



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 29 June 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 May 2021

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 March 2021 to 31 May 2021.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 31 May 2021 against the annual Audit & Assurance Plan 2021/22, as approved by the Committee on 30 March 2021.

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 for their particular

areas of responsibility throughout the year.

5.

KEY ISSUES

Outcomes achieved in the year to 31 May 2021:

Corporate Governance and Risk

The table below summarises the five “red” priority areas/issues across the departments, by key themes, which were identified in the summary Director Exception/Dashboard Report and Assurance Statements for the 31st March 2021 year-end.

These have remained areas of concern from the 30th September 2020. There are four areas also noted below that were identified as “red” at the half year that have been downgraded to “amber” in the period (D below).

No	Theme / Description	2020/21	2020/21
		31st March Year-end	30 th September Half Year
Demand Management			
1	Fostering Sufficiency (Children’s Services)	Red	Red
	Special Guardianship Orders (Children’s Services)	Amber ^(D)	Red
Budgets & Finance			
	Ensure strong budget management via full open transparent processes and QA framework. (Adults & Prevention)	Amber ^(D)	Red
2	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
3	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
4	Budget Pressures - Income Shortfalls. (Environment & Operations)	Red	Red
Staffing/ HR			
5	Data Subject Access Requests (Children Services)	Red	Red
	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department.	Amber ^(D)	Red

	(Adults & Prevention)		
	Sickness Absence (Adults & Prevention)	Amber ^(D)	Red

Counter Fraud Activity

National Fraud Initiative (NFI)

A total of 5,835 data matches were received from the Cabinet Office in January as part of the 2020/21 National Fraud Initiative exercise (NFI 2020/21), across various Council datasets. An initial sift of these matches is currently taking place to ensure that follow up action is taken where appropriate. To date, 310 matches have been processed and a further 39 investigations are ongoing. Thirteen errors have been identified to date, resulting in savings of £18,846 and arrangements are in place to recover this money from the individuals concerned. The table below illustrates main area of activity and the savings that have been identified so far.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	13	£18,846
TOTAL	13	£18,846

Other investigations

Audit & Assurance staff are continuing to liaise with the Police in the case of a suspected client fraud.

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Creditors	Adequate	Adequate	4
Mileage	Adequate	Limited	6
Turncroft Nursery	Adequate	Limited	18

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

Mileage: The agreed objective was to review the adequacy and effectiveness of the procedures in place within Departments for the recording of drivers and vehicle checks by managers in line with Standing Financial Instruction 06 – Business Journey and Car Mileage (SFI06).

Recommendations were made to ensure that staff provide documentation and information required by the SFI and managers carry out relevant checks and

maintain adequate record of these.

Turncroft Nursery School: The final report provided an **adequate assurance** opinion for the control environment in place within the school and **limited assurance** regarding compliance with the controls identified in respect of the areas covered during the visit. We made 18 recommendations to strengthen arrangements in place across the eight areas covered during the visit. This included four 'must' level recommendations. Recommendations were made relating to the following areas:

- Management Structure (4 recommendations);
- Policies (1 recommendation);
- Budgetary and Employee Control (2 recommendations);
- Expenditure and Cheque Control (3 recommendations);
- Income Collection and Billing (3 recommendations);
- Bank Reconciliation (1 recommendation);
- Asset Control (3 recommendations); and
- IT and Information Security (1 recommendation).

In addition to the above planned audits, staff have completed the review into concerns raised regarding compliance in a small service contract. Management have agreed five recommendations to strengthen the controls in this area.

Staff have also completed a number of other activities during the period. These include:

- the co-ordination and collocation of the 2021/21 Annual Governance Statement and Risk Management Annual Report;
- the annual Head of Audit Opinion and Counter Fraud Reports; and;
- the year-end Management Accountability Framework Directors dashboard Report review and challenge

Current internal audit reviews

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

- Budget Setting & Controls;
- IT Device/Asset Management;
- Ofsted Inspection Framework;
- Building Control Performance Standards;
- Section 17 Payments/Financial Support for Families;
- Commercial Property Rental;
- Corporate Appointee;
- Governance Arrangements; and
- Planning Enforcement.

In addition to the above on-going reviews, two Audit & Assurance staff continued to be temporarily redeployed during the period, providing support to the Revenues & Benefits team to process Test & Trace support payment applications.

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	Q1 2021/22	Q4 2020/21
1. Delivery of Priority 1 Audits (Annual)	100%	100%	100%
2. Planned Audits Completed Within Budget	90%	100%	60%
3. Final Reports Issued Within Deadline	90%	66%	100%
4. Follow Ups Undertaken Within Deadline	90%	80%	83%
5. Recommendations Implemented	90%	100%	90%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	95%	N/A

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

2. Final Reports Issued Within Deadline

There was a delay in issuing the one of the final reports in the period due to staff absence and additional time required liaising with managers regarding the implementation of one of the recommendations.

4. Follow Ups Undertaken Within Deadline

There was a slight delay issuing one of the follow-ups due during the period due to staff absence. This was issued immediately on the return of the staff member.

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: 16 June 2021

Background Papers: Audit & Assurance Plan 2021/22, approved by the Audit & Governance Committee on 30 March 2021.