



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 24 July 2018

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 June 2018**

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 March 2018 to 30 June 2018.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 June 2018 against the Audit & Assurance Plan, which was approved by Committee on 10 April 2018.

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.

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 public sector internal audit standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

5. KEY ISSUES

Outcomes achieved in the year to 30 June 2018:

Risk and Corporate Governance

Director Exception/Dashboard Report and Assurance Statement Year-end Update

The table below summarises the six “red” priority areas of concern across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements completed as at 31 March 2018.

This includes three “red” priorities that have remained as areas of concern from 30 September 2017, two “red” areas that have been upgraded (^U below) and one new “red” area (^N below) which has been identified and appears as red for the first time. There are also five areas of concern previously identified as “red” that have been downgraded (^D below) to “amber/green” in the period.

			2017/18	2017/18
Themes	No	Description	31 March Year End	30 Sept Half Year
Demand Management	1	Reducing fly tipping, landfill waste and maximising recycling in order to reduce the amount waste going to landfill. (Environment)	Red ^(U)	Amber
	2	Failure to recruit long term foster carers, Asian heritage foster carers and carers for older and more challenging young people increasing demand led services, in particular commissioned out of borough. (Children’s)	Red	Red
	3	Social Worker Workloads (Children’s)	Red	Red
		Improve Integrated Discharge pathways – discharge to assess. Mandated Delayed Transfer of Care (DToC) targets are significantly higher, these will be a challenge to achieve than those identified as achievable with the Council and across the partnership (Adults)	Amber ^(D)	Red
		Maintain the number of adopters approved. (Children’s)	Amber ^(D)	Red
		Deliver statutory requirements under Deprivation of Liberty (DoLS) (Adults)	Green ^(D)	Red
Budgets & Finance	4	Family Court Decisions Placing Increased Financial Burden On Permanence Planning (Children’s)	Red	Red

	5	Budget Pressures (Leisure)	Red ^(N)	n/a
		Budget Pressures – Adult Social Care Commissioning (Adults)	Amber ^(D)	Red
		Under performance against targets for the National Careers Service. Performance to date is behind the profile. This is a payment by results programme so failure to draw down the funding would cause a budget pressure (Localities and Prevention)	Amber ^(D)	Red
Staffing/ HR	6	Sickness Absence. (Adults).	Red ^(u)	Amber

With regards to the red issue noted above relating to waste going to land fill, changes have been introduced since the year end as a result of the new contract and more waste is now being diverted from landfill. However recycling rates remaining static and fly tipping is increasing.

Counter Fraud Activity

National Fraud Initiative

A total of 8,837 data matches were received from the Cabinet Office as part of the 2017 National Fraud Initiative. Of these, 4,402 cases were highlighted as 'recommended matches'. These are cases which include several matching pieces of information from more than one data source, suggesting a greater degree of accuracy. The Cabinet Office suggests that these matches are prioritised for review. The results of work undertaken show that 2,581 data matches have been processed to date. A total of 483 fraud/errors have been found resulting in savings of £229,413. The table below illustrates main areas of activity and where savings have been identified.

Summary of Results

Area	No. of Frauds/Errors	Value (£)
Benefits (Housing/Council Tax Support)	28	£60,904
Council Tax Single Persons Discount	323	£87,348
Private Residential Care Homes	2	£10,778
Taxi Licences revoked	3*	N/A
Blue Badges/Residents Parking Permits	107	£57,423**
Housing waiting list***	4	£12,960
Residents Parking Permits	16	-
TOTAL	483	£229,413

*Taxi Licences revoked after it was established the holders had no leave to remain/right to work in the UK.

**The value attached to the Blue Badges/Residents Parking Permits has been determined by the Cabinet Office which considers the average loss of fraud/error to be £536.66 per case.

***B-with-us (Together Housing Group) manages the housing waiting list across a Pennine Lancashire sub-region which includes Blackburn with Darwen. We identified 4 cases which required the removal of the applicant from the housing waiting list. The Cabinet Office attaches a financial value of £3,240 per case where the applicant is removed from the waiting list. This figure is used in the table above.

The Council received reports from the Cabinet Office on 23 February 2018 which included 5,716 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets including the electoral register. The matches indicate that entitlement to Single Person Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for further action.

