



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 29 November 2022

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 October 2022

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 June 2022 to 31 October 2022.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 October 2022 against the annual Audit & Assurance Plan 2022/23, as approved by the Committee on 29 March 2022.

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 31 October 2022:

Counter Fraud Activity

National Fraud Initiative (NFI)

Work on the National Fraud Initiative exercise (NFI 2020/21) is now complete. In total 1,641 matches have been processed and 1,050 errors have been identified resulting in total savings of £95,681. 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.

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
Concessionary Travel Passes****	976	£23,424
TOTAL	1,050	£95,681

* 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.

**** The value attached to the Concessionary Travel Passes has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £24 per case. These passes have been cancelled and can no longer be used.

Preparations for the NFI 2022/23 exercise are underway and all datasets have been provided to the Cabinet Office for the next round of data matching. The Council can expect to receive the output from these reports towards the end of the year. Appropriate action will then be taken to review & progress these data matches.

Internal Audit

A summary of the 17 audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
IT Network & Systems - Business Continuity / Disaster Recovery	Adequate	Limited	3
IT Software Licensing	Limited	Adequate	6

Fleet Management	Adequate	Adequate	5
Fleet Procurement	Adequate	Adequate	3
Achievement of Department for Transport Highway Asset Management Level 3 Funding	Adequate	Adequate	4
Main Accounting System Reconciliation Processes	Adequate	Adequate	6
Retail, Hospitality & Leisure and Small Business Rate Covid-19 Grant Payments	Adequate	Adequate	3
Council Tax Rebate – Energy Costs	Adequate	Adequate	1
Members Allowance & Induction	Adequate	Adequate	6
Leasing Arrangements for Commercial & Industrial Properties	Limited	Limited	2
Asset Management System	Adequate	Limited	16
Budget Setting	Substantial	Substantial	2
Highways Inspection – Walls & Structures	Adequate	Adequate	9
Section 17 Payments/ Financial Support for Families	Adequate	Adequate	7
Growth Programme Tender Arrangements - Carl Fogarty Way	Adequate	N/A	2
Corporate & Departmental Governance Arrangements	Adequate	Limited	6
Governance Arrangements	Substantial	Adequate	5

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

IT Network & Systems - Business Continuity/Disaster Recovery - The final report provided an adequate opinion for the control environment in place and limited assurance regarding compliance with the controls identified in respect of the areas covered during the review.

A number of areas of good practice were identified during the review. These included the following:

- A maintenance schedule is in place for the data centre infrastructure;
- The Digital & Business Change Service's Risk Register is reviewed and updated on a regular basis; and

- An appropriate schedule is in place for the backup of data, which is stored securely and remotely.

Issues noted leading to the part limited opinion included:

- The Disaster Recovery Plan and Business Continuity Plan have not been reviewed since February 2020;
- No testing of the above plans has been carried out during the last year; and
- While the back up of systems and file servers is being performed regularly, there is no testing of back up of independent systems that has been carried out.

IT Software Licensing - Limited assurance was provided for the control environment and adequate assurance for compliance with the controls and procedures in place to minimise the key risks associated with IT Software Licensing.

The review highlighted areas of weakness which led to a limited assurance opinion regarding the control environment in place, in particular:

- The IT Asset Management Policy was still in draft form;
- There was no specific reference to roles and responsibilities regarding software licensing in the Asset management Policy; and
- There was no central monitoring of the software licensing compliance across the Council.

Leasing Arrangements for Commercial & Industrial Properties - The audit noted that progress has been made to implement the recommendations made arising from the review of the East Z East lease arrangements. However limited assurance could only be provided as the recommendations from that review had not yet been fully implemented at the time of the follow-up.

Asset Management System - Adequate assurance was provided for the control environment. However limited assurance was provided for compliance with the controls identified for the management of this area.

Issues noted leading to the part limited opinion included:

- The current Asset Management Plan was last approved in August 2015; it needed to be revised to reflect the current post Covid economic climate.
- Some properties, which have been either sold or revalued, were still appearing in Concerto as either owned or at their old values before the latest revaluation.
- Some of the statutory inspections required under different regulations were not being performed, instead only maintenance/servicing was taking place as per the planned preventive maintenance schedule.

Corporate & Departmental Governance Arrangements – The review highlighted the following areas of weakness which led to a limited assurance opinion being reached regarding compliance with controls processes, based on the results of the testing carried out:

- Authorised Signatories Lists were not in place within departments and up to date in accordance with Standard Financial Instruction (SFI) 17.
- Audit testing showed limited compliance with the requirement for departments to ensure that Registers of Personal Interest (SFI 12) and Gifts and Hospitality (SFI 21) were kept up to date.
- There was low levels of Member engagement with the 3 mandatory online

training courses.

During the period, Audit & Assurance staff have also completed work to enable the certification of the following grants:

- Local Authority Test and Trace Contain Outbreak Management Fund Surge Funding Grant 2020/21 and 2021/22;
- Local Authority Bus Subsidy Ring-Fenced (Revenue) 2021/22;
- Local Transport Settlement 2021/22; and
- Universal Drug Treatment Statement of Grant Usage 2021/22.

The relevant declarations or certifications were signed by the Chief Executive and/or 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.

Staff have also provided advice and support to departments during the period. This has included a brief review of the system and processes in place to record bulk fuel deliveries and fuel dispensed to Council fleet to ensure that the stock records were accurate and up to date and recharges were correctly calculated transactions were

Current internal audit reviews

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

- Children's Centres;
- Fostering Recruitment and Payments to Foster Carers;
- Children's Services Protocol ICS System;
- iTrent Implementation Testing;
- Value for Money Audit ;
- Regulation of Investigatory Powers Act (RIPA) Processes and Procedures;
- Inspections of Homes of Multiple Occupancy;
- Legal Case Management;
- Planning Enforcement; and
- Sport England Grant Management Arrangements;
- Lower Darwen Primary School; and
- Longshaw Infants School.

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 2022/23	Q1 2022/23
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	100%
2. Planned Audits Completed Within Budget	90%	76%	80%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%

5. Recommendations Implemented	90%	92%	82%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	100%

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

Four of the 17 audits completed during the period required additional time due to the following:

- remote working arrangements that the Council had in place during the period;
- additional time for planning, preparation and testing for new audit areas; and
- additional time liaising with departments to finalise reports.

5. Recommendations implemented

Eighty nine of 97 recommendations due for implementation on or before 31 October (92%) had been fully or partly implemented. Two outstanding recommendations were graded as 'must'. These had been delayed as a funding bid had been successful and work will now be done with this funding and reflect new capability with this spend.

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: 19 November 2022

Background Papers: Audit & Assurance Plan 2022/23, approved by the Audit & Governance Committee on 29 March 2022.