



TO: Audit Committee

FROM: Audit & Assurance Manager

DATE: 24 September 2013

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 August 2013

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 June 2013 to 31 August 2013.

2. RECOMMENDATIONS

The Committee is asked to note the outcomes achieved to 31 August 2013 against the Audit & Assurance Plan, which was approved by Committee on 16 April 2013.

3. KEY ISSUES

Outcomes achieved in the year thus far

Counter Fraud

Housing Benefit:

The team received 200 referrals from various sources during the period 1 April – 31 August 2013. This represents a small decrease in referrals compared to the equivalent period last year when 229 were received.

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

Performance Indicators:

PM1 – Number of closed investigations – target 170 actual 170
(100% of pro-rata target, previously 100%, 2013/14 target is 408)

PM2- Number of investigations with a positive outcome – target 118 actual 77
(65% of pro-rata target, previously 87%, 2013/14 target is 282)

PM3 – Number of prosecutions/sanctions – target 30 actual 20
(67% of pro-rata target, previously 75%, 2013/14 target is 72)

Twelve cases have been successfully prosecuted through the courts during this period compared to 7 cases during the same period last year. The prosecution cases include the case of a Blackburn woman who was sentenced to 6 months

imprisonment suspended for 12 months as a result of falsely claiming £17,500 in state benefits. The woman failed to disclose that her partner, who was in paid employment, had been living at her address for several years.

The team also undertook a special exercise into benefit claims submitted by EU succession country nationals following a request by the Benefits Assessment Team who suspected that claimants were providing false evidence of earnings as scrap merchants in support of their claims. Investigations were carried out which confirmed that claimants had fabricated evidence of earnings in order to claim Housing Benefit. As a result, 10 false claims were prevented from payment.

Confidential Investigations:

The team has also been involved in three internal investigations. To date two of the investigations have led to disciplinary hearings against staff members involved.

NFI Blue Badges:

As a result of work on NFI, it was established that 21 Disabled Parking Permits (Blue badges) were still in issue which belonged to deceased individuals. These have now been deregistered, and recovery of the permits is being sought in order to reduce the potential for future misuse. In a separate matter, the team investigated a case involving the sale of a Blue Badge on eBay which had been issued by the Council and reported as lost by the person to who it belonged. The matter was referred to the Police after the team established the identity of the person trying to sell the permit and following an interview, a formal caution was accepted by the individual in respect of the offence.

Counter Fraud Training:

The training package has been accessed by 681 employees (previously 623 employees to 31 May 2013). Audit & Assurance will continue to promote the interactive package and provide support to increase fraud awareness within the Council.

Officer of Surveillance Commissioner Inspection:

The inspector issued the final report following his review of the Council's surveillance procedures in June 2013. The Counter Fraud team is the Council's main user of RIPA directed surveillance. The inspector stated for RIPA authorisations he examined that they were well worded and compliant with the regulations.

Insurance, Risk and Corporate Governance

Insurance

The Council is in the second year of the three year long term insurance agreements with Zurich Municipal and Lloyds Syndicates (via Aon Crisis Management) following the tender exercise completed in March 2012. At the end of the period there is an option to extend the agreements for a further two years.

All claims and incidents reported to the Council are now recorded on the in house claims management software. Work is on going to review and reclassify the existing data transferred in respect of open claims to ensure that these are correctly recorded against the new Council structure.

The system is used by the Council's insurance staff to manage actual and potential claims reported, as well as for the production of a variety of management reports for Directors, Heads of Service and Managers for their areas of responsibility.

As at 31 August there were 594 open claims and incidents recorded against the Council. These have a total potential cost, including the reserves estimated by Zurich, of £3,685,389.

These claims and incidents related to the following classes of cover:

Cover Area	Total claims and incidents	Total Estimated Cost (Paid & Reserves)
Employer Liability	56	£526,787
Motor	66	£210,347
Property	34	£24,691
Public Liability	438	£2,923,564
Total	594	£3,685,389

The table below sets out the number and status of claims and incidents notified in the period 1 April to 31 August 2013

Cover Area	Closed	Payments	Open	Estimated Cost	Total	Total Claim (Paid & Reserves)
Employer Liability	0	£0	9	£65,909	9	£65,909
Motor	3	£0	7	£23,014	10	£23,014
Property	2	£14,994	5	£11,688	7	£26,682
Public Liability	6	£1,371	89	£571,363	95	£572,734
Total	11	£16,365	110	£661,640	121	£688,339

Following the implementation of the Jackson Reforms, which went live from 1 August. We will be monitoring the volume of claims received.

