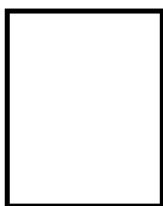
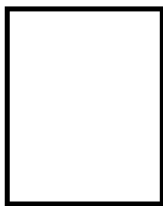
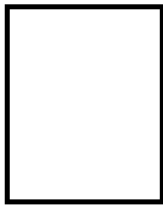
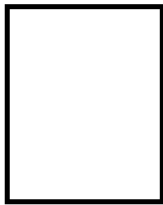
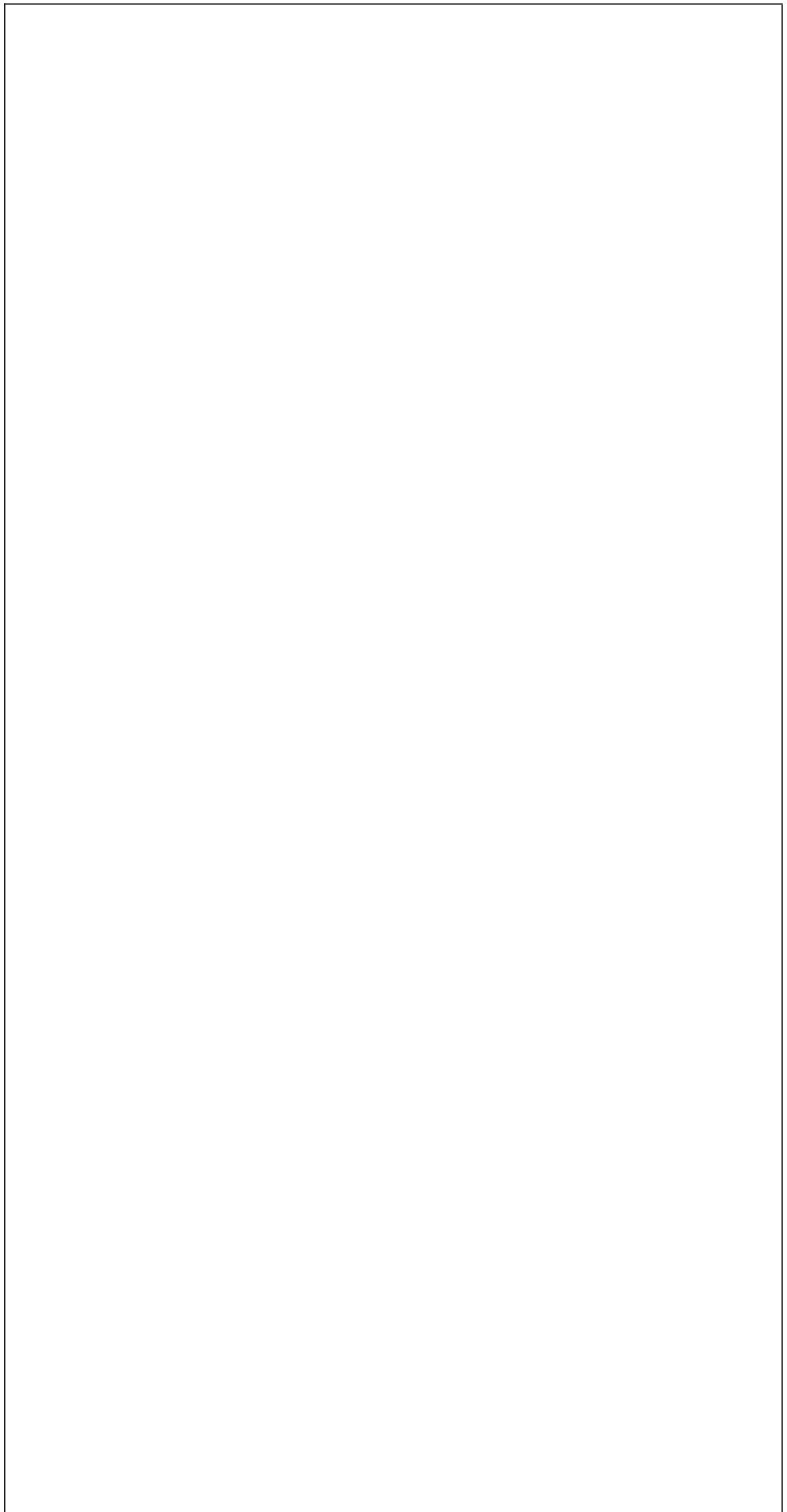
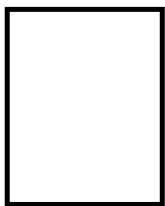
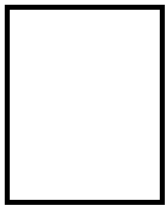
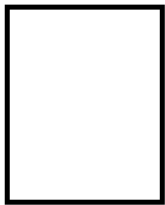
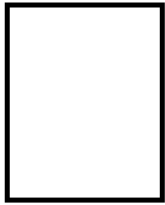
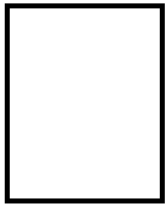


