



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 29 March 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 28 February 2022**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 December 2021 to 28 February 2022.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 28 February 2022 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 identified by the internal audit team 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 28 February 2022:

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, 664 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.

Internal Audit

A summary of the 10 audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Partnership Arrangements	Substantial	Adequate	3
Highways Maintenance – Procurement & Contract Management Arrangements	Adequate	Adequate	6
Creditors Ordering/Invoice payment	Adequate	Adequate	5

Main Accounting System	Substantial	Substantial	2
Income Recording & Collection Debtors	Adequate	Adequate	10
Covid Restart Grant Arrangements	Substantial	Substantial	0
St Joseph's RC Primary School	Adequate	Limited	23
Meadowhead Infant School	Adequate	Adequate	21
IT Device Management	Substantial	Adequate	9
Commercial Property Management & Rent Collection	Substantial	Adequate	6

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

St Joseph's RC Primary 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 23 recommendations to strengthen arrangements in place across the nine areas covered during the visit. This included nine 'must' level recommendations.

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

- carried out a brief a review of the process for developing and finalising the Darwen Town Deal Investment Plan at the request of the Chief Executive. This review confirmed that the process followed was consistent with Government guidance, and decision making was transparent and fair.
- responded to requests for advice and support from departments and schools in respect of systems processes and controls.

Current internal audit reviews

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

- Personalised Budgets/Direct payments;
- Highways Inspection – Walls & Structures;
- Section 17 Payments/Financial Support for Families;
- Appointment & Payment of Legal Counsel;
- Retail Hospitality & Leisure and Small Business Rate Covid Grants;
- Off Payroll Engagement;
- Agency Staff Contract Procurement & Management;
- Governance Arrangements;
- Asset Management Arrangements;

- Departmental Governance;
- Protect & Vaccinate Grant Assurance
- Planning Enforcement; and
- Sport England Grant Management Arrangements.

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

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	Q3 2021/22	Q2 2021/22
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	36%	60%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	86%	88%
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

Seven of the eleven audits completed during the period required additional time due to the following factors:

- the remote working arrangements that the Council had in place during the period;
- extra time for familiarisation and training on the areas covered in the audits for a new member of staff;
- additional time required to complete a review following the departure of a member of staff; and
- additional sample testing to ensure appropriate coverage for Covid grant assurance requirements.

5. Recommendations implemented

Thirty six of the 42 recommendations due for implementation on or before 28 February 2022 (86%) had been fully or partly implemented. Progress of the outstanding recommendations was been delayed due a variety of reasons including:

- Staffing restructuring and changes in responsibility;
- Delays in the receipt of the updated local authority model Standards for

Financial management by the school; and

- Delays in the finalisation of the update of policies

None of the outstanding recommendations 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: 18 March 2022

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