Insurance staff are in the process of completing have a series of briefing sessions for Directorates on the implications of the Jackson Reforms and other insurance related matters.

We are continuing to utilise the risk management consultancy support which is available from Zurich Municipal as part of the long term agreement. The planned review and training in respect of stress management arrangements is due to be carried out in late September and initial discussions have been held with Zurich colleagues regarding reviewing incident reporting and related investigation arrangements.

Management Accountabilities Framework (MAF) Quarter 1 Update

The table below lists the "red" priority areas of concern across the departments, by key themes, identified in the summary MAF reports for Quarter 1 of 2013/14. It should be noted that these were the "red" priority areas as at 30 June 2013 and

further action is being undertaken to address these concerns, which, where appropriate, is shown in italics within each thematic area below.

Themes	Quarter 1 Red Priorities
<p>Demand Management</p>	<p><u>Demand for placements for Children in Our Care exceeds supply</u> – Demand for placements remains volatile and at higher levels than historically. We currently have the highest numbers of children in foster placements ever, and demand continues to exceed supply. Unpredictability of demand puts the placements budget at risk. There is limited capacity to further place children in in-house foster care. The external commissioned placements budget is already fully committed for the remainder of the year, with potential for a projected overspend. <i>Weekly meetings take place to review this area. The Invest to Save initiative successfully recruited foster carers and together with the fostering partnership is reducing the use of externally commissioned placements. A higher proportion of children in our care are now in foster care than previously, and fewer are in agency placements, despite the recent high numbers of children in our care. However, the budget remains vulnerable to unexpected or unusual demand. Regular monitoring is being carried out by the national team. A staff team is now being recruited for the adolescent scheme which it is anticipated will now be fully operational in October 2013.</i></p> <p><u>High numbers of Children and Adult cases creating at times potential serious risks for the safe management of cases (NEW Legal and HR)</u> – Legal advice has increased significantly over the last 12 months and is expected to escalate re: Court of Protection and as the Multi- Agency Safeguarding Hub develops corporately to meet the demands of vulnerable adults and children. Since May 2013 there have been 15 sets of care proceedings, (and 2 for the first day in July). Normally you would expect less than 1 per week. <i>The management of high risks continues to be closely monitored by Council Solicitor, Director of Children’s Services (DCS) and Principal Solicitor, Social Care. Social Care staff and team workloads are reviewed on a regular basis. We are also actively seeking to recruit a locum Solicitor as soon as possible to provide cover for maternity leave. It is likely that to cover the rise in the number and complexity of cases engagement of Counsel will increase to mitigate risk. The rising Counsel and court costs may put pressure on the Safeguarding legal budget.</i></p> <p><u>High risk and challenging teenagers</u> - All Council children’s homes across the Borough are seeing increasing challenges associated with the cohort of young people placed with them, particularly around young people missing from home. Ofsted’s new inspection framework for residential provision has ‘raised the bar’ considerably with a greater emphasis on behaviour and risk management of young people. <i>A review of residential services has now been completed with the main outcomes being that Anchor Avenue is due to be re-designated to the Leaving Care Team who will move there. There are also two other key areas of work that Anchor Avenue has been identified for; an Assessment centre/facility to assist placement of large sibling groups and to use it to ‘pilot’ an in-house provision of time limited supported accommodation, for care leavers who have a high level of need. A successful bid has been made for ResUlt, which is an evidence based behaviour management programme that will enable one of our children’s homes to respond more effectively to the need of challenging teenagers.</i></p>
	<p><u>Insufficient Resource (ITM&G)</u> - The available human resources in ITM&G is insufficient to meet user expectations for the delivery of: new business and IT projects and Service Desk requests for service. Due to financial constraints, it may be difficult to attract and retain staff with the required breadth and depth of skills. <i>Additional high priority projects (eg. BSF, HR, Elections, ECAF and Duke Street) mean that we may have insufficient resources to deliver existing workload and these new priorities. All vacancies are currently filled. Actively reviewing resource management tools and techniques in order to achieve a more evidenced based view on current resource allocation and</i></p>