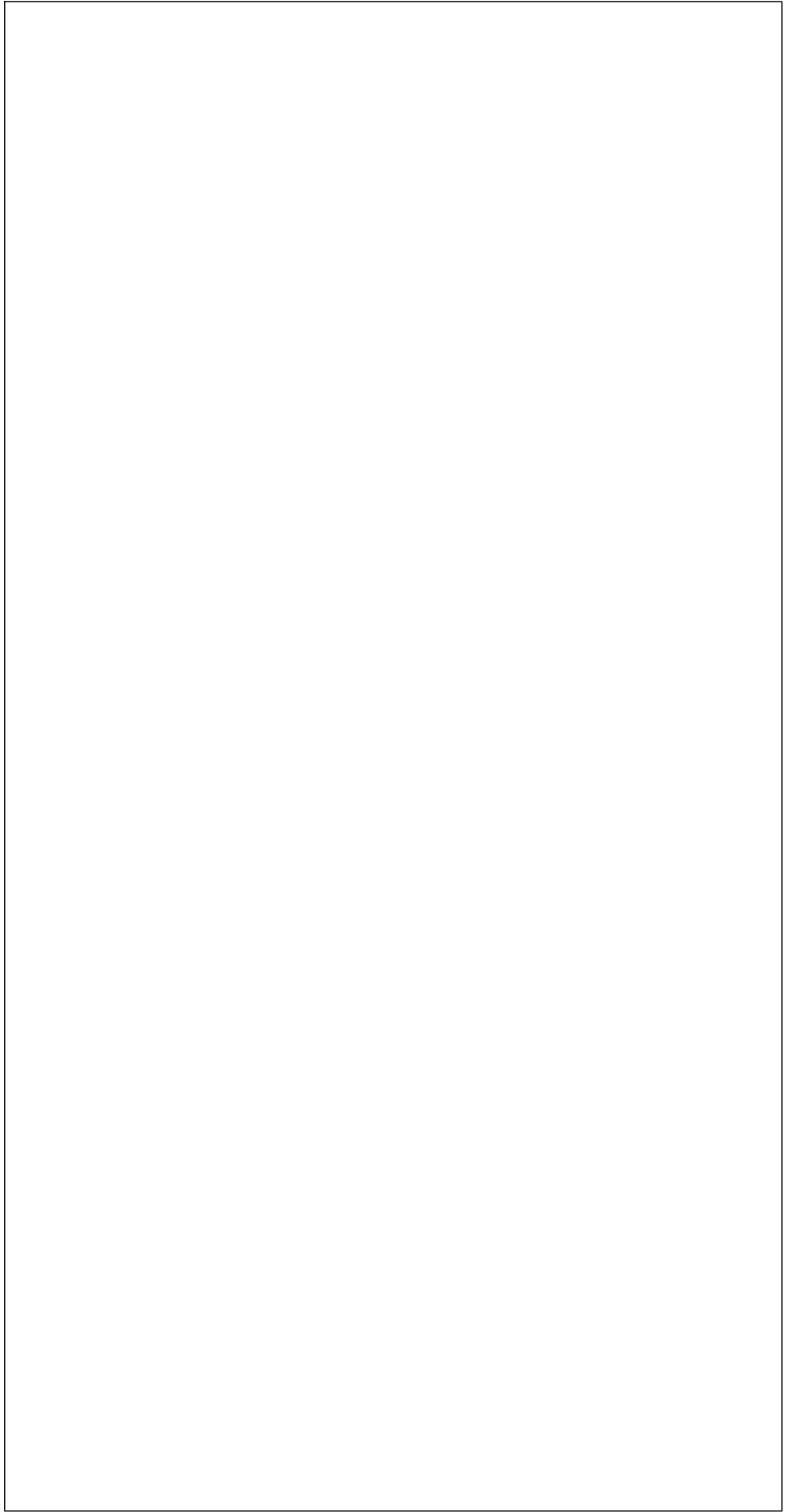
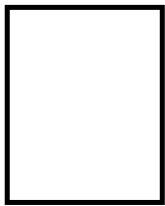
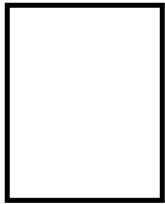
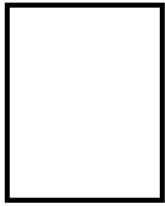
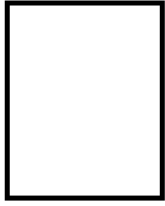
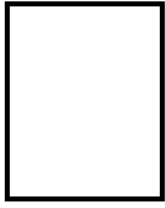
TO: Audit Committee

