



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 29 July 2020

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT:** **Audit & Assurance - Progress and Outcomes to 30 June 2020**

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**1. PURPOSE**

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 December 2019 to 30 June 2020.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 June 2020 against the annual 2019/20 Audit & Assurance Plan, which was approved by Committee on 16 April 2019 and the draft 2020/21 Plan, included elsewhere on this agenda.

**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 have been identified during the year.

The work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

**4. RATIONALE**

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards (PSIASs).

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

- an objective and independent opinion can be provided at the year-end which meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and

- support is provided to Members, Directors and managers in their particular areas of responsibility throughout the year.

## 5. KEY ISSUES

### Outcomes achieved in the year to 30 June 2020:

#### Corporate Governance and Risk

The table below summarises the fourteen “red” priority areas/issues across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements for the year-end, as at 31st March 2020.

This includes ten “red” priorities that have remained as areas of concern from 30th September 2019, two areas that have been upgraded (U below) and two new areas (N below) which appear as red for the first time. There are also four areas of concern previously identified as “red” that has now been downgraded (D below) to “amber” in the period.

No	Theme / Description	2019/20	2019/20
		31st March Year End	30 <sup>th</sup> September Half Year
<b>Demand Management</b>			
1	Crime Figures (Adults & Prevention)	Red	Red
2	Contextual Safeguarding – The development of a multi-agency response. (Children’s Services)	Red	Red
	Fostering and Adoption Placement Sufficiency. (Children’s Services)	Amber <sub>(D)</sub>	Red
	Social Worker Workload and Capacity (Children’s Services)	Amber <sub>(D)</sub>	Red
3	AST (Area Support Teams) (Children’s Services)	Red <sub>(N)</sub>	n/a
4	Special Guardianship Orders (Children’s Services)	Red <sub>(N)</sub>	n/a
	Compliance with GDPR (Digital & Business Change)	Amber <sub>(D)</sub>	Red
<b>Budgets &amp; Finance</b>			
5	Adult Social Care Budget Pressures. Increased demand and complexity coupled with increase in commissioning rates. (Adults & Prevention)	Red	Red

		2019/20	2019/20
	Theme / Description	31st March Year End	30 <sup>th</sup> September Half Year
6	Ensure strong budget management via full open transparent processes and QA framework. (Adults & Prevention)	Red(U)	Amber
7	Potential increase in contract costs for sheltered housing and Learning Disability supported living framework (Adults and Prevention)	Red	Red
8	Budget and Demand Pressures - Social Work Demand Costs and Out of Borough Placements. (Children Services)	Red	Red
9	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
10	Budget Pressures - Income Shortfalls. (Environment & Operations)	Red(U)	Green
<b>Staffing/ HR</b>			
11	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department. (Adults & Prevention)	Red	Red
12	Sickness Absence (Adults & Prevention)	Red	Red
13	Sickness Absence (Corporate)	Red	Red
	Children's Advice & Duty Services (CADS) (Children Service)	Amber(D)	Red
14	Data Subject Access Requests (Children Services)	Red	Red

### **Counter Fraud Activity**

#### **National Fraud Initiative**

A total of 4,716 data matches were initially received from the Cabinet Office in February as part of the 2018/19 exercise. The results of work undertaken show that 1,192 matches have been processed and a further 37 investigations are ongoing. A total of 617 errors have been found to date resulting in savings of £155,338 and

arrangements are in place to recover this money from the individuals concerned where appropriate. The table below illustrates main areas of activity, and where savings have been identified.

### Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	29	£55,298
Private Residential Care Homes	3	£8,094
Resident Parking Permits*	14	-
Concessionary Travel Passes**	429	£10,296
Blue Badge Parking Permits***	142	£81,650
<b>TOTAL</b>	<b>617</b>	<b>£155,338</b>

\* Residents parking permits cancelled & system updated as a result of NFI information

\*\* Concessionary Travel Passes - these passes have all been cancelled due to information from the DWP that the permit holders are deceased and the passes 'hot listed' to prevent future misuse. The Cabinet Office attach a monetary value to these cancellations. The figure shown is an estimated savings figure provided by the Cabinet Office.

