



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 18 January 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

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

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 October 2021 to 30 November 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 November 2021:

Corporate Governance and Risk

The table below summarises the eleven “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 30th September 2021

The table shows the seven “red” priorities that have remained as areas of concern from 31 March 2021, and the four areas of concern previously identified as “amber” that have now been upgraded (‘U’ below) to “red” in the period.

		2021/22	2020/21
No	Theme / Description	30 th September Half Year	31st March Year End
Demand Management			
1	Winter Pressures (Adults & Prevention)	Red ^(U)	Amber
2	Fostering Sufficiency (Children’s Services)	Red	Red
3	Deprivation of Liberty Safeguards, Children’s Service Care Orders and Public Law Outline (Resources - Legal & Governance)	Red ^(U)	Amber
4	Ensure that the supply of, and demand for school places is managed efficiently, meeting prescribed statutory requirements and timescales. (Children Services - Education)	Red ^(U)	Amber
Budgets & Finance			
5	Ensure strong budget management via full open transparent processes and Quality Assurance framework. (Adults & Prevention)	Red	Red
6	Adult Social Care Commissioning Budget Pressures. Increased domiciliary care demand and complexity coupled with increase in commissioning rates plus CV-19 related costs. Concerns re provider sustainability (Adults & Prevention)	Red	Red
7	Potential Increase Contract Costs - Extra care and sheltered housing contract and LD supported living framework.	Red ^(U)	Amber

	(Adults & Prevention)		
8	Budget and Demand Pressures - Social work demand costs, special guardianship orders, externally commissioned placements fostering, and school and SEN transport. (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. (PLACE - Environment & Operations)	Red	Red
Staffing/ HR			
11	Data Subject Access Requests (Children Services)	Red	Red

Counter Fraud Activity

National Fraud Initiative (NFI)

A total of 5,835 data matches were received from the Cabinet Office in January 2021 as part of the 2020/21 National Fraud Initiative exercise (NFI 2020/21), across various Council datasets. To date, 654 matches have been processed and a further 13 follow-ups are ongoing. Seventy four errors have been identified to date, resulting in total savings of £72,257, and arrangements are in place to recover this money from the individuals concerned where applicable. The table below sets out the areas of activity and the savings that have been identified so far.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)*	23	£43,507
Resident Parking Permits**	1	£0
Blue Badge Parking Permits***	50	£28,750
TOTAL	74	£72,257

* Includes Cabinet Office 'forward estimate savings' figures

** 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 reviews

In response to a complaint made under the Whistleblowing Policy, concerning the financial affairs of a service user, Audit & Assurance staff carried out a review to determine whether due process had been followed in respect of the concerns raised. The team was supported in this by senior service professionals not involved with the case. The review concluded that due process had been followed appropriately and that the correct decisions had been made by the Department.

Whistleblowing Policy

Audit & Assurance staff are supporting HR colleagues in a review of the Council's Whistleblowing Policy. Steps have been 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 four audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Griffin Park Primary School	Adequate	Adequate	23
Local Discretionary CV-19 Grant Payments	Substantial	Adequate	4
Budgetary Controls	Substantial	Substantial	3
Income Recording & Collection	Adequate	Adequate	10

In addition to the above audit reviews, Audit & Assurance staff have

- carried out an audit of the Additional Home to School/College Transport expenditure in order for the final survey for the grant funding to be submitted to the Department for Education. No report was required;
- provided advice and support to the project for the implementation of the new HR & Payroll system;
- carried out work to co-ordinate and challenge the half-year MAF Director Dashboard returns and provide support to the Chief Executive for the Half-year Corporate Plan and MAF Briefing;
- provided support to the Director of Finance for the review and refresh of the Council's risk management arrangements as noted in the Risk Management Report elsewhere on the agenda;
- carried out counter fraud work as noted in in the relevant section of this report; and
- responded to requests for advice and support from departments in respect of systems processes and controls.

Current internal audit reviews

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

- Creditor Ordering and Invoice Processing;
- Restart Grant;
- IT Device/Asset Management;
- Section 17 Payments/Financial Support for Families;
- Commercial Property Rental Management;
- Partnership Scrutiny/Accountability;
- Main Accounting System;
- Retail Hospitality & Leisure and Small Business Rate Covid Grants;
- St Joseph's Primary School;
- Governance Arrangements;
- Planning Enforcement; and
- Highways Maintenance Contract Procurement and Monitoring.

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

Audit & Assurance Plan 2021/22 – In Year Review

As previously reported to this Committee, changes to the approved Audit & Assurance Plan are submitted to the Committee for consideration when they become necessary. Changes are now required because of the following emerging issues.

Resources – we estimated that Audit & Assurance would have staff resources amounting to 818 days for the delivery of the Audit & Assurance Plan, as reported approved by the Committee on 30 March 2021. This comprised of 711 days for internal audit, 55 days for risk/governance and 52 days for fraud. However, we now anticipate that Audit & Assurance will only be able to deliver 760 days (633 days for internal audit, 62 days for risk/governance and 65 days for fraud). The shortfall in days has arisen due to the following reasons:

- the extension of the redeployment of two members of the team to provide support to the Council Tax team administering the application and payments process for self-isolation grants at the start of the year;
- the resignation one of the Internal Auditors in May and the delay in recruiting to the vacant post (and associated recruitment activity required in filling this post); and
- additional time required for on the job training of the new member of staff.

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 are completed in 2021/22. The lower priority audits will be delayed to start at the end of the current financial year or deferred and considered for inclusion in the Audit & Assurance Plan 2022/23 in consultation with relevant Directors.

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%	100%	91.7%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	88%	94%
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

Two of the five audits completed during the period required additional time due to the remote working arrangements that the team has in place. In one of these cases, time was also required to complete and finalise the review to ensure that the file and report met the required audit standards.

5. Recommendations implemented

Of the follow up responses received back we were able to identify that 29 (88%) of the 33 recommendations due for implementation on or before 30 November 2021 had been fully or partly implemented. Progress of the outstanding recommendations has been delayed due to staff shortages and redeployment or until the new financial year. None of these were graded as 'must'.

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 January 2022

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