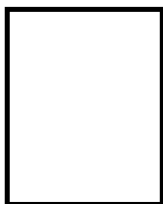
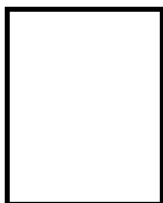
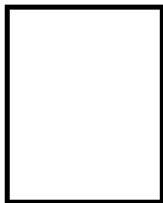
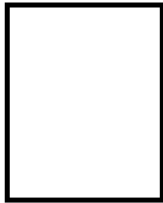
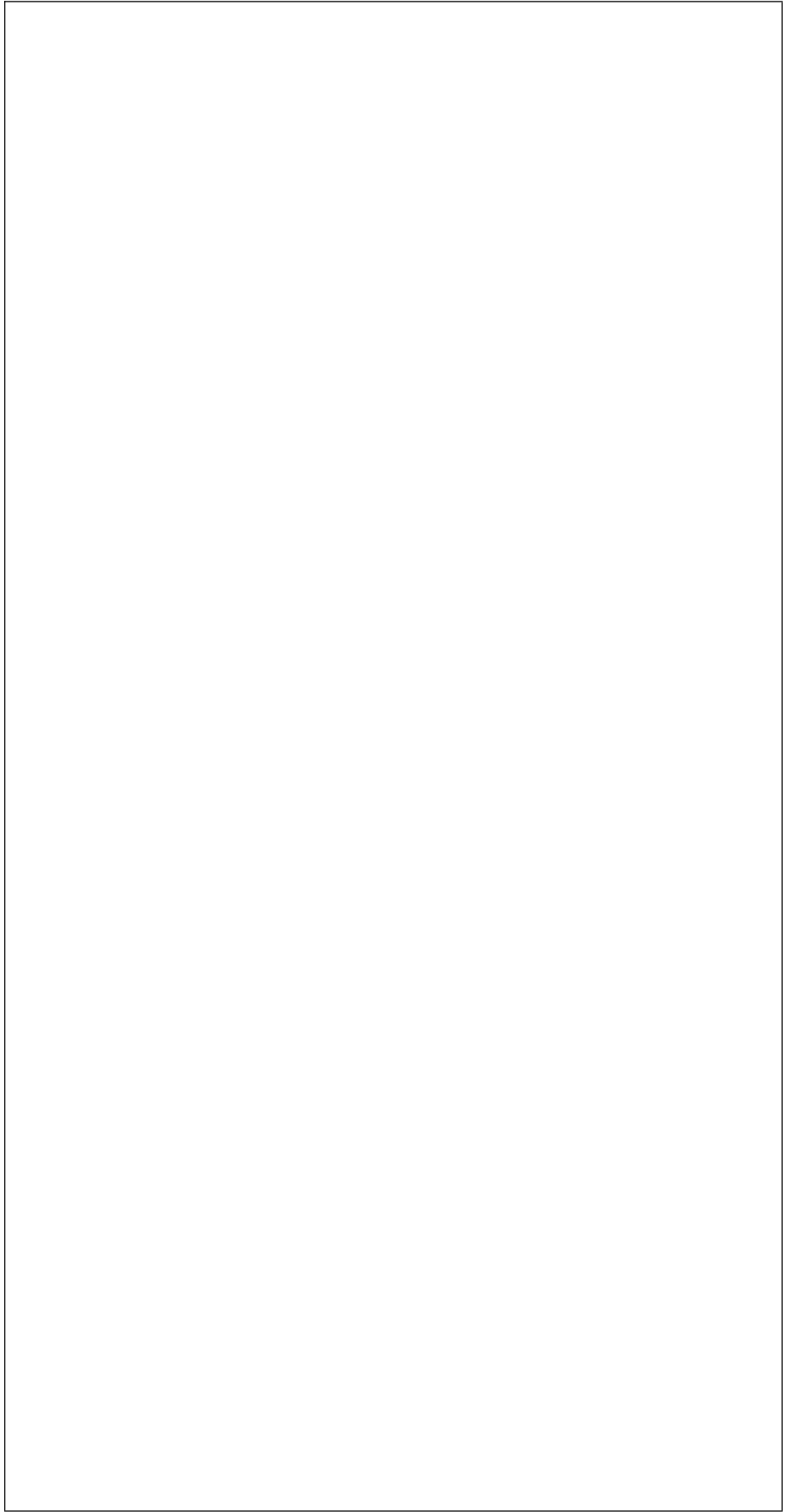
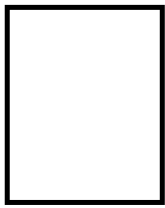
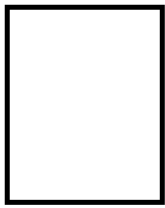
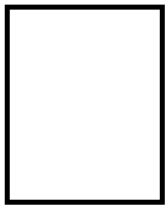
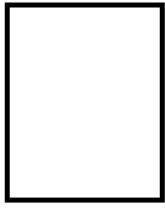
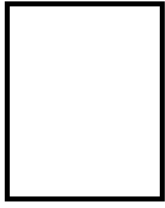