	<p>capacity. The prioritisation group meets regularly and helps to manage the demand for resources. Heads of Service and Director have met with an organisation with regards to implementing a professional development programme across the department. Currently awaiting costs and further details. Discussions underway with HR.</p>
Government Reform	<p><u>Pressures in Customer Services</u> – Demands for service in both One Stop Shop (OSS) and Customer Services is now increasing further due to Welfare Reform. OSS environment now modernised. ICT infrastructure and support has improved but further work needed to mitigate current pressures and meet savings target. Temporary staff now in place. Proposals for Channel Shift being considered. Increasing length of Revs and Bens calls and visits being monitored. Current IT issues are Voice Recorder in Contact Centre not working, and delays in logging on to PCs.</p>
IT Resilience	<p><u>ITM&G prioritisation of Library & Information Services request for service (CLS & YP)</u> – Issues with ICT impacting negatively on service delivery, development and customer satisfaction. Connectivity issues at DLC with Leisure Management System. ICT solution at BSF community use sites. ITM&G have allocated resources to begin the projects to upgrade the Leisure Management System and replace the Library Management System. The upgrade to the Leisure Management System has been prioritised by the service department and work is expected to start before the end of September. A delivery date will be agreed at the initial engagement with the supplier. The upgrade will result in new machines at all service points and is expected to improve performance and stability at all sites. The replacement of the Library System is expect to begin by early October at the latest, although this will be a longer (6 months is currently anticipated), more complex project. Further work to connect the Library and King Georges Hall to the Council's dark fibre network to improve connectivity and performance will begin following the completion of the Duke Street project. Public Access – Our supplier have produced an options paper with 3 solutions that are currently being evaluated by ITM&G.</p> <p><u>Resilience of IT Services (ITM & G)</u> – There are issues with the OTH server room infrastructure that leave it vulnerable to power and communications system failures. Work is being driven by Risk and Business Continuity Governance Group as part of the Business Continuity Planning to create a list of critical systems and IT services within the Council. A list has been prioritised, ITM&G have a workstream within the core infrastructure programme to design and implement resilience to support that list. We have engaged with a network provider through the AGMA procurement framework to look at network redesign. As a result this is unlikely to reduce to amber until this process is underway and nearing completion. Estimated timescales are mid 2013/14. Virtualisation of services reduces the impact of hardware failures. Further progress has been hampered due to other priorities (ie Duke Street).</p>
Staffing / HR	<p><u>Sickness absence levels in within-house services (Adults)</u> - Current high levels of sickness absence (both short and long term), particularly in within in-house services. Improvements have been made re long-term absences, although overall sickness levels remain above those of most other Council departments. Pro-active case management of sickness absence being undertaken by managers of in-house services together with HR. Support to managers via sickness absence roadshows and other mechanisms including senior managerial input. Detailed establishment-specific action plans are being implemented, with all sickness absence procedures closely followed. Attendance Challenge process in place for monthly review.</p>
Budgets and Finance	<p><u>Budget / Pressures (Regeneration)</u> – Savings for 2013/14 are likely to prove very challenging without a significant transformation of services. This will require advance planning and political agreement on priorities going forward. In addition services dependent on income are subject to significant</p>

	<p>fluctuations due to the current economic situation. <i>Budget reduction options have been agreed for each service and are now being progressed. Invest to Save options are being worked through to help deliver the saving proposals, with Network Recovery now approved by Executive Board; and Town Centre & Economy team restructured. Income levels are being closely monitored to ensure future outturn forecasts are as accurate as possible. Service reviews on-going and will need to input into savings reduction work. Systems Thinking work in Development Management proved successful and roll out to other services being considered.</i></p> <p><u>Doubling of adoption placement fee (NEW - Childrens)</u> - We currently pay approximately £15,000 as a placement fee if a child is being placed with an adopter from another local authority. This fee is payable to the local authority. Where an agency is used, the fee doubles to approximately £30,000. The government has unilaterally levelled all fees at the higher rate. We predominantly place children with adopters from other authorities. This change creates a substantial additional budget pressures, especially given the larger number of children being adopted. <i>The service is recruiting more adopters and this remains a priority going forward. Use of the Adoption Reform Grant can be directed towards recruitment and marketing.</i></p>
Compliance and Governance	<p><u>Procurement - including compliance (Finance)</u> - Failure to comply with Procurement requirements and meet demands for advice and support from services. Workload rising due to requests for support from departments and interest in local procurement from local businesses. <i>Procurement Review now completed. Senior Management structure now approved and being implemented. E-tendering solution now being rolled out. E-procurement now completed. Purchasing cards system implementation is being planned. E-invoicing pilot for September and roll out from end of October. Audit of Procurement gave adequate opinion for both the control environment and compliance, demonstrating improvement.</i></p>

Corporate and Departmental systems

A summary of the 12 audits completed and finalised since the last report to Committee are detailed below.

