



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 26 November 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

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

1. PURPOSE

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

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 September 2020 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29 July 2020.

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 September 2020:

Corporate Governance and Risk

The table below summarises the nine “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 half-year, as at 30 September 2020.

This includes eight red priorities that have remained as areas of concern from 31 March and one area that has been upgraded (U below). There are also six areas of concern previously identified as red that have now been downgraded (D below) to amber or green in the period.

| No | Theme / Description | 2020/21 30 September Half Year | 2019/20 31 March Year End |
|------------------------------|--|---|---------------------------------|
| Demand Management | | | |
| 1 | Special Guardianship Orders (Children’s Services) | Red | Red |
| 2 | Fostering and Adoption Placement Sufficiency. (Children’s Services) | Red _(U) | Amber |
| | Contextual Safeguarding – The development of a multi-agency response. (Children’s Services) | Amber _(D) | Red |
| | AST (Area Support Teams) (Children’s Services) | Amber _(D) | Red |
| | Crime Figures (Adults & Prevention) | Green _(D) | Red |
| Budgets & Finance | | | |
| 3 | Ensure strong budget management via full open transparent processes and QA framework. (Adults & Prevention) | Red | Red |
| 4 | Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services) | Red | Red |
| 5 | School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services) | Red | Red |

| | | 2020/21 | 2019/20 |
|---------------------|--|------------------------|-------------------|
| No | Theme / Description | 30 September Half Year | 31 March Year End |
| 6 | Budget Pressures - Income Shortfalls. (Environment & Operations) | Red | Red |
| | Adult Social Care Budget Pressures. Increased demand and complexity coupled with increase in commissioning rates. (Adults & Prevention) | Amber _(D) | Red |
| | Potential increase in contract costs for sheltered housing and LD supported living framework (Adults and Prevention) | Amber _(D) | Red |
| Staffing/ HR | | | |
| 7 | Capacity and direction to provide strategic capacity/analysis to SLT and the wider department. (Adults & Prevention) | Red | Red |
| 8 | Sickness Absence (Adults & Prevention) | Red | Red |
| 9 | Data Subject Access Requests (Children Services) | Red | Red |
| | Sickness Absence (Corporate) | Amber _(D) | Red |

Counter Fraud Activity

National Fraud Initiative (NFI)

Work on the 2018/19 exercise is now complete. The results of work undertaken show that a total of 642 errors were found resulting in savings of £163,646. 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 |
| Council Tax Single Person Discount | 25 | £8,308 |
| TOTAL | 642 | £163,646 |

* 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.

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The Council received a separate report from the Cabinet Office in March 2020 which included 1,949 Council Tax Single Person Discount data matches. These were generated after matching with the electoral register. These matches have been shared with the Revenues section and work is ongoing to review them.

Work is currently underway to prepare for the 2020/21 NFI. As required, data is currently in the process of being supplied to the Cabinet Office and the resultant data matches will be returned to the Council for review and action early in the new year.

COVID-19 Financial Support Schemes

In response to the Coronavirus, Covid-19, the Government announced there would be grant support for small businesses, and businesses in the retail, hospitality and leisure sectors. An additional discretionary fund aimed at small businesses who were not eligible for these grants 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 complied with Audit & Assurance has supported colleagues within the Revenues and Growth Teams to develop a proportionate, risk based post payment assurance plan.

This will involve a review of both pre and post payment assurance checks to ensure that payments were correct. Audit & Assurance has already undertaken some pre-assurance work using a free toolkit supplied by the Cabinet Office 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 helped to identify those legitimate businesses eligible for support and those where further investigation was required. This work has been completed and of 461 applications received, 323 grant claims were paid and 138 were declined.

Proactive fraud work

As part of our planned counter fraud work a review of the administration of the Blue Badge scheme was carried out. The details are summarised in the internal audit table on the following page.

Other investigations

Audit & Assurance is continuing to liaise with the Police in the case of a suspected fraud. In one other case of suspected fraud the matter has been concluded, with full repayment to the Council of approximately £40,000 in monies incorrectly claimed.

Audit & Assurance have also investigated a complaint raised through the Whistleblowing Hotline from a source alleging misuse of a Council asset. The

investigation concluded that there was no basis to the allegation made.

Internal Audit

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

| Risk, Control & Governance Reviews | Assurance Opinion | | Recommendations Agreed |
|------------------------------------|-------------------|-------------|------------------------|
| | Environment | Compliance | |
| Blue Badge Proactive Fraud Testing | Adequate | Adequate | 2 |
| Pupil Transport | Substantial | Substantial | 0 |
| Highways Maintenance – Procurement | Adequate | Limited | 5 |
| Turton Tower Income | Adequate | Adequate | 9 |
| Apprenticeship Levy | Adequate | Adequate | 6 |

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

Highways Maintenance – Procurement: The audit involved a review of the procurement process for third party suppliers delivering Highways Maintenance work to ensure was fully compliant with the Council’s Contract Procedure Rules and EU Procurement Regulations and to review the contract management and monitoring arrangements in place. Adequate assurance was provided for the control environment and limited assurance for compliance with the controls in place. Recommendations were made to ensure that the procurement arrangements were fully compliant with the Council’s procurement rules and that monitoring arrangements in place were strengthened.

Audit & Assurance staff have also completed expenditure reviews during the period to ensure the funding terms and conditions were met and enable the following grant declarations to be signed by the Chief Executive and Head of Audit & Assurance in respect of the year ended 31 March 2020:

- Local Transport Settlement 2019/20;
- Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination 2019/20
- Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) 2019/20

The results of the work confirmed that, in our opinion, the conditions attached to the grant determinations had been complied with in all significant respects.

Current internal audit reviews

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

- Police & Crime Commissioner Grant;
- Income billing & collection arrangements (Car Parking and Cemeteries);
- Building Control Performance Standards;

- Commercial Property Rental;
- Creditors;
- Council Tax;
- Payroll Core System;
- Corporate Appointee;
- Young Peoples Service – Educational Visits Risk Assessments;
- Arrangements for the Use of the Contractor & Development Framework;
- Mileage Payments/Staff Expenses.

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:

| Performance Measure | Target | Q2 2020/21 | Q1 2019/20 |
|---|---------------|-----------------------|-----------------------|
| 1. Delivery of Priority 1 Audits (Annual) | 100% | N/A | N/A |
| 2. Planned Audits Completed Within Budget | 90% | 75% | 71% |
| 3. Final Reports Issued Within Deadline | 90% | 100% | 94% |
| 4. Follow Ups Undertaken Within Deadline | 90% | 73% | 80% |
| 5. Recommendations Implemented | 90% | 85% | 74% |
| 6. Client Satisfaction | 75% | % | 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

Two of the eight audits (25%) completed in the period were over budget. Additional time was required to complete the Apprentice Levy and Pupil Transport reviews as this was the first time these areas had been audited. Extra time was for the planning, preparation and testing due to the nature of these areas.

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 133 (84%) of the 158 recommendations due for implementation on or before 30 September 2020 had been fully implemented or partially implemented. Implementation of a number of recommendations had been delayed due to the impact of CV-19 on staff resources and departmental priorities. This included four must recommendations. One of these related to ensuring annual agreements were in place with each team receiving the Public Health internal recharge funding. The three others were in respect of schools. These related to Governor Registers of Business Interests, publication of required information on a school website and ensuring that required policies are developed and reviewed on a regular basis.

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

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326

Date: 13 November 2020

Background Papers: Audit & Assurance Plan 2020/21, approved by the Audit & Governance Committee on 29 July 2020.