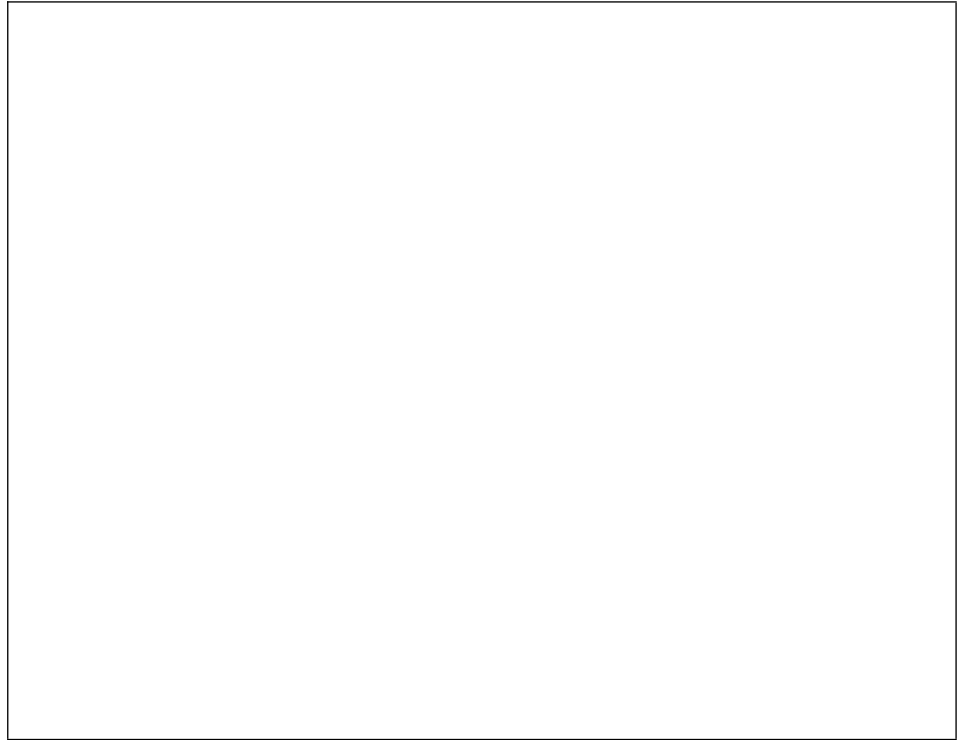
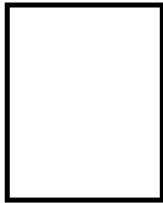
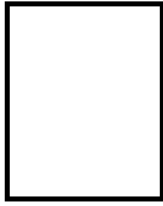
FROM: Head of Audit, Assurance & Procurement