\*\*\* Blue Badge Parking Permits – these permits have been cancelled due to information from the DWP that the permit holders are deceased. The Cabinet Office attach a monetary value to these cancellations. The figure shown is as estimated savings figure provided by the Cabinet Office.

The Council received additional reports from the Cabinet Office in February and March 2019, which included 4,673 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register. The matches indicate that entitlement to Single Persons Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for follow up and further action. To date 126 of these matches have been processed and a further 71 investigations are ongoing. The table below illustrates the results to date on these matches:

Area	No. of Errors	Value (£)
Council Tax Single Person Discount	25	£8,308

The Council received a report from the Cabinet Office in March 2020 which included 1,949 Council Tax Single Person Discount data matches. These were generated after a match with the electoral register. These matches have been shared with the Revenues section.

### COVID-19 Financial Support Schemes

In response to the Coronavirus, Covid-19, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. An additional fund aimed at small businesses who were not eligible for the Small Business Grant Fund, the Retail, Leisure and Hospitality Fund or other forms of support, called the Local Authority Discretionary Grants Fund, was launched in May 2020. The Council has been actively administering payments under these schemes. In order to ensure that grant aid requirements have been fully met and complied with Audit & Assurance is currently involved in

supporting colleagues within the Revenues and Growth Teams to develop a proportionate, risk based payment assurance plan.

This will involve a review of both pre and post payment assurance checks to ensure that payments are correct. Audit & Assurance has already undertaken some pre-assurance work using a free toolkit supplied by the Cabinet Office in respect to payments due under the Small Business Grants Fund and supported colleagues within the Growth Team to carry out pre-assurance checks on payments due to businesses under the Discretionary Grants Fund. This has involved data matching potential grant claims with the credit reference agency Experian through the NFI. This has helped to identify those legitimate businesses eligible for support and those where further investigation is required. This work is currently ongoing.

### **Proactive fraud work**

A review of the administration of the Blue Badge scheme is currently ongoing. A draft report has been issued to management for a response to our findings and recommendations. This is part of our planned counter fraud work for 2019/20. The objective is to ensure that there are effective arrangements in place to issue a Blue Badge in line with scheme eligibility conditions and to identify, cancel and recover Blue Badge Parking Permits when a permit holder dies. The results of this exercise will be communicated in a future report to Committee.

### **Other investigations**

Audit & Assurance is continuing to liaise with the Police regarding two separate cases of regarding monies owed to the Council. One of these cases is listed for trial at Crown Court in February 2021.

Audit & Assurance recently received information through the Whistleblowing Hotline from a source alleging misuse of a Council asset. The matter is currently under investigation and an update will be provided to Committee in due course.

### **Internal Audit**

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

<b>Risk, Control &amp; Governance Reviews</b>	<b>Assurance Opinion</b>		<b>Recommendations Agreed</b>
	<b>Environment</b>	<b>Compliance</b>	
Liquidlogic Children's Social Care System (Previously Protocol ICS System)	Adequate	Limited	9
Sundry Debtors	Adequate	Adequate	16
New Section 106 Procedures	Substantial	Substantial	4
Police & Crime Commissioner Grant	Adequate	Adequate	4
ResourceLink System Access Controls	Substantial	Substantial	0
Main Accounting	Substantial	Substantial	2

St Barnabas & St Paul's CE Primary School	Adequate	Limited	14
Avondale Primary School	Adequate	Adequate	12
St Albans RC Primary School	Limited	Limited	26
St Thomas Pupil Referral Unit	Adequate	Adequate	15
St Anthony's RC Primary School	Adequate	Adequate	12
The Redeemer CE Primary School	Limited	Limited	19
Feniscowles Primary School	Substantial	Substantial	5
Museums Income	Adequate	Adequate	4
Information Governance	Substantial	Adequate	3
Mosaic System - Access Controls	Substantial	Adequate	3
Social Determinants of Health	Adequate	Adequate	9

A brief commentary on each of the audit assignments where we have provided a limited assurance opinion is set out below.

