

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - 4th Quarter, 2024/25, Audit Plan Update</b>
Meeting date	20 March 2025
Status	Public Report
Executive summary	<p>This report details progress made on delivery of the 2024/25 Audit Plan for 4<sup>th</sup> quarter. NOTE – due to Committee dates, only January and February are included in the report. March 2025 will be included in the Q1 2025/26 progress report to Audit &amp; Governance Committee in July.</p> <p>The report highlights that:</p> <ul style="list-style-type: none"><li>• 4 audit assignments have been finalised, including 3 'Reasonable' audit opinions and 1 'Follow Up';</li><li>• 30 audit assignments are in progress, including 7 at draft report stage;</li><li>• Progress against the audit plan is on track and will be materially delivered to support the Chief Internal Auditor's annual audit opinion;</li><li>• There are no outstanding recommendations which require escalating to this Committee.</li></ul> <p>The Council Tax Single Person Discount pilot undertaken by Internal Audit has now been completed, resulting in a total yield of £672,733. This project is now being undertaken as 'business as usual' by the Income Maximisation and Compliance Team, who have achieved an addition council tax yield of £71,352 for the first three months.</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 2024/25 Internal Audit Plan.</b></p>
Reason for recommendations	<p>To communicate progress on the delivery of the 2024/25 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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Wards	Council-wide
Classification	For Information

## Background

1. This report details Internal Audit's progress against the 2024/25 Audit Plan for the period January to February 2025 inclusive and reports the audit opinion of the assignments completed during this period. Due to reporting deadlines, March progress will be included in the Quarter 1 progress report in July 2025.
2. As at end February 2025, there are no outstanding recommendations which require escalating to this Committee.

### Delivery of 2024/25 Internal Audit Plan – January – February 2025

3. 4 audit assignments have been finalised during January and February as outlined below:

	Service Area	Audit & Scope	Audit Opinion	Recommendations		
				High	Med	Low
1	Law & Governance	<b>Business Continuity (Service KAF)</b> – Review of: <ul style="list-style-type: none"> <li>➤ Oversight and monitoring of business continuity arrangements</li> <li>➤ Coordination and delegation of business continuity activities</li> <li>➤ Assessment, planning and testing of business continuity risks</li> </ul>	Reasonable	0	0	0
2	Finance	<b>Health &amp; Safety (Core KAF)</b> <ul style="list-style-type: none"> <li>➤ Governance arrangements operating effectively</li> <li>➤ Health surveillance programmes operating for all relevant job roles</li> <li>➤ Arrangements to ensure grey fleet requirements are complied with</li> <li>➤ Recommendations/actions required by internal / external assurance providers are implemented</li> </ul>	Reasonable	0	1	4
3	Adults Commissioning	<b>Homecare and Residential Care Payments (Counter Fraud Review)</b> <ul style="list-style-type: none"> <li>➤ Review of effectiveness of the controls in place to ensure Homecare payments and Residential Care payments are paid accurately for current service users and any errors or potential anomalies are detected and resolved prior to payments being made</li> </ul>	Reasonable	0	3	2
4	Marketing, Comms & Policy	<b>Sustainable Environment</b> <ul style="list-style-type: none"> <li>➤ Confirm the status and timeframes for drafting and agreeing a strategy, governance arrangements and supporting action plan for Sustainable Environment as a precursor to a wider audit review of Sustainability and Climate Action in 2025/26</li> </ul> <p><i>Note – the previous recommendations were superseded by the planned actions of the Sustainability lead officer, including the agreement of a new Sustainability Strategy and establishment of governance arrangements at both officer and councillor level</i></p>	Follow Up	0	0	0
<b>Total Recommendations</b>				<b>0</b>	<b>4</b>	<b>6</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.
- **KFS** – Key Financial System
- **KAF** – Key Assurance Function