DATE: 14 January 2014









PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 November 2013**

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 September 2013 to 30 November 2013.

2. RECOMMENDATIONS

The Committee is asked:

- to note the outcomes achieved to 30 November 2013 against the Audit & Assurance Plan, which was approved by Committee on 16 April 2013.
- to approve the proposed revisions to the Audit & Assurance Plan.

3. KEY ISSUES

Outcomes achieved in the year thus far

Counter Fraud

Housing Benefit:

The team received 324 referrals from various sources during the period 1 April – 30 November 2013. This represents a small decrease in referrals compared to the equivalent period last year when 343 were received.

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

Performance Indicators:

PM1 – Number of closed investigations – target 272 actual 282
(104% of pro-rata target, previously 100%. 2013/14 target is 408)

PM2- Number of investigations with a positive outcome – target 188 actual 122
(65% of pro-rata target, previously 65%. 2013/14 target is 282)

PM3 – Number of prosecutions/sanctions – target 48 actual 35
(73% of pro-rata target, previously 65%. 2013/14 target is 72)

Sixteen cases have been successfully prosecuted through the courts during this period. The Courts have passed sentences ranging from Community Punishment Orders to imprisonment.

Counter Fraud Training

The training package has been accessed by 775 employees (previously 681 employees to 31 August 2013). Audit & Assurance will continue to promote the interactive package and provide support to increase fraud awareness within the Council

Insurance, Risk and Corporate Governance

Insurance

As at 30 November there were 327 open insurance claims recorded against the Council and 556 open incidents reported, which could result in a claim. These have a total potential cost, including the reserves estimated by Zurich, of £6,719,179.

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

Cover Area	Total open claims	Total claims and incidents	Total estimated cost (Paid & Reserves)
Employer Liability	42	59	£504,412
Motor	29	154	£98,359
Other	0	1	0
Property	12	48	£2,872,932
Public Liability	244	621	£3,243,476
Total	327	883	£6,719,179

The table below sets out the number and status of claims and incidents notified in the period 1 April to 30 November 2013, which includes the recent fire at Griffin Lodge.

Cover Area	Closed	Payments	Open	Estimated Cost	Total	Total Claim (Paid & Reserves)
Employer Liability	1	£10,242	19	£104,283	20	£114,525
Motor	8	£4,617	45	£22,901	53	£27,518
Other	0	0	1	0	1	0
Property	7	£32,381	16	£2,859,939	23	£2,892,320
Public Liability	23	£4,534	224	£912,522	247	£917,056
Total	39	£51,774	305	£3,899,645	344	£3,951,419

Following the implementation of the Jackson Reforms, which went live from 1 August,

we have been monitoring the volume of claims received. In the year to 30 November 2013 there were 192 claims notified in total. Of these 104 were in the period to 31 July and 88 were subsequent to this date.

Insurance staff have now completed briefing sessions for Directorates on the implications of the Reforms and other insurance related matters and Directors are now provided with quarterly claims management reports for each of their areas.

We are continuing to utilise the risk management consultancy support which is available from Zurich Municipal as part of the long term agreement. We are awaiting reports from the reviews of stress management arrangements, which was carried out in late October and early November and the motor vehicle incident reporting and related investigation arrangements, completed in November.

Management Accountabilities Framework (MAF) Quarter 2 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 2 of 2013/14. It should be noted that these were the “red” priority areas as at 30 September 2013 and further action is being undertaken to address these concerns, which, where appropriate, is shown in italics within each thematic area below. New red priority areas have been identified where these appeared on the MAF for the first time this quarter or were escalated from amber ratings.