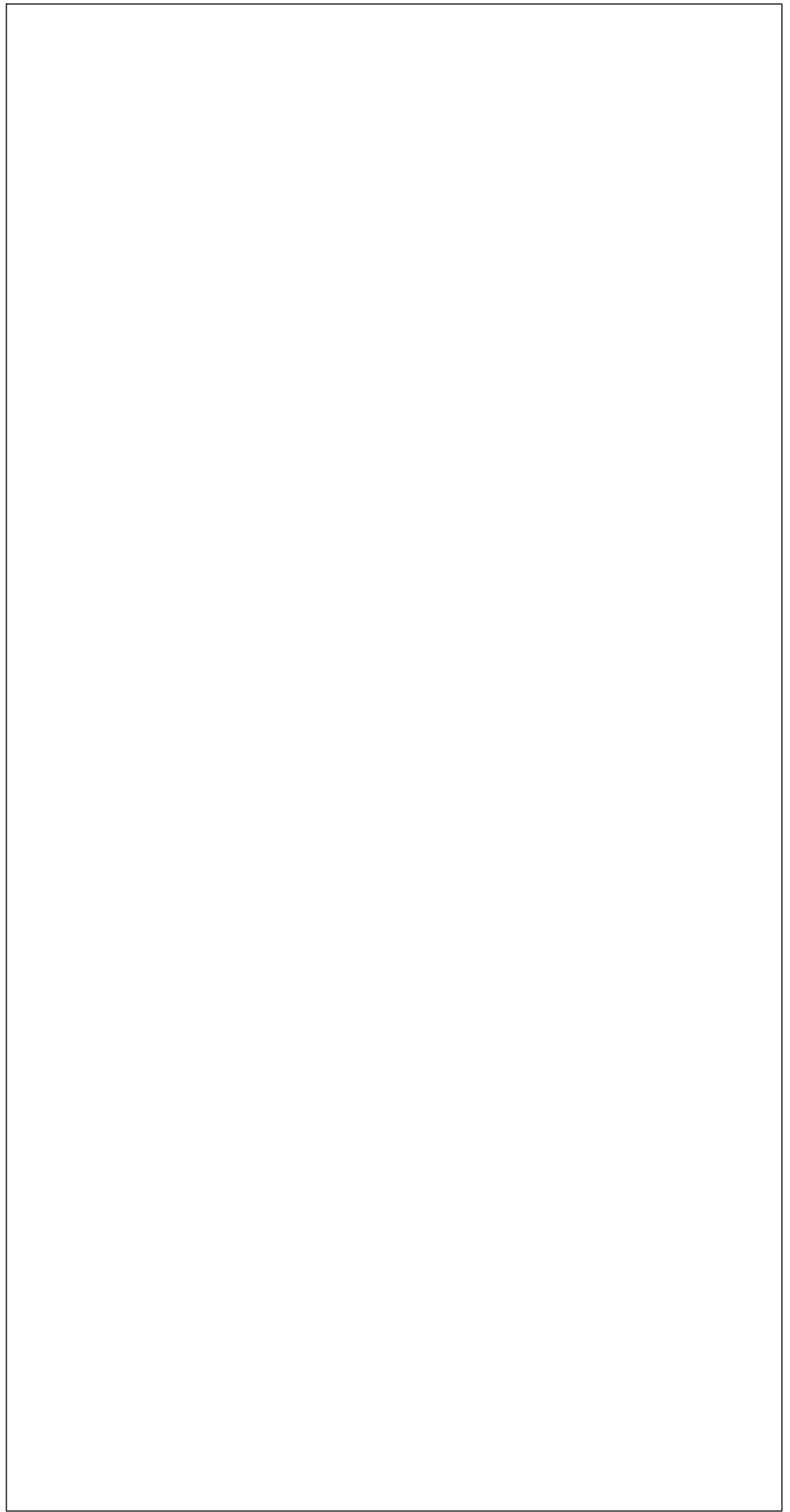
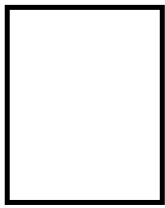
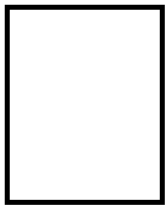
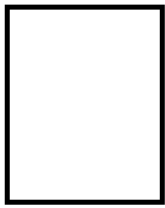
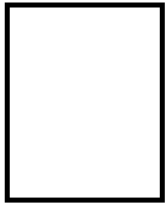
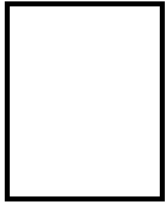
TO: Audit Committee