### Partial/Minimal Assurance Audit Opinions

4. There were no 'Partial' or 'Minimal' assurance audit reports issued during the period.

### Audits in Progress

5. The status of **audits in progress** during the quarter are outlined below:

	<b>Service Area</b>	<b>Audit</b>	<b>Progress</b>
1	Commissioning	Supplier Assurance	Draft
2	Finance	Creditors	Draft
3	Finance	Mandate Fraud (Counter Fraud Review) – joint report with Creditors	Draft
4	Finance	Risk Management (Core KAF)	Draft
5	Housing & Communities	Temporary Accommodation and B&B Financial Management	Draft
6	IT & Programmes	Third Party Access	Draft
7	Marketing, Comms & Policy	Partnerships	Draft
8	Finance	Debtors	Fieldwork
9	Finance	Procurement	Fieldwork
10	Commercial Operations	Car Parking & Enforcement Income	Fieldwork
11	Investment & Development	Key Assurance Functions – Overview	Fieldwork
12	Finance	Estate Management	Fieldwork
13	Adult Social Care	Safeguarding (Core KAF)	Fieldwork
14	Housing & Communities	Housing Rents	Fieldwork
15	Commissioning	Tricuro	Fieldwork
16	Children's	Fire, Health & Safety (Service KAF)	Fieldwork
17	Finance	Treasury Management	Fieldwork
18	Planning & Transport	Planning Applications (Counter Fraud)	Fieldwork
19	Children's Commissioning	Commissioning Delivery including Quality Assurance	Fieldwork
20	Customer & Property	Council Companies Governance Follow Up	Fieldwork
21	Planning & Transport	CIL – Management of Spend	Fieldwork
22	Customer & Property	Corporate Complaints	Scoping
23	Environment	Coroner & Mortuary Service	Scoping
24	Finance	Business Continuity (Core KAF)	Scoping

25	Finance	Business Continuity (Service KAF)	Scoping
26	IT & Programmes	Project & Programme Management	Scoping
27	Law & Governance	Information Governance (Core KAF)	Scoping
28	Marketing, Comms & Policy	Business Planning & Performance Management (Core KAF)	Scoping
29	Marketing, Comms & Policy	Business Planning & Performance Management (Service KAF)	Scoping
30	Planning & Transport	Highways Infrastructure Asset Register	Scoping

6. The 2024/25 Audit Plan is kept under review to ensure that any changes to risks, including emerging high risks, are considered along with available resource. The **following changes have been made to the 2024/25 audit plan** since the previous report to A&G Committee in January:

	Service Area	Audit	Added / Removed	Comment/rationale
1	Commissioning	Brokerage Contract Allocation Analysis	Removed	Agreed this would be removed from the plan as the proposed scope overlapped with the 2022/23 Brokerage audit, which was partial. Follow up of outstanding recommendations continued during 2024/25. The time for this audit was used for the Commissioning – Supplier Assurance audit, which is currently in draft, as there were a number of complex issues to review which were not foreseen at the scoping stage of the audit.
2	Adult Social Care	Liberty Safeguards	Removed	Delayed until Q1 2025/26 to enable current development work in the service to be completed and the forthcoming CQC visit to take place. In the meantime, assurance over adequacy of arrangements was provided by the service including results of an internal quality assurance review, where no poor practice was highlighted.
3	Partnerships & Strategy	KAF Overview	Removed	This was delayed at the request of the Director due to changes in staffing arrangements.
4	People & Culture	IR35 Compliance	Removed	This has been postponed to 2025/26 when the new process will be fully embedded into HR. In the meantime, assurance was received that all new requests for IR35 are reviewed prior to set up.

7. The remaining audits planned for March are shown below. As the audit plan is risk-based, it may be that the plan is amended, for example, following emergence of higher risk areas.

**2024/25 Audits Planned for March 2025 - Provisional**

	<b>Service Area</b>	<b>Audit</b>
1	Children's Services	Schools Finance audit
2	Commercial Operations	FCERM – Commercial Sharing & Cost Control / Recovery Approach
3	Commercial Operations	Seafront – Arrangements for Compliance with Planning Regulations
4	Customer & Property	Fire Safety (Core KAF)

8. Based on the progress against the plan to date, it is considered that the plan is on track to be materially delivered in time to support the Chief Internal Auditor's annual audit opinion.

**Audit & Governance Committee Queries Arising from Quarter 3 'Partial' Reports**

9. At the previous meeting of this Committee, two queries were raised in relation to the 'Partial' Internal Audit reports issued in quarter 3. The issues, as minuted, are shown below, together with the response:

10. **Minutes - It was noted that the three medium priorities for Facilities Management Health and Safety Compliance were behind and out of date, albeit with some mitigating circumstances. The Head of Audit and Management Assurance was asked whether these should be high priorities due to specific risks to health. He explained that these had been risk assessed but could be reviewed in more detail and reported back to the committee.**

Update - Whilst the gross risk to health and safety of the issues identified are high, the auditor considered that there were some mitigations in place which reduced the overall risk such as to warrant a medium priority recommendation. In the case of the out-of-date asbestos register, for example, the Council's Asbestos Management Plan and working practices is to *"Always suspect there are Asbestos Containing Materials where you are working unless there is evidence to the contrary"* and to therefore take all necessary precautions for working with asbestos in these circumstances. Whilst this is inefficient (i.e. precautions taken in situations where asbestos is not present), it does mean the appropriate health and safety measures will be in place.