Themes	Quarter 2 Red Priorities
Demand Management	<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 than ever, and demand continues to exceed supply. The unpredictability of demand, places 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>11 new carers were approved between July and November. In addition to this 3 short break foster carers are commencing assessment, although these carers will take children with complex needs for short breaks. Further recruitment events are occurring in the coming weeks focusing on recruitment both within the Asian community and some locality recruitment leading up to Christmas. The current capacity has been stretched due to bringing in some large sibling groups however, children are constantly moving to adoption placements and there is some limited capacity in in-house foster care currently. In addition there is also the new adolescent Multi-dimensional Treatment Foster Care programme which has 1 young person in placement who was moved in from a commissioned placement. A further 2 young people are due to be placed in those foster placements in the next few weeks. Both will move from children’s homes and will generate in-house capacity for older young people.</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> – Since April 2013 to end of September there have been 33 care applications made compared with 24 in the same period last year, a rise of 37.5%. This year the team has been 2 full-time solicitors down compared to 2012. <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. We have not been able to recruit to a suitably experienced child care Solicitor and have put in place another approach to address the maternity leave cover. It is intended to keep the additional dedicated administrative assistant until further notice but reviewable dependent on demand requirements. The Solicitor who is currently acting up as Senior has increased their days for supervising from 2 to 3, therefore strengthening</i></p>

	<p><i>management of the team.</i></p> <p><i>Insufficient Resource (ITM&G) - We hoped that with Duke Street being completed on schedule resource requirements might have diminished however, changes to the Public Service Network co-co accreditation regime have resulted in additional requirements that will stretch resources beyond capacity for the remainder of this financial year. ITM&G DMT have met with the Exec Director of Resources and Transformation and Executive Member for Resources and agreed additional temporary resources for this area until the end of June 2014 to ensure PSN and software compliance for the remainder of the Council IT estate. We have a resource management tool being tested within 1 team in ITM&G. If successful, the tool will be rolled out by the end of the calendar year to the rest of the department. The IT Prioritisation Group meets regularly and helps to manage the demand for resources.</i></p> <p><i>Admissions to long-term residential and nursing care (NEW Adults) - Q1 performance was 50.5 per 100,000 population above corporate plan target, and BwD remains an outlier in NW data. Review of current social work practice re. residential care placements has started September 2013, chaired by Head of Social Work. In-depth monitoring and remedial action to take place.</i></p>
<p>Government Reform</p>	<p><i>Pressures in Customer Services – Demands for service continue to be significantly higher than in previous years. The increase is as a direct result of the localised Council Tax Support scheme and general Welfare Reform changes. Staffing resources have also reduced due to vacancies, sickness and maternity leave. Director of Finance/HoS have reviewed staffing needs for Jan 14 and it has been agreed that further temporary staff will be made available. The longer term solution is to continue to progress the Channel Shift initiatives and implement changes to the way Customer Services interacts with residents. The most significant changes will hopefully be implemented for Revenues and Benefits which will provide a much improved on-line offering.</i></p>
<p>IT Resilience /Infrastructure re</p>	<p><i>Resilience of IT Services (ITM&G) – There are issues with the OTH server room infrastructure that leave it vulnerable to power and communications system failures. Lack of consistent application patching may introduce exploitable vulnerabilities onto the network. Services are in the process of being moved to the new Data Centre giving a more stable and resilient infrastructure. We have engaged with a network provider through the AGMA procurement framework to look at network redesign which will include a 2nd internet connection and migration of a proportion of our data circuits from the OTH Server room. As a result this is unlikely to reduce to amber until this process is underway and nearing completion. Estimated timescales for completion are Q4.</i></p> <p><i>Impact on relationship with schools as a result of the authority's failure to resolve IT issues, in respect of internal performance and access to email for schools in Blackburn with Darwen (NEW Education) - Since the start of the academic year there has been severe disruption to internet performance and access to email for schools in the Borough. This has meant that there has been a direct negative impact on teaching, learning and day to day operation of schools core business. E learning and ITM&G have been working closely to resolve the issues and communicate effectively with schools regarding this matter. A number of actions have already been taken. A new solution has now been deployed. A number of schools have tested this successfully and noted improved performance. Plan to roll out to rest of schools in January 2014. Head of IT Service Delivery attending Schools Forums and holding meetings with individual Head Teachers regarding this.</i></p> <p><i>Concern over the stability of the CCTV servers with two recently failing (NEW</i></p>

