plan for the project. A commissioning officer wrongly assumed this PDR then covered further work associated with delivering the strategy and action plan, and further purchase orders were raised over a period of about 9 months. The Head of Service is currently investigating the detail of this breach, supported by the new Director of Commercial Operations. A further update will be presented to the A&G Committee when this investigation has been concluded and the outcomes are clear. In the interim the Head of Audit & Management Assurance was asked by the Director, and has delivered, a training and awareness session covering BCP Council Financial Regulations and Public Contract Regulations 2015 requirements for commissioners within the new Commercial Operations Directorate.

25. An independent Code of Conduct, disciplinary investigation, by an officer from another service area, has concluded that officers in Destination and Culture acted in good faith but did not undertake appropriate training, diligence and self-awareness of Council policies and procedures before commissioning and procuring services from third parties resulting in the reported breach of Financial Regulations. The investigation also concluded that there was insufficient supervision and lack of clear management oversight which consequently missed opportunities to minimise the size and span of the eventual breach. The Director of Commercial Operations has taken action in line with the disciplinary policy and procedures.
26. The Director of Commercial Operations and the Head of Service has provided training to staff to ensure the staff member connected to this breach as well as staff across the service have the required knowledge and awareness of the financial regulations and Council processes. This training is due to be refreshed in the coming months.

Internal Audit Team capacity and apprentice update

27. At the previous quarterly update in July 2023 Committee, the Internal Audit team were carrying a number of vacancies. Since then, we have successfully recruited three apprentices who are now in post and commencing their Level 4 Chartered Institute of Internal Auditors Internal Audit Practitioner apprenticeship this month. One senior Auditor has since resigned and is leaving BCP Council in November. This reduces the 2023/24 audit plan by approximately 110 days, approximately 70 of which are direct core audit days. If left unfilled, this would result in 260 days, 160 direct core days in future years. Management are currently considering how this will be managed for 2023/24 and in subsequent years, given the context of expenditure controls and vacancy management arrangements, previous difficulty in recruiting experienced audit

staff and ultimately the impact on the Chief Internal Auditor to be able to provide assurance through the annual report. Once this has been decided, the Audit Plan for the remainder of the year will be reviewed and, if necessary, audits deleted from the plan on a risk basis. If this is the case, the CIA will need to proactively seek other assurance sources to be able to produce the annual statement.

Implementation of Internal Audit Recommendations

28. It is a requirement of the Audit Charter that all High Priority recommendations that have not been implemented by the initially agreed target date will be reported to the Audit & Governance Committee. This is to ensure the Committee is fully apprised of the speed of implementation to resolve, by priority, the most significant weaknesses in systems and controls identified.
29. There were 6 recommendations across 4 audits which met the criteria, they are shown in detail in Appendix 3.
30. It should be noted that the first 3 recommendations on the schedule are shown for a second time as the agreed revised date has passed. Consequently, Internal Audit have required a more detailed explanation as to why this was the case, shown in the Explanation from Director column.
31. For the remaining 3, Internal Audit have received assurance that work is on-going to address the risks highlighted by the recommendations and reasonable explanations, explaining delays, have been received. Audit & Governance Committee are asked to review Appendix 2, along with the explanations and the revised timescales. Relevant Directors can be asked for further explanations as required, explanations can be in written or verbal form, as the Committee deems appropriate for each individual circumstance.
32. All remaining High Priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management.
33. The Audit Charter also requires any management proposed revisions to the implementation dates of Medium Priority recommendations to be agreed by the Chief Internal Auditor, who will report to Audit & Governance Committee any such requests considered unreasonable. There are no such instances this quarter.

Options Appraisal

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

Summary of financial implications

35. The BCP Internal Audit Team budgeted cost for 2023/24 is £742,600 (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.
36. The vacancies highlighted in paragraph 27, will result in an underspend against the budget for this financial year. Depending on a range of factors, such as vacancy clearance and recruitment timing, the underspend will be between £20,000 and £30,000. Adding this underspend to those previously explained and reported in the first part of the financial year will likely lead to an aggregate underspend of about £50,000. This figure has been included in the outturn projections in the latest corporate budget monitoring report.

Summary of legal implications

37. This report gives a source of assurance on the adequacy and effectiveness of the risk, control, and governance systems in place.