11. **Minutes - He also agreed to follow up on a concern that there was no defined risk owner for Artificial Intelligence (AI) and report back to the committee.**

Update - The Director of IT and Programmes is now the owner of the corporate Generative Artificial Intelligence risk (see Corporate Risk Register Update reported to this Committee).

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

### Single Person Discount

12. Following completion of the Council Tax Single Person Discount (SPD) pilot project by Internal Audit, it was agreed with the Audit & Governance Committee that they will receive assurance that the 'business as usual' approach continues to generate yield following its move to the Income Maximisation and Compliance Team.
13. The Internal Audit pilot resulted in a total yield of £672,733 (including financial penalties of £26,180) with only two residual cases to be finalised (circa £2,000).
14. Due to the success of the project in contributing to the MTFP, the project moved to 'business as usual' within the Income Maximisation and Compliance Team within the Revenues & Benefits Service from December 2024.
15. The first actions taken by the Income Maximisation and Compliance team were to review the 4,182 outstanding 2023/24 National Fraud Initiative (NFI) matches against current data and credit check the remaining cases to triage focus onto the highest risk cases. As at the 28 February the team have processed 1,986 cases and issued 277 review letters (810 letters issued during the pilot project).
16. A new NFI report was released in February, which will now be worked on alongside completing any open 2023/24 matches.
17. 62 SPDs have been identified as fraud or error as at 28 Feb 2025, raising additional council tax yield by £71,352 (including financial penalties of £4,340). These figures have been calculated in the same way as the pilot project for direct comparison in this first report of ongoing NFI SPD work. This is similar to the first reported quarter in the pilot and reflects the position of starting to issue letters and the delay before SPDs can be removed as a result of no response or confirmation of SPD fraud or error.
18. Whilst it is still in its early stages, systematically reviewing SPDs continues to identify fraud or error at a fairly consistent number and percentage of the cases reviewed and is resulting in additional council tax yield. Monitoring by management will be ongoing, once Audit & Governance Committee are content that the 'business as usual approach' is embedded and continues to deliver broadly similar additional council tax yield reporting will move to an annual update.
19. Every case the team review now has a 12 month review date added, so that the cases will automatically be reviewed to reduce risk, error and future resource on matches. From April 2025 the work of the Income Maximisation and Compliance Team will become the Compliance and Review area of Council Tax that will include a Reviews team to support the ongoing reviews of SPDs, as well as other discounts and exemptions (MTFP target). Thereby strengthening the gateway and reducing potential fraud and error, together with reducing the level of cases on future NFI reports.

### Other work

20. Six Early Education Fund audits were issued as final during the quarter. No significant concerns were identified.
21. The annual evolution reviews of the Council's Anti-Fraud & Corruption Policy, Whistleblowing Policy, Declaration of Interests, Gifts & Hospitality Policy, Regulation of Investigatory Powers Act and Financial Regulations were undertaken by the

Internal Audit team during the quarter and taken to the 27 February 2025 meeting of this Committee.

22. Work is continuing to ensure compliance with the new Global Internal Audit Standards (GIAS) and a separate report is on the agenda for this Committee.

### **Implementation of Internal Audit Recommendations**

23. It is a requirement of the Audit Charter that all High Priority recommendations that have not been implemented by the initially agreed target date (or the agreed revised target date) will be reported to the Audit & Governance Committee (where the revised target date has not previously reported). This is to ensure the Committee is fully appraised of the speed of implementation to resolve, by priority, the most significant weaknesses in systems and controls identified.
24. There were no recommendations which met the criteria at the end of February 2025.
25. 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.
26. There were no recommendations which met the criteria.

### **Options Appraisal**

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

### **Summary of financial implications**

28. The BCP Council Internal Audit Team budgeted cost for 2024/25 is £752,000; this figure is inclusive of all direct costs, including supplies & services, but it does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). The budget figure also includes the Head of Audit & Management Assurance who manages other teams.
29. As reported to the January 2025 Committee, there is projected to be a budget overspend for 2024/25 of approximately £30,000 because required budget vacancy factor savings will not be realised as the team has been at full establishment during the financial year. This overspend will be met from savings across the wider Audit & Management Assurance budget.

### **Summary of legal implications**

30. 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**

31. The Internal Audit Team currently consists of 14.35 FTE inclusive of the Head of Audit & Management Assurance. It is the opinion of the Chief Internal Auditor that these resources are sufficient to provide Audit & Governance Committee and the Council's Corporate Management Board with the assurances required.
32. Whilst the team has been at full establishment during the 2024/25, one of the Audit Managers has recently resigned and will be leaving the Council in May 2025.



Planning for their replacement is underway, and Audit & Governance Committee will be kept apprised of any potential resource implications for the delivery of the audit plan. At this stage there is expected to be no material negative impact.

**Summary of sustainability impact**

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

**Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

None