	<u>Environment</u>) - The cost to replace a server is £18k and all servers are same age so could also fail imminently. The total annual budget for maintenance is only £20k. In addition we also deliver service for Hyndburn and Business Improvement Districts so potential risk to income and reputation longer term. <i>A Project Initiation Document has been completed for approval of capital investment which considers options to move servers to Davyfield Data Centre. A decision is expected following SPT in January.</i>
Staffing / HR	<u>Sickness absence levels in within-house services (Adults)</u> - Current high levels of sickness absence (both short and long term), particularly within in-house services. Improvements have been made re long-term absences, although overall sickness levels remain above those of most other Council departments. <i>All Greenways staff have now taken VR or been redeployed and the service is no longer operational. Latest data as at Sep '13 shows a slight improvement across all provision to 14.5 days per FTE. Detailed residential plan being implemented to improve attendance.</i>

Internal Audit

A summary of the 20 audits completed and finalised since the last report to Committee are detailed below.

Title	Assurance Opinion		Recommendations
	Environment	Compliance	Agreed
Resources			
Council Tax	Substantial	Substantial	1
Main Accounting	Substantial	Substantial	4
Cash - Blackburn Lib	-	Substantial	1
Cash – Darwen LC	-	Adequate	2
Cash – KGH Box Off	-	Substantial	1
Performance Indicator	Adequate	Limited	6
HR & Legal Governance	Adequate	Adequate	8
Capita Review	Adequate	Limited	19
People			
St Bede's High (F/U)	Adequate	Adequate	3
Our Lady of Perpetual	Adequate	Substantial	13
St Paul's CE	Substantial	Substantial	6
St Mary & St Joseph	Substantial	Substantial	10
Residential Homes	Adequate	Adequate	12
Place			
Young People's	No	No	22
Flare	Adequate	Limited	8
Regeneration	Adequate	Adequate	5

Governance			
LTP Grant	-	Adequate	1
Asset Management	Adequate	Adequate	7
Markets	Adequate	Limited	14
Troubled Families	Adequate	Adequate	4

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 5 audit assignments where we have provided a limited or no assurance opinion.

Performance Indicators:

We provided **limited** assurance for compliance with the control environment due to the issues identified in the Number of Health Interventions PI (CLS&YP Department). There were a number of areas for improvement noted: (i) there was a lack of audit trail to support the PI data captured and reported, particularly to support additional and cancelled interventions; (ii) additional interventions were recorded incorrectly which inflated the total weekly figures; and (iii) formulae within the data capture spreadsheet did not reference all relevant cells.

Capita Review:

We provided **limited** assurance for compliance with the control environment. The following key weaknesses were identified: (i) service schedules are not in place for all services and some schedules do not reflect the services delivered; (ii) core payments have not been reviewed to ensure that they represent value for money and are not all aligned to the correct budget; and (iii) performance measures are not in place for all services and performance is not consistently reported across the contract.

Young People's Service:

The review highlighted areas of weakness which led to a **no** assurance opinion of the control environment and compliance with controls, in particular: (i) significant weaknesses in the systems and records maintained relating to staff time recording and payments, (ii) reconciliation of supporting documentation to performance information does not take place; (iii) significant issues regarding the recording of assets and disposals, and the completion and maintenance of related inventory records.