Summary of human resources implications

38. The BCP Internal Audit Team currently consists of 14.3 FTE. This includes 3.0 FTE apprentices to cover 2.0 FTE formal establishment vacancies as per the July 2023 audit report. The FTE count will reduce by 1.0 FTE in November due to a known vacancy arising as an auditor will leave for an external opportunity.

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

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

Background papers

None

Appendices

Appendix 1 - Executive Summary Internal Audit report - Review of Pop-Up / temporary activities incorporating Bayside restaurant

Appendix 2 – **Confidential & Redated** – Full Internal Audit report - Review of Pop-Up / temporary activities incorporating Bayside restaurant

Appendix 3 - High Priority recommendations – original target date for implementation not met

INTERNAL AUDIT REPORT

Seafront: Review of Pop-Up / Temporary Activities Incorporating Bayside Restaurant – 2022/23/24



A. Executive Summary

The objectives of this review were to determine and assess adequacy of governance, oversight and operational arrangements relating to pop-up / temporary activities on the Seafront and Bayside Restaurant in particular.

In total we have made 18 recommendations, 16 Medium Priority and two Low Priority. A summary of recommendations can be found in Appendix E.

Area of Scope	Key Findings	Assurance Rating
1. Timeline and key decisions taken		
1.1 Produce Bayside Restaurant project timeline including officer key decisions		N/A
2. Fit with Seafront Strategy and associated action plans, programmes and projects		
2.1 Determine overall strategy for use of pop-up restaurants and activities on Seafront	There is no pop-ups strategy in place nor other formal articulation of the Seafront pop-ups approach and only scant mention in the Seafront Strategy.	Partial
2.2 Review how pop-up restaurants and activities fit with Seafront Strategy and/or other relevant strategies	Pop-ups are mentioned in the Seafront Strategy in relation to specific 'character areas' but there is no articulation of the overarching approach.	Partial
2.3 Identify and review associated service / project / programme / action plans	There is no overarching pop-ups programme nor associated plan in place. Service Plan makes no mention of pop-ups and only passing reference in the Seafront Team Service Plan.	Partial
3. Business planning, risk assessment and associated approvals process		
3.1 Determine overall business planning arrangements for pop-up restaurants and activities	There are no formal business plans or project plans in place for individual pop-ups.	Minimal
3.2 Review overall adequacy of Bayside Restaurant business case	No formal business case was in place for Bayside. Reliance was placed on financial modelling information provided by the third party operator, Company W .	Minimal

Area of Scope	Key Findings	Assurance Rating
3.3 Review Bayside Restaurant business case financial assessment	<p>Of the four scenarios modelled by Company W, the most likely case was only projected to return a profit of c.£38k, not accounting for profit sharing and apparent overstatement of takeaway income which would reduce the Council's share of projected net profit to c.£8k.</p> <p>In June 2022 abortive costs of not going ahead with Bayside were estimated at up to £80k, whereas in March 2022 they were expected to be "up to £25k" with cancellation of the venture presented as "Maybe the most pragmatic option".</p>	Partial
3.4 Review Bayside Restaurant business case risk identification, sensitivity analysis and plans for ongoing risk and issue management	<p>Limited risk assessment was carried out as part of the Procurement Waivers process.</p> <p>No formal arrangements were put in place for ongoing risk and issue management.</p> <p>The widely held view amongst staff that Bayside was undertaken at councillors' insistence is not reflected in correspondence between Officer A (Destination & Culture) and the Portfolio Holder for Culture & Vibrant Places.</p>	Partial
3.5 Review Bayside Restaurant business case approval and ongoing governance arrangements including roles and responsibilities, reporting and escalation of issues arising.	<p>Decision making arrangements have been difficult to determine with no clearly documented formal decision record beyond the limited detail contained within Procurement Waivers.</p> <p>The ultimate definitive decision to proceed with Bayside appears to have been made by Officer A (Destination & Culture) in June 2022.</p> <p>Officers and third party contractors felt that, even where they raised concerns, these were dismissed on the basis that Bayside was a trial and it was what councillors and/or the Council wanted. Many interviewees also reported that the aims and objectives of the restaurant were unclear from the outset.</p>	Partial
4. Procurement and contract management arrangements		
4.1 Determine overall process for procurement and contract management for seafront pop-ups including compliance with Financial Regulations	<p>Separate contracts were put in place with the Bayside and Air Festival events and catering providers despite the two suppliers essentially being a 'package'.</p> <p>Aggregate expenditure by Destination & Culture with Company W is significant, more than £350k non-tendered spend having been incurred since April 2019.</p> <p>It is not clear that consideration has been given to aggregating any of this work to make it more attractive to the market and ensure value for money is obtained.</p> <p>Quotations had not been obtained in the recent past for Air Festival Hospitality provision (of which Bayside was arranged as an extension) due to the absence of alternative suitable providers, however, this assertion cannot be evidenced in the absence of market testing.</p> <p>Whilst not comprehensively reviewed, sample testing suggests that other pop-up food outlets have been tendered in accordance with Financial Regulations.</p>	Partial