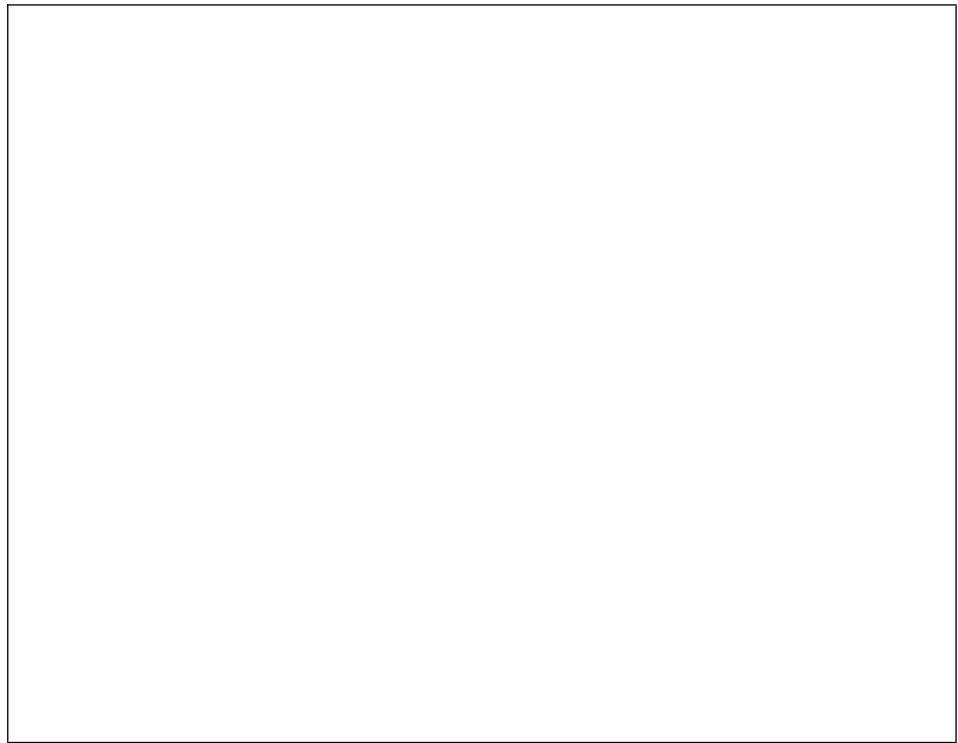
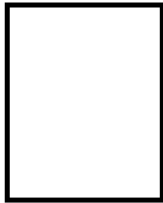
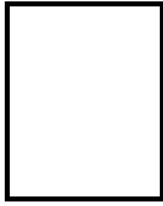
FROM: Head of Audit & Assurance

DATE: 17 January 2012









PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 30 November 2011

1. PURPOSE

To inform Members of what has been achieved by Audit & Assurance in the period from 1 September 2011 to 30 November 2011.

2. RECOMMENDATIONS

The Committee is asked:

- to note the outcomes achieved to 30 November 2011 against the Audit & Assurance Strategy & Plan, which was approved by Committee on 26 April 2011.

