



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 26 October 2021

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 30 September 2021

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 June 2021 to 30 September 2021.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 September 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 30 September 2021:

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. To date, 600 matches have been processed and a further 33 follow-ups are ongoing. Sixty five errors have been identified to date, resulting in savings of £50,103 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)	14	£21,353
Resident Parking Permits*	1	£0
Blue Badge Parking Permits**	50	£28,750
TOTAL	65	£50,103

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

** The value attached to the Blue Badges Parking Permits has been determined by the Cabinet Office which considers the average loss of fraud/error to be £575 per case. These permits have either been recovered and destroyed or are in the process of being recovered.

Other investigations

Following a joint investigation between Audit & Assurance and the Police, a Social Care client fraud has been successfully prosecuted for the offence of fraud by false representation. The value of the fraud was £20,347. The defendant was sentenced at Preston Crown Court on 16th September to 12 months imprisonment suspended for 2 years and will be subject to an electronically monitored curfew. The Council has applied to the Court for a Court Order in order to recover the debt.

Whistleblowing Policy

Audit & Assurance staff are currently supporting HR colleagues in a review of the Council's Whistleblowing Policy. Steps will be taken to promote staff awareness of the policy and to encourage staff to report any relevant concerns that they may have.

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	
Budgetary Controls	Substantial	Substantial	3
Building Control Performance Standards	Adequate	Adequate	5
Ofsted Inspection Framework	Substantial	Substantial	0
Corporate Appointee and Deputyships	Substantial	Substantial	1
St Stephens Tockholes CE Primary School	Adequate	Adequate	14
Daisyfield Primary School	Adequate	Adequate	8
Turncroft Nursery	Adequate	Limited	18
Holy Trinity CE Primary School	Adequate	Adequate	20
Police & Crime Commissioner Grant	Adequate	Adequate	4

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

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.

In addition to the above audit reviews, Audit & Assurance staff have also completed reviews during the period to enable the Covid 19 Emergency Active Travel Fund Capital Grant, Additional Dedicated Home to School and College Transport (S31 of the Local Government Act 2003) and annual Local Authority Bus Subsidy Ring-Fenced (Revenue) and Local Transport Settlement 2020/21 Grant Declarations to be signed by the Chief Executive and Head of Audit & Assurance. 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.

Work has also been carried out to ensure that the terms and conditions attached to the Arts Council England Culture Recovery Grant Funding award to the Council had been fully complied with. An Income & Expenditure Statement for the activity carried out has been certified as correct.

Current internal audit reviews

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

- Restart Grant;
- IT Device/Asset Management;
- Local Discretionary CV-19 Grant Payments;
- Highways Maintenance Contract Procurement and Monitoring;
- Section 17 Payments/Financial Support for Families;
- Commercial Property Rental;
- Governance Arrangements; and
- Planning Enforcement.

Audit staff are also providing on-going advice and support to the Project team implementing the replacement HR and Payroll system.

PSIAS Compliance Peer Review Exercise

During the period, the peer review of internal audit against the PSIAS was also completed. The results of the assessment have been received and are summarised below for the Committee's consideration. The overall judgement confirms that the Council's internal audit team (within Audit & Assurance) conforms with the requirements of the PSIAS across all areas of focus:

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
Overall Judgement: Conforms	

The exercise was conducted during July 2021 by two chief internal auditors from within the Lancashire Districts Chief Auditor Group. The exercise involved an evaluation of the "Impact of Internal Audit" following the receipt of customer survey forms, on-site interviews and a review of audit documentation. Their findings included the following observations:

- Internal Audit is a professional well respected service with capable officers with the support of management and members;
- There is a good practice of separation of assurance of control system and compliance with the control system; and
- The Chief Audit Executive liaises with senior management and is able to influence the organisational governance arrangements.

No significant observations were noted. A number of minor observations were made and six actions were identified for consideration to further improve the service, its status or impact, or the quality of the service provided. The Head of Audit & Assurance has responded to the report and will be implementing relevant actions over the next 12 months.

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 2021/22	Q1 2021/22
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	60%	60%
3. Final Reports Issued Within Deadline	90%	91.7%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	83%
5. Recommendations Implemented	90%	94%	90%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	N/A

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

2. Planned Audit Completed Within Budget

The four school audits completed during the period required additional time as these were carried out remotely. Additional time was required to complete and finalise the Police and Crime Commissioner grant to ensure that the file and report met the required audit standards and to agree the audit recommendations.

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. STATEMENT OF COMPLIANCE

The recommendations in this report are made further to advice from the Monitoring Officer. The Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. CONSULTATIONS

Directors

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

Date: 7 October 2021

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