**Liquidlogic Children's Social Care System:** The audit objective was to review the controls in place for user account management, including any third party access, and the controls around data retention and transfer in line with General Data Protection Regulations (GDPR) compliance. Adequate assurance was provided for the control environment and limited assurance for compliance with the controls in place. Recommendations were made to strengthen controls relating to the removal of staff leavers and inactive staff, information governance training for active users and system administration profiles.

**St Barnabas & St Paul's CE Primary School:** Audit and Assurance placed adequate assurance on the control environment and limited assurance on compliance with controls. A number of actions were identified including recommendations to strengthen controls relating to compliance with approval thresholds, and procurement procedures as well as ensuring expenditure was reasonable and used the purposes of the school as defined in the School Standards and Framework Act 1998.

**St Albans RC Primary School:** In our opinion, the combined financial and non-financial systems and procedures in place for St Alban's RC Primary School at the time of the review provided a limited level of internal control for the areas reviewed. Limited assurance was provided for compliance with these controls. Key areas

where action was required included Registers of Business Interest, records relating to the maintenance of the fire alarm system and access rights for the finance system.

**The Redeemer CE Primary School:** Audit and Assurance placed limited assurance on both the control environment and on compliance with controls for the areas reviewed. A number of actions were identified including recommendations to strengthen controls relating to budgetary and expenditure controls, petty cash procedures and system access rights.

### **Current internal audit reviews**

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

- Blue Badge Proactive Fraud Testing;
- Income billing & collection arrangements (Car Parking and Cemeteries);
- Building Control Performance Standards;
- Pupil Transport;
- Highways Maintenance – Procurement;
- Council Tax;
- Payroll Core System;
- Turton Tower Income;
- Young Peoples Service – Educational Visits Risk Assessments;
- Arrangements for the Use of the Contractor & Development Framework;
- Apprenticeship Levy.

### **Internal Audit Performance**

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

<b>Performance Measure</b>	<b>Target</b>	<b>Q1 2020/21</b>	<b>Q4 2019/20</b>
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	90%
2. Planned Audits Completed Within Budget	90%	<b>71%</b>	70%
3. Final Reports Issued Within Deadline	90%	94%	100%
4. Follow Ups Undertaken Within Deadline	90%	<b>80%</b>	100%
5. Recommendations Implemented	90%	74%	100%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measure where performance in the period has fallen below the agreed target:

#### **2. Planned Assignments Completed Within Budget**

Five of the seventeen audits, (29%), completed in the period were over budget. Additional time was required to complete the Police and Crime Commissioner Grant, Sundry Debtors and Liquidlogic Children's Social Care System Access audits as the staff involved included new members of the team. Extra time was required

for familiarisation and training on the areas covered in these audits, and to ensure that the audit files and reports met the required standards. Two school visits required extra time to finalise due to the nature of the issues identified and additional meetings with school staff.

#### 4. Follow Ups Undertaken Within Deadline

There was a delay in issuing a number of follow-ups at the time that they were due during the period following the handover of responsibility for this work. However, these have subsequently all been issued.

#### 5. Recommendations Implemented

Of the follow up responses received back we were able to identify that 43 (74%) of the 58 recommendations due for implementation on or before 30 June 2020 had been fully implemented or partially implemented. There were no must recommendations that had not been implemented. Three responses to the follow-ups were outstanding, including those from two schools. Audit & Assurance will continue to seek responses to these requests and provide a verbal update at the Committee meeting if received.

#### **6. POLICY IMPLICATIONS**

The 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 or health implications arising as a result of this report.

#### **11. CONSULTATIONS**

Directors

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Date: 17 July 2020

Background Papers: Audit & Assurance Plan 2019/20, approved by the Audit & Governance Committee on 16 April 2019.