Flare:

We provided **limited** assurance for compliance with the controls identified within the FLARE system. The areas where the controls could be strengthened were: (i) a privacy impact and risk assessment should be completed; (ii) password controls should be strengthened; and (iii) users should complete the Protecting Information level 1 course.

Markets:

We provided **limited** assurance for compliance with the control environment because: (i) appropriate enforcement action must be taken promptly when a stallholder defaults on payment and licenses terminated for persistent non payment; (ii) the accounts and the monies collected, in respect of Artisan Row, should be obtained at the earliest opportunity and then receipted and banked in line with the Council's Standing Financial Instructions; (iii) Management must assume responsibility for the Artisan Row stalls at the earliest opportunity as they are currently operated outside of a formal agreement;

and (iv) evidence of concessions granted to stall holders must be retained on file. Any concessions granted must be in accordance with the approving officer's authorised signatory limit approved by the Director. Markets management have confirmed that all recommendations have been implemented, which has included the Council taking over the management of Artisan Row from July 2013.

Current audit reviews

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

- Payroll
- Housing Benefits
- Business Rates
- Sundry Debtors
- Procurement
- EProcurement
- Internet Controls
- Departmental ICT Checks
- Departmental Governance Arrangements
- Referral Case Management
- ICS Protocol
- BSF
- School Establishments
- Property Rentals
- Car Parks

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: 100% (2013/14 – Q2: 88%)

The approved 2013/14 Audit & Assurance Plan contains 16 priority 1 audit assignments. The current status of these assignment shows that 16 (100%) are being delivered (fieldwork, draft issued, final issued or external review):

Audit Assignment	Current Status (6 January)
Schools Payroll	Draft Issued
Business Continuity Planning	External Review
Partnership Governance	Fieldwork
Council Payroll	Draft Issued
Information Governance	Final Issued

Housing Benefits	Draft Issued
Creditors	Final Issued
Council Tax	Final Issued
Business Rates	Draft Issued
Sundry Debtors	Draft Issued
Procurement	Final Issued
Main Accounting System	Final Issued
E-Procurement	Draft Issued
Treasury Management	Final Issued
Cash Collection	Final Issued
Capita Review	Final Issued

2. Percentage Of Planned Assignments Completed Within Budget
Target: 90%. Actual: 85% (2013/14 – Q2: 67%)

Audit & Assurance has completed 20 audit assignments and 17 (85%) were completed on or within budget. The 3 assignments delivered over budget were: Markets (4 days over), Asset Management (3 days over) and Capita Review (2 days over).

Explanations for the budget overspends were:

- Markets: The review identified an informal arrangement for the management of the Artisan Row stalls. Although outside of the scope of the terms of reference it was felt necessary to identify the risks and controls associated with this arrangement. This resulted in additional time being spent.
- Asset Management: Additional time was required to obtain, review and test evidence supplied from client officers within the client Department and Capita. Advice has been given to the auditor regarding proper planning and escalation of work.
- Capita Review: The audit involved liaison with several clients across all Council departments and seeking a co-ordinated final management response resulted in additional time being taken.

3. Percentage of Final Reports Issued Within Deadline
Target: 90%. Actual: 100% (2013/14 – Q2: 83%)

Of the 20 completed audit assignments all 20 (100%) final reports were issued within deadline.

4. Percentage of Follow Ups Undertaken Within Deadline
Target: 90%. Actual: 100% (2013/14 – Q2: 94%)

Audit & Assurance was required to undertake follow up reviews of 17 completed audit assignments. A further follow up was undertaken on health & safety because we previously reported (September) that 6 recommendations were outstanding. We have received a response from all 18 (100%).