3. KEY ISSUES

Outcomes achieved in the year thus far

Counter Fraud

Housing Benefit:

The team received 360 referrals from various sources during the period April-November 2011. This represents a decrease in referrals compared to the equivalent period last year when 540 were received. The main reasons for the reduction are that last year the team were dealing with referrals generated by the National Fraud Initiative (a bi-annual exercise) and there have been fewer referrals received from the Department for Work and Pensions Housing Benefit

Matching Service.

In relation to the relevant performance indicators, the team has performed as indicated below:

Performance Indicators:

PM1 – Number of closed investigations – target 412 actual 286 (69%, previously 67%) (2011/12 target is 618)

PM2 – Number of investigations with positive outcome – target 286 actual 154 (54%, previously 49%) (2011/12 target is 429)

PM3 – Number of prosecutions/sanctions – target 74 actual 65 (88%, previously 74%) (The 2011/12 target is 111)

It should be noted that performance targets have not been adjusted to reflect the reduction in referrals.

Counter Fraud Training

Further progress has been made since the previous report with 275 employees (225 to August 2011) having accessed the training package. Audit & Assurance will continue to promote the interactive package and provide support to increase fraud awareness within the Council.

Pro-Active Fraud Testing

The Audit & Assurance Team has recently received training in the use of IDEA, which is designed for auditors to identify potential irregularities through the analysis and comparison of financial data..

Insurance, Risk and Corporate Governance

Insurance

The Council's Long Term Agreement (LTA) with Zurich Municipal to provide the Authority's insurance cover requirements ends on 31 March 2012.

The tender documents for the new contract were issued on 24 November in accordance with tender timetable, agreed between Council staff and Aon on 15 June. The remaining dates are set out below:

- Closing date for return of tenders – 12:00 noon on 12 January 2012
- Council decision (confirmed to Aon) - 7 March 2012
- Expiry of stand still period - 22 March 2012

The insurance tender is progressing in accordance with the agreed timetable.

The Council has recently chosen an insurance claims management software package to replace the existing system. The aim is to have the new software in place for the start of the new insurance LTA on 1 April 2012.

Implementation of the new software will have a number of benefits to the Council, including:

- Ownership of the claims data, regardless of the insurer used;

- Improving the efficiency of the claims process;
- The ability to record incidents and potential claims electronically, eliminating the paper files currently maintained;
- Providing a search facility;
- The ability to produce claims management reports in house, improving management information and monitoring regarding claims trends, strengthen risk identification and management arrangements and reduce the incidence of claims, and
- The potential to offer claims management services to other local authorities or partners as part of a shared service.

Risk Management

This is subject to a separate report on this agenda; Risk Management – 2011/12 Quarterly Review.

Management Accountabilities Framework (MAF)

For quarter 2, the Risk, Governance and VFM Co-ordinator identified challenge questions and emailed them to each of the lead co-ordinators in departments, requesting answers. This was successful with full answers being received promptly from all departments. PAM challenges were also carried out, in conjunction with Policy colleagues, on the ‘red’ priority areas as per the new performance challenge process.

The table below lists the “red” priority areas of concern across the departments from the summary reports for quarter 2:

	Quarter 2 Red Priorities
Families, Health & Well-being	<p>High children’s social work caseloads – due to increased pressure there are higher social work caseloads which increases the risks to the service. Additional funding has been made available this year to mitigate these risks.</p> <p>Demand for placements for children in our care exceeds supply – The demand for placements remains volatile and at higher levels than historically. There is no further capacity to place children in in-house foster care.</p> <p>Overspend on children’s direct payments – A large number of families are opting to receive direct payments which is predicted to lead to an overspend of £18,000.</p> <p>Risk to delivery of services within reduced budgets, and achieving savings – increase in demand for services and the need to reduce social worker case loads will mean financial pressures for the Children’s Services portfolio.</p>
Education	Capital work on Turton Tower – The heating system at