Area of Scope	Key Findings	Assurance Rating
4.2 Review procurement arrangements for Bayside Restaurant including specification, award process and contract design	<p>Contract design was weighted heavily in favour of the third party operators with payment of a fixed fee plus profit share and no liability for losses.</p> <p>Waivers were signed by Officer A (Destination & Culture) despite having declared a close personal relationship with the Directors of the operating company. Officer B (Destination & Culture) made a similar declaration and was found to have had significant involvement in the Bayside decision.</p>	Partial
4.3 Review Bayside Restaurant contract management arrangements	<p>Bayside was framed as a 'trial' of a mixed management model, but there was little meaningful management oversight during operation.</p> <p>Insufficient time was allowed between infrastructure installation and opening to allow contract monitoring and performance management arrangements to be put in place.</p>	Partial
5. Financial and performance management arrangements		
5.1 Review calculation of expected outturn for Bayside Restaurant to confirm accuracy and completeness	Arrangements appear reasonable. The final outturn figure was calculated to be a £173.5k net loss.	Reasonable
5.2 Determine process for financial and performance management of seafront pop-up restaurants and activities with specific focus on Bayside Restaurant	<p>Budget codes and cost centres are aggregated at too high a level and do not always align to activity.</p> <p>Financial monitoring is undertaken at a high level which masks individual pop-up / event performance and risks poor performance going unnoticed and unchecked.</p> <p>Sample testing identified instances of poor financial management practice including miscoding and purchase orders having been raised retrospectively following receipt of invoice.</p>	Partial
6. Closedown and lessons learned		
6.1 Review lessons learned from previous pop-up projects including Bayside Restaurant	<p>No formal lessons learned exercises have been undertaken for pop-up projects including Bayside.</p> <p>Lessons were not learned from a failed similar 'upmarket' undertaking at West Cliff earlier in 2022.</p>	Minimal
6.2 Review Bayside Restaurant end of contract arrangements including equipment and stock	<p>Insufficient set-up time and subsequent system issues meant that stock controls were largely non-existent throughout the operating period.</p> <p>There is no obvious evidence of over-ordering, excessive wastage or theft of stock, however, in the absence of robust stock controls, reasonable assurance cannot be given.</p> <p>There was significant expenditure on front of house staffing, arrangements for which appear to have been insufficiently flexible to adapt to fluctuating demand.</p>	Partial

Appendix 3 - Table showing High Priority recommendations where the original target date for implementation was not met