Title	Assurance Opinion		Recommendations
	Environment	Compliance	Agreed
Resources			
Cash Collection	Adequate	Adequate	1
Creditors	Substantial	Adequate	2
Payroll Overpayments	Adequate	Adequate	7
Website Controls	Adequate	Adequate	6
Data Centre	Adequate	Adequate	5
People			
Children's Centres	Adequate	Adequate	8
Longshaw Nursery & Children's Centre	No	Limited	16
Private Care Homes	Adequate	Limited	11

Place			
CLS & YP Governance	Adequate	Adequate	9
Licensing	Limited	Adequate	5
Fleet Management	Limited	Adequate	11
Land Charges	Adequate	Adequate	7

Unless stated below for all of the above 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 4 audit assignments where we have provided a limited assurance opinion.

Longshaw Nursery School & Children's Centre

We initially provided a **limited assurance** opinion for both the control environment and compliance because we identified four "must" recommendations relating to: (i) the school fund having not been audited for more than 18 months; (ii) the creation of a Freedom of Information Policy and Publication Scheme; (iii) devising plans to reduce the budget deficit; and (iv) breaches of the safe insurance limit. We had to re-assess the control environment opinion to **no assurance** because management did not provide a response to any of the 16 recommendations made. Subsequent to the issue of the final report the Chair of Governors has written to the Audit & Assurance Manager stating that the recommendations had been implemented.

Private Care Homes

Adequate assurance has been provided for the control environment and a **limited assurance** opinion for compliance, in particular: (i) contracts did not fully comply with the Council's Contract and Procedure rules; (ii) at the time of audit the required annual overview assessment of service users had not been undertaken; (iii) at the time of the audit, Quality Assurance visits to care home providers had not been completed during 2012/13; and (iv) a number of controls, identified within the 'conditions of contract for older people in residential and nursing home care' are not adhered to, such as: a) Authorised signatories listings for each care home are not maintained to verify the status of returned schedules b) Payments to care homes are not routinely suspended when they consistently fail to return, or return late, monthly schedules c) Providers are not required to notify the Council (via the specified CIRCS form) when a service user enters hospital care, which may mean that the Council continues to pay for places when their admission is for end of life care.

Licensing

Limited assurance was provided for the control environment. There are some areas where the controls and procedures should be strengthened: (i) fees and charges set locally require review; (ii) Licensing records are accessible by other teams within the Public Protection section; and (iii) Licenses are issued upon receipt of cheque payment and not held until the payment has cleared.

Fleet Management

Limited assurance was provided for the control environment. The key factors for

this decision were: (i) there are no procedures in place governing the administrative process for the recording of servicing, maintenance and other associated costs for Council Fleet vehicles; (ii) there is no Council policy in place governing the use of Council Fleet vehicles for personal commuting or, indeed, any purposes; (iii) Staff who use Council Fleet vehicles for personal commuting purposes are not bound by any terms and conditions of usage and do not sign a User Agreement to this effect; (iv) A full list of Council Fleet vehicles used for personal commuting purposes has not been provided for the Council's Principal Insurance Officer; and (v) No justifiable business need for using Council Fleet vehicles for personal commuting purposes has been documented by user departments.

Current audit reviews

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

- Council Payroll
- Housing Benefits
- Business Rates
- Sundry Debtors
- Main Accounting
- Internet Controls
- Departmental Governance Arrangements
- Residential Homes Monitoring
- Referral Case Management
- Young Peoples Commissioning
- Asset Management
- Markets
- LTP Grant
- Flare

Audit & Assurance Performance

The Departmental Business Plan 2013/14 includes targets to achieve our strategic aims.

The defined targets and actual performance for the latest period (June to August 2013) are as follows:

1. Delivery of Priority 1 Audit Plan Topics
Target 100% Actual: 88% (2013/14 – Q1: 75%)

The approved 2013/14 Audit & Assurance Plan contains 16 priority 1 audit assignments. The current status of these assignment shows that 14 (88%) are being delivered (fieldwork, draft issued, final issued or external review)

and 2 (12%) have been deferred for completion later in 2013/14:

Audit Assignment	Current Status (13 September)
Schools Payroll	Fieldwork
Business Continuity Planning	External Review
Partnership Governance	Deferred
Council Payroll	Fieldwork
Information Governance	Final Issued
Housing Benefits	Fieldwork
Creditors	Final Issued
Council Tax	Final Issued
Business Rates	Draft Issued
Sundry Debtors	Draft Issued
Procurement	Final Issued
Main Accounting System	Draft Issued
E-Procurement	Deferred
Treasury Management	Final Issued
Cash Collection	Final Issued
Capita Review	Final Issued

2. Percentage Of Planned Assignments Completed Within Budget
Target: 90%. Actual: 67% (2013/14 – Q1: 65%)

Audit & Assurance has completed 12 audit assignments and 8 (67%) were completed on or within budget. The 4 assignments delivered over budget were: Payroll Overpayments (8 days over), Licensing (4 days over), Data Centre (4 days over) and Children's Centres (4 days over).