	<p>Turton Tower has had to be shut down, due to insufficient ventilation and extraction of carbon monoxide. Work can not take place until permission is received from English Heritage. This places the building at risk over the winter as it needs to be kept at a constant temp. to avoid structural damage.</p> <p><i>(This has now been resolved with approval obtained from English Heritage for a temp boiler placement at the Tower. Also confirmation from Secretary of State that the planning application for a new boiler has been approved. Work will be undertaken in Feb / March.)</i></p>
Regeneration	<p>Budget pressures / Income – Across a number of service areas we are seeing reductions in income received, meaning budgeted targets may not be achieved.</p> <p>Market site redevelopment – Concern that vacant possession strategy may take longer than anticipated, thus affecting the wider regeneration project for the site. Potential that developer interest or scope may not be suitable for the Council’s ambitions for the site.</p> <p>Blackburn markets fit out – Concern over resolution to the new market fit out and ensuring a smooth transition for stallholders.</p>
Environment, Housing & Neighbourhoods	<p>Impact of funding cuts – Withdrawal of, or delay in, funding for key departmental activities. Fall out of HMR funding means that it is challenging to sustain the service into 2012/13.</p> <p>Income shortfalls – Income for some service areas is less than predicted, with shortfalls expected on pest control and street cleansing; refuse collection income is expected to be significantly adrift by up to £310k, however overall waste tonnages are reduced which will offset this overspend..</p>
Resources	<p><u>Finance</u> Failure to comply with Procurement Regulations - Lack of specialist knowledge within departments and inadequate level of resource within Procurement to support all major procurements. Long term sickness now affecting performance of service. <i>(A temporary member of staff is being recruited)</i></p> <p><u>HR & Legal</u> Safe management of child care cases by Legal - There is a continuing and current very high risk to vulnerable children in the Borough due to the rising numbers of complex child care cases being supported by Legal Services. Currently all members of the Social Care legal team are handling numbers of cases well in excess of the industry norms.</p>

	<p><u>IT, Management & Governance</u> Availability of Resources - The level of demand placed on the department is greater than existing organisation of resources can manage. <i>However a prioritisation process has now been established.</i></p> <p>Resilience of IT services – The inherited IT infrastructure has proved to have a lower level of resilience than is desirable. The recent outages of internet and email highlight how vulnerable our IT services are to single points of failure and dependence on 3rd party suppliers.</p>
Policy	<p>Budget pressures - Future of NHS shared service - The shared service is only contracted to provide support until March 2012. If the contract is not renewed there would be a subsequent loss of £100k to the policy and communications budget. <i>(An SLA has now been agreed for 2012/13)</i></p> <p>Corporate and departmental adherence to statutory requirements around equality, diversity and cohesion activity - Departmental engagement in corporate equality group and resultant work programme required to ensure; the council meets the Equality Act, appropriate impact assessment processes take place around major budget and policy decisions in 2010/11 and 2011/12; and appropriate training processes are launched across the Council.</p>

Corporate and Departmental systems

A summary of the 21 audits completed and finalised since the last report to Committee are detailed below.

Title	Assurance Opinion		Recommendations
	Environment	Compliance	Agreed
Resources			
Housing Benefits	Adequate	Adequate	6
Creditors	Adequate	Adequate	6
Access to Masterpiece	Substantial	Substantial	2
Cash Handling (OSS Blackburn)	-	Limited	5
Cash Handling (OSS Darwen)	-	Adequate	2
Change Control	Substantial	Adequate	3
Families, Health &			

Wellbeing			
Integrated Children's Software Application (ICS)	Adequate	Limited	6
Children's Inspections	Adequate	Adequate	4
Adult Safeguarding	Adequate	Adequate	14
Shadsworth LC	Adequate	Adequate	10
Darwen Vale High	Limited	Adequate	18
Tauheedul High	Substantial	Substantial	6
St Barnabas Primary	Adequate	Adequate	9
St Michael/St John	Adequate	Adequate	17
Local Government			
Stores	Adequate	Limited	11
CCTV/Community Safety	Adequate	Adequate	8
Carbon Reduction	Adequate	Adequate	4
Cash Handling (West Park Lodge)	-	Adequate	6
Cash Handling (Blakey's)	-	Adequate	1
Car Parks	Limited	Adequate	9
Grant Funding Projects	Adequate	Adequate	0

For all of the above audits management has completed the action plans to confirm that each stated recommendation will be implemented within a reasonable timescale.

We have provided a brief commentary on those 5 audit assignments where we have provided a limited assurance opinion. It should be noted that managers have accepted all recommendations made and have developed action plans to implement these.