The next National Fraud Initiative exercise (NFI 2018/19) will result in data matches being issued to the Council for further review and action from 31 January 2019.

During the period Audit & Assurance staff have also carried out an investigation into an alleged fraud following a complaint made under the Council's Whistleblowing Policy. The complainant suggested that a contractor was overcharging the Council for the services it provided. We found no evidence of fraud or overcharging and confirmed that effective contract management arrangements are in place.

Audit & Assurance recently conducted a review in a service area due to concerns raised by the Director into procurement practices and as a result of a complaint received from an external source regarding the inappropriate disposal of Council assets. Whilst no evidence of fraud was found we identified several issues concerning non-compliance with the Council's Standing Financial Instructions and Contract and Procurement Procedure Rules. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance.

We are also continuing to liaise with the Police regarding a case of suspected overpayments in respect a social care client responsible for the direct commissioning of their own care service.

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Adults Client Case Management System	Adequate	Adequate	5
Income Collection & Management	Adequate	Substantial	2
Public Protection Inspections	Adequate	Adequate	4
Creditors/E-Procurement	Adequate	Adequate	17
Capita Partnership Contract Management	Adequate	Adequate	10

St Paul's CE Primary School	Adequate	Adequate	22
Provision of Equipment to Service Users	Limited	Adequate	9
Severance Payments	Adequate	Adequate	3

We have provided a brief commentary on the audit assignment where we have provided a limited assurance opinion.

Provision of Equipment to Service Users: The audit objective was to ensure that there were effective contract management arrangements in place for the provision of equipment to service users. **Limited** assurance was provided for the control environment and **adequate** assurance for compliance with the controls identified in place. A number of areas were identified for management attention. These included the following:

- Ensuring that the use of the local network is properly approved in line with the Council's Contract & Procurement Procedure Rules;
- Establishing formal agreements with any retailers used in the provision of community equipment on prescription and ensuring that all suppliers listed on the local network are properly accredited; and
- Establishing performance measures and monitoring arrangements for retailers on the local network.

Current internal audit reviews

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

- Partnership Arrangements;
- Payroll – Core System;
- Highways;
- Income Collection & Management;
- Overtime/Additional Hours;
- Kings Georges Hall Events Management;
- Main Accounting;
- Budget Setting and Control;
- Social Determinants of Health/Public Health Internal Spend;
- Project Management/Capital Schemes Management;
- Off Payroll Engagement (IR35); and
- Procurement and Contract Management Arrangements.

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 2018/19	Q4 2017/18
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	75%	75%
3. Final Reports Issued Within Deadline	90%	88%	88%
4. Follow Ups Undertaken Within Deadline	90%	100%	88%
5. Recommendations Implemented	90%	88%	92%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measures where performance (Q1, 2018/19) has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

Two of the eight audits, Provision of Equipment to Service Users and Creditors/E-Procurement, (25%) completed in the period were over budget. Additional time was required to complete the testing on these audits due issues identified during the audits or the nature of the records involved.

3. Final Reports Issued within Deadline: The issuing of the final Public Protection Inspections report was delayed due to staff absence.

4. Follow Ups Undertaken within Deadline

Fifteen of the 15 audits requiring follow up in the period were issued for a response. We have received responses to 13 of the 13 audits (100%) where a response was required by 30 June.

5. Recommendations Implemented

Of the follow up responses received we were able to identify that 89 (88%) of the 101 recommendations due for implementation on or before the due date had been fully implemented or partially implemented.

- Our Lady & St John Catholic College – 29 recommendations in total, eight recommendations outstanding; two ‘musts’ partially implemented and two outstanding.
- Personalised Budgets – Direct payments – 14 recommendations; seven fully and five partially implemented. Two not yet done. Two ‘must’ were recommendations outstanding. These were substantial pieces of work and delayed due to the priority of year end procedures.
- Council Tax – two recommendations. One outstanding, no ‘musts’
- Members Allowances & Induction – ten recommendations; nine completed or partially implemented. One ‘must’ not yet done relating to Information Governance Training for members. Course available and to be promoted to members.

6. POLICY IMPLICATIONS

This 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: 11 July 2018

Background Papers: Audit & Assurance Plan 2018/19, approved by the Audit & Governance Committee on 10 April 2018.