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PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 November 2014**

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 September to 30 November 2014.

2. RECOMMENDATIONS

The Committee is asked:

- to note the outcomes achieved to 30 November 2014 against the Audit & Assurance Plan, which was approved by Committee on 15 April 2014.

- to approve the proposed revisions to the Audit & Assurance Plan.

3. **BACKGROUND**

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that are identified during the year.

4. **RATIONALE**

The Council is required under the Accounts and Audit (England) Regulations 2011 to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice as defined within the mandatory PSIAS.

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. **KEY ISSUES**

Outcomes achieved in the year thus far:

Counter Fraud

Housing Benefit:

The team received 341 referrals from various sources during the period 1 April 2014 – 30 November 2014, which is more than the number received in the equivalent period in 2013/14 when 324 were received.

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

Performance Indicators:

PM1 – Number of closed investigations:

2014/15 target 272, actual 282 (104% of pro-rata target)

PM2 – Number of investigations with a positive outcome:

2014/15 target 120, actual 107 (89% of pro-rata target)

PM3 – Number of prosecutions/sanctions:

2014/15 target 35, actual 27 (77% of pro-rata target)

During this period the team has continued its work targeting suspected landlord fraud within the Borough. This has been a resource intensive activity which has affected the team's performance in other areas.

A Blackburn woman was recently prosecuted and received a suspended prison sentence for fraudulently claiming almost £31,000 in benefits. An investigation revealed that the woman had failed to disclose details of 2 occupational pensions and substantial savings over a 6 year period.

Officers are working with the Department for Work & Pensions (DWP) on the transfer of housing benefit fraud investigation activity to their Single Fraud Investigation Service (SFIS). The Council's responsibilities in relation to housing benefit fraud (together with the two fraud investigation officers) will transfer to SFIS on 1 April 2015. The Council will have to continue working with the DWP after this transfer date to support their investigation of housing benefit fraud and also to support activity in relation to the Housing Benefit Matching Service (HBMS) and National Fraud Initiative (NFI). The Council will remain responsible for all other fraud risks including the investigation of Council Tax Reduction Scheme referrals and other fraud referrals. Officers are assessing the resources required to meet these requirements.

Counter Fraud Training

The training package has been accessed by 1,080 employees (previously 960 employees to August 2014). Audit & Assurance will continue to promote the interactive package and provide support to increase fraud awareness within the Council.

Risk and Corporate Governance

Management Accountabilities Framework (MAF) Quarter 2 Update

The table below lists the seven "red" priority areas of concern across the departments, by key themes, identified in the summary MAF reports for Quarter 2 of 2014/15. In summary, 5 areas of concern previously identified as "red" have been downgraded this quarter to an "amber" rating. Two 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. Further action is being undertaken to address these concerns.

Themes	Description	2014/15 Quarter 2	2014/15 Quarter 1
Demand Management	Admissions to long-term residential and nursing care (Adults)	Red	Red
	High Risk & Challenging Teenagers (Children's)	Red	Red
Government Reform	Relationships with schools (Education)	Amber	Red
	School improvement (Education)	Amber	Red
IT Resilience	ITMG prioritisation of Leisure & Culture requests (CLS & YP)	Red	Red
	Security threats & vulnerabilities (ITMG)	Amber	Red
	Electoral Registration Software (HR, Legal & Corporate Services)	Red	Amber
Budgets & Finance	Budget Pressures (Adult Commissioning & Personalisation)	Red	Red
Staffing/HR	Staffing Capacity in Public Protection (Environment, Housing & Neighbourhoods)	Amber	Red
	Sickness Absence (Adults)	Red	Red

	Social worker workloads (Children's)	Amber	Red
	Audit & Assurance Staffing (Finance)	Red	Amber

Internal Audit

A summary of the 14 audits completed and finalised since the last report to Committee are detailed below.

Title	Assurance Opinion		Recommendations
	Environment	Compliance	Agreed
Resources			
Council Tax	Adequate	Substantial	5
Insurance	Adequate	Adequate	4
Budget Setting	Adequate	Adequate	0
Budget Control	Limited	Limited	9
Adult Budget Monitoring	Limited	Limited	10
Business Continuity	Adequate	N/A	9
People			
Audley Juniors	Substantial	Substantial	10
Shadsworth Juniors	Adequate	Adequate	19
St Silas Primary	Limited	Adequate	21
Edgworth Primary	Adequate	Adequate	15
Place			
LTP Grant	Adequate	Adequate	0
Rogue Landlord Grant	Adequate	Adequate	0
Fleet Maintenance	Adequate	Adequate	15
Licensing Cash	N/A	Limited	10

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.

Budget Control

We provided a **limited assurance** opinion for both the control environment and compliance. This was because we identified 3 "must" recommendations relating to the regularity of budget monitoring meetings, the escalation process for when meetings do not take place and the arrangements for ensuring that adult commissioning forecasts remain accurate and complete.

Adult Budget Monitoring

We provided a **limited assurance** opinion for both the control environment and compliance because of the 4 “must” recommendations relating to the backlog of tasks within the transactional finance team and to provide clarity on the user roles & responsibilities, procedure notes and training on the new (MOSAIC) system.

St Silas CE Primary School

We provided **limited assurance** for the control environment because we identified a total of 21 recommendations. This included a “must” recommendation requiring that 5 statutory policies be created and approved.

Licensing Cash

Limited assurance was provided for compliance because of the 2 “must” recommendations in relation safe key security, safe insurance limits and banking frequencies.