Cash Handling (Blackburn OSS)

The objectives of the review were to ensure that all monies were accounted for, agreed to prime records and held securely in accordance with Standing Financial Instructions. We provided a **limited assurance** opinion on compliance with the control environment because evidence of independent checking is required to confirm that refunds/reversals, system amendments and bankings are legitimate.

ICS Protocol

The overall objective of the audit was to review the controls and procedures in place to ensure that the Integrated Children's Software (ICS) application - Protocol - provides a fit for purpose children's care management system and that the information held within Protocol is protected and remains relevant and

up to date. We provided a **limited assurance** opinion on compliance with the control environment because user passwords do not meet the Council's security standards, users are set up before training is provided, adult data transferred from the SWIFT system requires removal and procedures are required to delete and disable users.

Darwen Vale High School

The overall objective of the schools audit reviews is to ensure that there are effective controls and procedures in place within individual schools to control, manage and monitor their financial and non-financial risks. We provided a **limited assurance** opinion for the control environment at Darwen Vale High School because there was an absence of specific approved policies for data protection, ICT security and freedom of information. It also must devise an action plan to manage the predicted deficit in 2012/13.

Stores

The overall objective of the audit review was to ensure that there are effective systems and procedures in place for the management and control of the stores operation. We provided a **limited assurance** opinion on compliance with the control environment because continuous stock checking is not being carried out, stock is not being written off in accordance with financial rules, the timber store is not following recommended procedures for issues, aggregated spend needs to be assessed in accordance with EC procurement rules and the department should implement the Association of Public Service Excellence (APSE) recommendations.

Car Parks

The objective of the audit was to ensure that car parking income is received promptly, accurately and completely in accordance with the Council's agreed traffic regulation orders. We provided a **limited assurance** opinion for the control environment because a record of unused permits is not maintained, debt recovery action may not be promptly undertaken, debts were not being regularly monitored and reported upon and non-adherence to the safe insurance limits.

Current audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Capital Programme Management
- Operating Systems Management
- Information Governance
- Mileage Payments
- Business Continuity Planning
- Crosshill Special School
- St Thomas' CE Primary School
- St Anne's RC Primary School
- Ashleigh Primary School

- Belmont Community Primary School
- Cedars Infant School
- Local Children's Safeguarding Board
- Health and Wellbeing Private Care Home Contracts
- Personalised Budgets
- Welfare Burials
- Home Maintenance Service
- Property Rentals
- Community Transport

Audit & Assurance Performance

The Audit & Assurance Strategy 2011/12 includes targets to achieve our strategic aims.

The defined targets and actual performance for the latest period (September to November 2011) are as follows:

1. Delivery of Priority 1 Audit Plan Topics

Target 100% Actual: N/A (2011/12 – Q2: N/A)

The majority of the Priority 1 audit reviews will provide a statutory opinion to support the Annual Governance Statement for 2011/12, which will be undertaken in Quarter 4 of 2011/12 and consequently can only be measured at the year-end.

2. Percentage Of Planned Assignments Completed Within Budget

Target: 90%. Actual: 73% (2011/12 – Q2: 92%)

Audit & Assurance had completed 21 budgeted assignments over the period. 16 of these assignments were completed on or under budget with 6 delivered over budget. The overspends were on CCTV/Community Safety (8 days), Carbon Reduction (8 days), Safeguarding (4 days), Car Parks (4 days) Inspections (3 days) and Creditors (2 days).

The CCTV/Community Safety and Carbon Reduction audits were undertaken by a new team member and the time accrued will include an element of training and familiarisation to the audit procedures. The Safeguarding review incurred additional time seeking responses to initial findings and the management action plan. Car Parks involved liaison with client officers from 3 separate departments, which led to additional time being incurred in the evaluation, testing and reporting of this review. The Children's Inspections incurred additional time as the completion of fieldwork was delayed at the request of management. Additional time was spent on the Creditors review discussing the overall implications of recommendations put forward.

3. Percentage of Draft Reports Issued Within Deadline

Target: 90%. Actual: 55% (2011/12 – Q2: 69%)

Of the 21 completed assignments, 14 draft reports were issued within deadline. The 7 draft reports delayed were Car Parks (20 days late), Housing Benefits (20 days), Cash Handling Blackburn OSS (14 days), Adult Safeguarding (13 days), ICS (8 days), CCTV/Community Safety (6 days), Children's Inspections (3 days) Stores (2 days), Carbon Reduction (2 days), and Tauheedul (1 day).