Recommendation	Original Target Date	Explanation from Director	Revised Target Date	Internal Audit Comments
Education & Skills - Alternative Provision (AP) 2022/23				
The adequacy of placement monitoring should be reviewed in order to be able to confirm that a young person placed in Alternative Provision is receiving an equivalent education to that of mainstream schools.	30/5/23	Children placed at Alternative Education Provision (AEP) schools who are identified as at risk or who are not successfully engaging with their placement are reviewed in detail with the AEP on a termly basis. Weekly reports are received from any unregistered AEP regarding children placed with them. Whilst it is recognised this is not sufficient, given current capacity limitations the approach to prioritise has been chosen whilst a service review is underway. EHCP for SEND placements in Alternative Provision are reviewed on an annual basis. Inclusion Service placements are reviewed on at least an annual basis. Review processes to be further developed through AP review and service redesign process.	31/12/23	Full-service redesign is underway to address the risk. Interim actions to be in place to prioritise children identified as risk or non-engaging.
Children's Services – Capital Programme 2021/22				
<p>The Children's Service Capital Programme Strategy should be updated to ensure it considers the following:</p> <ul style="list-style-type: none"> • Aims & objectives. • Roles, responsibilities and accountabilities. • How it links to the Council's Big Plan and other relevant corporate strategies. • Governance arrangements, including oversight of the Capital Programme Board linking into the corporate capital and reporting processes • Links to policies such as condition survey, including frequency and grading criteria used and impact on budget setting process, Capital Project Methodology. • How it links to the SEND Strategy and any other additional funding received. 	30/6/22	Restructure paper for Children's Capital has been considered by Children's SLT and passed to CMB. Once accepted we can begin the recruitment work to implement the new structure. Request has been made through the Delivering Better Value Project for a project manager to support mapping the procurement and commissioning of additional SEND sufficiency for EOI through acceptance, planning, legal, commissioning to build and populating with SEND Children and Young People.	31/12/23	Improvement project underway to address the risks.

Recommendation	Original Target Date	Explanation from Director	Revised Target Date	Internal Audit Comments
<p>The Service should ensure that the following improvements to the programme governance arrangements are made:</p> <ul style="list-style-type: none"> • Determination of a Programme Manager responsible for the delivery of the Children's Services Capital Programme. • Implement a standard capital project methodology which should include a business case / feasibility study, a project gateway process and a clear approval process. • Formalisation for the commissioning of project managers. • Clarifying the Team / Board responsible for receiving regular capital programme and project updates and in what format. 	30/6/22	<p>Delays with the work to restructure the team mean that interim arrangements for the management of schemes are continuing. The restructure was considered by Children's SLT in August 2023 and includes provision for a Programme Manager, School Project Manager and Assistant roles and a SEND Capital Lead. The roles that make up the team evaluated in July 2023. It is planned that the new structure will be implemented as soon as the formal approval of the structure and HR activities are complete. Awaiting SLT approval of revised budget which now included On Costs. Then will be passed to CMB for approval. Recruitment can then commence.</p>	31/12/23	<p>Improvement project underway to address the risks.</p>
IT & Programmes – IT Infrastructure & Hardware Procurement & Asset Management				
<p>The ICT asset register should be reviewed to ensure the serial numbers within it are accurate and complete.</p> <p>Whilst this is being done, all other data should be reviewed to confirm accuracy and completeness.</p>	30/9/23	<p>Records have been reviewed and duplication of records identified and corrected. Serial numbers have been checked against Intune and SCCM to identify correct devices where possible to do so remotely. Kit known to have been disposed of previously decommissioned in Assist.</p> <p>User allocations have been checked and completed with the exception of Tablets where a change is necessary to the Assist system to correct the upload of User accounts (scheduled for w/c 23/10/23)</p> <p>Quarterly reviews will be carried out to ensure consistency of data in future.</p>	31/11/23	<p>Actions are underway to implement the recommendations.</p>
<p>The configuration of System Centre Configuration Manager (SCCM) should be reviewed to ensure that all active and inactive assets are reported correctly. After this, data used by SCCM should be reviewed to ensure it is correct and that no duplicate data exists.</p> <p>SCCM should also be reconciled to the ICT asset register on a regular basis.</p>	30/9/23	<p>Review has been taken of data in SCCM to identify inconsistencies. Work is being carried out to correct errors in SCCM. A large number of devices that are in Assist but not in SCCM are new kit still stored by XMA in their warehouse awaiting call off so would not be picked up by SCCM.</p> <p>Ongoing reviews will be carried out by Service Delivery team at regular periods (quarterly) to ensure consistency.</p>	31/11/23	<p>Actions are underway to implement the recommendations.</p>

Recommendation	Original Target Date	Explanation from Director	Revised Target Date	Internal Audit Comments
Adult Social Care – Brokerage Procurement				
Ensure Booking forms and/or letter of agreements are in place for all parties involved in a timely manner. Ensure signed copies are retained.	30/9/23	Due to the timing of the recommendation target date, an update will be provided at the next A&G Committee if necessary.	To be agreed if necessary	An update will be provided at the next A&G Committee if necessary.