Current internal audit reviews

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

- Creditors
- VAT
- Risk Management
- Procurement
- Debtors
- Information Governance
- Payroll
- Performance Indicators
- Members Allowances
- School Establishments
- Major Contracts – Freckleton Street
- Waste/Recycling Contracts

Internal Audit Performance

The Departmental Business Plan 2014/15 includes targets to achieve our strategic aims. The defined targets and actual performance for the latest period (September to November 2014) are as follows:

1. **Delivery of Priority 1 Audit Plan Topics**

Target 100% Actual: 75% (2014/15 – Q2: 75%)

The approved 2014/15 Audit & Assurance Plan contains 7 priority 1 audit assignments and there was 1 priority 1 audit assignment from the 2013/14 Plan. The current status of these assignment shows that 6 (75%) are being delivered (fieldwork, draft issued or final issued):

Audit Assignment	Current Status (3 January)
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2014/15 Plan	
Emergency Planning	Planning
Payroll	Fieldwork
Information Governance	Fieldwork
Business Continuity Planning	Final Issued
Budget Setting	Final Issued
Budgetary Control	Final Issued
Capita Partnership	Planning
2013/14 Plan	
Partnership Governance	Final Issued

2. Percentage Of Planned Assignments Completed Within Budget

Target: 90%. Actual: 79% (2014/15 – Q2: 60%)

Audit & Assurance has completed 14 audit assignments and 11 (79%) were completed on or within budget. The 3 assignments delivered over budget were: Insurance (6 days over); Adult Budget Monitoring (6 days over) and Business Continuity Planning (1 day over). The reasons for the extra time being required were:

- Insurance - This review was undertaken by the new member of staff who required additional time to meet the required audit standards.
- Adult Budget Monitoring - This was an additional audit review requested by the former Director of Finance. Additional objectives and the scope of the review changed during the fieldwork, which meant that additional time was required.
- Business Continuity Planning – Further discussion was required before the final report could be issued.

3. Percentage of Final Reports Issued Within Deadline

Target: 90%. Actual: 93% (2014/15 – Q2: 100%)

Of the 14 completed audit assignments 13 (93%) final reports were issued within deadline. The only delayed report – Business Continuity Planning (5 working days) - was as a result of the further discussions required.

4. Percentage of Follow Ups Undertaken Within Deadline

Target: 90%. Actual: 82% (2014/15 – Q2: 88%)

Audit & Assurance were required to undertake follow up reviews of eleven completed assignments. We received a response in respect of nine (82%) reviews. The two assignments where a complete follow up response was not forthcoming were:

- Building Schools for the Future
- Public & Volunteer Access to Network – partial response

5. Percentage of Agreed Recommendations Implemented By Clients

Target: 90%. Actual: 90% (2014/15 – Q2: 77%)

For the eleven assignments where we were able to undertake a follow up response, there were 68 recommendations, which were due for implementation on or before 30 November 2014. It was identified that 61 (90%) of these recommendations had been implemented. The seven

recommendations where the information received was insufficient to confirm implementation were:

- BSF (1):
Confirmation that the Strategic Partnership Board had been dis-established had not been received.
- Coroners Budget (1):
Payments for mortuary fees will be separately recorded once the second phase of P2P training is completed.
- PC & Inventory Controls (1):
A CCTV camera was due to be operational in the J Floor Build Room on 30 September 2014. It will now become operational once a new cabinet is installed (as part of network refresh) in the next couple of months.
- Public & Volunteer Access to Network (4):
HR Management stated that a central record of volunteers would be maintained when phase 2 of the new HR & Payroll system had been implemented, which will take place early in 2015.
No confirmation was received to confirm that the following has been implemented: (i) The New Public Access Solution project had been re-assessed, prioritised and timetabled to deliver a robust, centrally managed and secure public access solution; (ii) The solution ensures that all users receive appropriate training, confirm that they will only use the network for acceptable uses and are clearly identifiable before they are granted access; and (iii) Volunteers should be readily identifiable on the Council Network.

6. Percentage of Client's Satisfied With The Service

Target: 75%. Actual: 100% (2014/15 – Q2: 90%)

Audit & Assurance has issued 11 satisfaction surveys for completion by clients since the previous progress report. All (100%) of the respondents stated that they were either satisfied or very satisfied with the service provided. An analysis of the responses to each individual question identified that there were no areas of dissatisfaction. We will continue to remind and request that officers complete the surveys.

7. Percentage Compliance with PSIAS

Target: 95% Actual: 96% (2014/15 – Q1: 96%)

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 2014/15 – In Year Review

As reported to this Committee on 15 April 2014 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 1,125 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 800 days:

- delays in recruitment to vacant posts (125 days);
- a secondment to Financial Services, which has been extended beyond the planned end date (100 days), which has now ended; and
- a secondment to Financial Services, which was not incorporated into the original internal audit resourcing plan (100 days), which has now ended.

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 allow it to provide an opinion on the Council's framework of governance, risk management and internal control. This revision will ensure that the highest priority (priority 1) audits will be completed in 2014/15. The lowest priority audits will be deferred for completion in 2015/16 and will cover all departments/areas of the Council.

6. 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.

7. FINANCIAL IMPLICATIONS

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

8. LEGAL IMPLICATIONS

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

9. RESOURCE IMPLICATIONS

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

10. EQUALITY & HEALTH IMPLICATIONS

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

11. CONSULTATIONS

Directors

Contact Officer: Paul Hankinson, Audit & Assurance Manager – Ext: 5630

Date: 31 December 2014

Background Papers: Audit & Assurance Plan 2014/15, approved by Committee on 15 April 2014.