5. Percentage of Agreed Recommendations Implemented By Clients
Target: 90%. Actual: 93% (2012/13 – Q2: 86%)

For the 18 assignments where we were able to undertake a follow up, there were 106 recommendations, which were due for implementation on or before 30

November 2013. It was identified that 98 (93%) of these recommendations had been implemented. The 8 recommendations not implemented relate to:

Health & Safety (3): The department reported in November that the following recommendations were overdue: (i) recording details of health & safety training on the HR system – Management have stated that this will be addressed in accordance with the implementation of the new HR & Payroll system; (ii) review expenditure on first aid certificates/materials and ensure compliance with Contract & Procurement Procedure Rules – Management have reported that there are no alternative providers for this service and they are seeking advice from corporate procurement on a way forward; and (iii) review PQQ documentation to ensure complies with public and private health & safety requirements – Management has stated that they will review the Health & safety element of the PQQ with the new Corporate Procurement Manager on or before 31 March 2014.

Children's Safeguarding (1): Management has confirmed that the Single Integrated Plan has not been fully approved because wider implementation of the single plan is part of the overall review and implementation of the 0-25 Complex Needs Strategy. Progress is reported to the 0-25 Complex Needs Steering Group, which is chaired by the Executive Director for People. The Council is planning to implement this by September 2014, which is in advance of the government's revised target of April 2015.

Bereavement Services (2): Management do not yet have a Sale Policy for the disposal of surplus assets but they do follow the spirit of the Council's Contracting & Procurement Procedure Rules; and were unable to confirm there is a fully auditable procedure in place for the payment and allocation of memorial trees.

Income & Budget Monitoring (1): The department will undertake the next annual review of the cash handling/security risk assessments in February 2014.

Quality Framework (1): The department was unable to confirm that all social work staff receive adequate and appropriate training relevant to their role following the creation of a new system of working and record keeping.

6. Percentage of Client's Satisfied With The Service
Target: 75%. Actual: 100% (2013/14 – Q2: 100%)

Audit & Assurance has received 6 completed client satisfaction questionnaires since the previous progress report. All 6 respondents stated that overall they were satisfied with the service received from Audit & Assurance. We did receive 2 responses where clients expressed some dissatisfaction with the service, by providing a less than satisfactory response to 1 of the 10 questions:

Cash Handling: The client officer reported that they were not given sufficient opportunity to influence the scope and objectives of the audit. (Audit & Assurance consider that this response is not applicable because to be effective the testing of banking and cashing up procedures it was planned that this would be unannounced and therefore individual client officers would not be given advanced notice).

Capita Review: The client officer reported that the final report was not issued promptly. (Audit & Assurance has acknowledged that this final report was delayed for the reasons given in 2. above).

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.

Audit & Assurance Plan 2013/14 – In Year Review

As reported to this Committee on 16 April 2013 changes to the Audit & Assurance Plan will be submitted to Members for consideration when they become necessary. Changes to the Plan are now required because of the following emerging issues:

- Resources – it was anticipated that Audit & Assurance would have staff resources amounting to 1,241 days for the delivery of the Audit & Assurance Plan. Due to a combination of the following, Audit & Assurance will now only be able to deliver 970 days:
 - i) an additional 60 days spent on three internal investigations (as reported to the September meeting of this Committee);
 - ii) an additional 135 days spent on non-audit tasks mainly in relation to Appraisals/121s, Administration and Insurance/Risk;
 - iii) a recent staff departure will reduce available days by 20;
 - iv) additional leave requests, unpaid and paternity amounting to 25 days;
 - v) further investment in staff training amounting to 30 days over the next quarter.
- Council Restructuring – changes to management and service delivery arrangements mean that certain reviews cannot be undertaken as planned but will only be delayed for completion early in the next financial year.

Audit & Assurance has proposed revisions to the Audit & Assurance Plan, which will continue to provide an opinion on the effectiveness of the internal control environment within the constraints that are being placed upon the Council and Audit & Assurance. The revisions all relate to the lowest priority audits and cover all departments/areas of the Council.

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 & HEALTH IMPLICATIONS

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

10. CONSULTATIONS

Directors

Contact Officer:

Paul Hankinson, Audit & Assurance Manager

Date:

6 January 2014

Background Papers:

Audit & Assurance Plan 2013/14, approved by Committee on 16 April 2013.