Explanations for the 4 significant (over 2 days) budget overspends were:

- Payroll Overpayments: The auditor required additional support and guidance on the completion of this review including obtaining explanations from departments.
- Licensing: Additional time was required including first time planning/evaluation and to meet client operational requirements of auditing half-days including difficulties accessing the Civica system.
- Data Centre: Additional time was required on this new audit area including planning/evaluation and follow-up of queries with client officers.
- Children's Centres: This audit involved a review of Wensley Fold, which required detailed discussion of findings with the Head Teacher at a time of change in provision.

3. Percentage of Final Reports Issued Within Deadline
Target: 90%. Actual: 83% (2013/14 – Q4: 83%)

Of the 12 completed audit assignments 10 (83%) final reports were issued within deadline. The 2 delayed issue final reports were: Website Controls (5 days over) and Private Care Homes (5 days over).

4. Percentage of Follow Ups Undertaken Within Deadline

Target: 90%. Actual: 94% (2013/14 – Q1: 87%)

Audit & Assurance was required to undertake follow up reviews of 14 completed audit assignments plus 2 brought forward from the previous exercise. We received a response from 15 (94%). The assignments where a complete follow up response was not forthcoming were:

Adult Services: Quality Framework

Management have stated that for the above a verbal update on its status will be provided at the Committee meeting.

5. Percentage of Agreed Recommendations Implemented By Clients
Target: 90%. Actual: 86% (2012/13 – Q4: 84%)

For the 15 assignments where we were able to undertake a follow up, there were 77 recommendations, which were due for implementation on or before 31 August 2013. It was identified that 66 (86%) of these recommendations had been implemented. The 11 recommendations not implemented relate to:

Health & Safety (6): The department reported in June that the following recommendations were overdue: (i) review and approval of Corporate Health & Safety Policy; (ii) revise and review approach to health & safety including supporting documentation; (iii) continue to provide assistance at Davyfield site; (iv) recording details of health & safety training on HR system; (v) review expenditure on first aid certificates/materials and ensure compliance with Contract & Procurement procedure rules; and (vi) review PQQ documentation to ensure complies with public and private health & safety requirements.

Mileage (2): The Department has requested a revised implementation date of November 2013 for two recommendations relating to returning incomplete claim forms and provision of guidance pending the completion of the Resources emileage pilot exercise.

Stores (1): The recommendation that management should accept the risk that the Timber Store will never operate in a fully compliant manner has not been implemented pending a review of the WASP system, which has been delayed due to staff shortages.

Finance Governance (1): A Departmental scheme of delegation has not been produced because corporate guidance on the same is being developed by the Head of Legal Services.

Highways Defects (1): The recommended action requiring that action plans from the three previous management reviews be submitted to the SOG for review has not been actioned because there have been no SOG meetings.

6. Percentage of Client's Satisfied With The Service
Target: 75%. Actual: 100% (2013/14 – Q1: 100%)

Audit & Assurance has received 3 completed client satisfaction questionnaires since the previous progress report. All 3 respondents stated that overall they were satisfied with the service received from Audit & Assurance. Audit & Assurance are undertaking an exercise to remind all client officers to facilitate further responses.

7. Percentage Compliance with PSIAS
Target: 95% Actual: 96% (2013/14 – Q1: 94%)

The CIPFA/CIIA published their local government application note for the UK Public Sector Internal Audit Standards (PSIAS) on 5 April 2013. The Lancashire Audit Group Benchmarking details 334 individual PSIAS measures. Our submission showed that we comply or partially comply with 320 (96%) of the measures. The main areas of non-conformance relate to the engagement and undertaking of external quality assessments, which are only required every five years.

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 financial implications arising as a result of this report.

7. **LEGAL IMPLICATIONS**

There are no legal implications arising as a result of this report.

8. **RESOURCE IMPLICATIONS**

There are no resource implications arising as a result of this report.

9. **EQUALITY IMPLICATIONS**

There are no equality implications arising as a result of this report.

10. **CONSULTATIONS**

Directors

Contact Officer: Paul Hankinson & Colin Ferguson, Audit & Assurance
Managers
Date: 13 September 2013
Background Papers: Audit & Assurance Plan 2013/14, approved by Committee on
16 April 2013.