The most significant delays were draft reports covering Car Parks and Benefits. The main reason for the delayed Car Parks draft report was because of the additional time required to discuss issues with the 3 clients involved, see above. The delay regarding the issue of the Benefits draft report was because management was unable to respond to final audit queries because of other project work, namely the implementation of ATLAS, (Automated Transfers to Local Authority Systems), which allows benefit data to be transferred directly from DWP and HMRC systems directly to local authority assessment systems.

4. Percentage of Final Reports Issued Within Deadline

Target: 90%. Actual: 77% (2011/12 – Q2: 77%)

Of the 21 completed assignments, 16 final reports were issued within deadline. The 5 final reports delayed were Creditors (33 days late), Cash Handling: West Park Lodge (10 days), Carbon Reduction (8 days), Children's Inspections (6 days) and Housing Benefits (5 days).

The only significant delay relates to the issue of the final Creditors report. This delay resulted from the discussion of the overall implications of recommendations put forward, as detailed above.

5. Percentage of Follow Ups Undertaken Within Deadline

Target: 90%. Actual: 70% (2011/12 – Q2: 65%)

Audit & Assurance was required to undertake follow up reviews of 20 completed assignments. We undertook standard follows on all 20 assignments and received a complete response to 14. We did not receive sufficient information to assess the status of recommendations for 6 reviews.

Audit & Assurance has not received responses for some of the reviews as the timing of the follow-up exercise (December) has coincided with the Christmas break. A further deadline has been set and a verbal update will be provided at the Audit Committee meeting.

6. Percentage of Agreed Recommendations Implemented By Clients

Target: 90%. Actual: 78% (2011/12 – Q2: 78%)

For the 14 assignments where we were able to undertake a follow up, there were 86 recommendations, which were due for implementation on or before 30 November 2011. It was identified that 67 of these recommendations had been implemented. Of the 19 recommendations not implemented the most significant (3 or more recommendations) related to the reviews of Markets (8), External Training (5) and VAT (3).

For the Markets review the remaining recommendations all relate to project management guidance, which is under review. The External Training review

has reported partial implementation of three recommendations (relating to publicising the workforce development team, corporate approach to training and preparing a list of trainers/venues) but no progress has been made on 2 recommendations (development of internal training capacity and the identification/consolidation of training expenditure). The 3 outstanding VAT recommendations (awareness training, procedural guidance and invoice checking) will be implemented when a resource becomes available in Quarter 4.

7. Percentage of Client's Satisfied With The Service
Target: 75%. Actual: 100% (2011/12 – Q2: 100%)

Audit & Assurance has received 7 completed client satisfaction surveys since the previous progress report. All 7 respondents stated that overall they were satisfied with the service received from Audit & Assurance.

8. External Audit Opinion
Target: Reliance Actual: Reliance (2011/12 – Q1: Reliance)
(Audit Commission – Internal Audit Report – May 2010)

9. Percentage Compliance with CIPFA Code of Practice
Target: 95% Actual: 96% (2011/12 – Q2: 96%)

The 2011 submission to the CIPFA Audit Benchmarking Club demonstrated that Audit & Assurance complied with 185 of the 192 Code of Practice measures.

4. RATIONALE

The Accounts & Audit Regulations require the Council to have an effective audit function.

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the statutory governance requirements;
- it also demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

5. POLICY IMPLICATIONS

This delivery of the Plan leads to the annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

6. FINANCIAL IMPLICATIONS

There are no direct financial implications in this report.

7. LEGAL IMPLICATIONS

Similarly, there are no direct legal implications in this report.

8. RESOURCE IMPLICATIONS

Maintaining existing Audit & Assurance resources is necessary to promote and enhance governance, assurance and the control environment in the climate of recession/cost reduction.

9. CONSULTATIONS

Directors

CONTACT OFFICER: Paul Hankinson & Colin Ferguson

DATE: 29 December 2011

BACKGROUND PAPERS: Audit & Assurance Strategy & Plan 2011/12, approved by Committee on 26 April 2011.