



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 11 July 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 31 May 2023

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 February 2023 to 31 May 2023.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 May 2023 against the annual Audit & Assurance Plan 2022/23, as approved by the Committee on 2 March 2023.

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 May 2023:

Counter Fraud Activity

National Fraud Initiative (NFI) 2022/23

The Council takes part in a bi-annual data matching exercise which is administered by the Cabinet Office. Having submitted all the required datasets on time the Council has recently received the output from these reports.

In total, 6,393 data matches have been received and include queries in the following areas:

- Housing Benefit;
- Payroll;
- Blue Badge parking permits;
- Creditors payments; and
- Procurement.

To date 146 matches have been processed and 53 errors have been identified resulting in total savings of £38,448.23. Arrangements are in place to recover any losses. The table below sets out the areas of activity and the results that have been identified.

Summary of Results

Area	No. of Errors	Outcome (£)	CO Estimates	Overall total
Benefits	2	852.42	4,445.81*	5,298.23
Blue Badges	51	0	33,150**	33,150
Total	53	852.42	37,595.81	38,448.23

* Estimated savings from preventing future incorrect payments as calculated by the Cabinet Office

** 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 £650 per case. These permits have either been recovered and destroyed or are in the process of being recovered

Appropriate action will be taken to review the remaining data matches, in liaison with colleagues in relevant departments.

Committee Members will be provided with progress updates in due course.

Corporate Governance and Risk

The table below summarises the five “red” strategic priority areas/issues across the departments, by key themes, which have been identified in the summary Director Exception/Dashboard Report and Assurance Statements as at 31 March 2023.

The table shows the four “red” priorities that have remained as areas of concern from 30th September 2022, and also includes one area of concern previously identified as “amber” that has now been upgraded (U below) to “red” in the period. There are also four areas of concern previously identified as “red” that have now been downgraded (D below) to “amber” in the period.

		2022/23	2022/23
No	Theme / Description	31st March Year End	30 th September Half Year
Demand Management			
1	Fostering Sufficiency (Children's Services)	Red	Red
2	Workload and Capacity (Children's Services)	Red	Red
	School Placements (Children's Services)	Amber ^(D)	Red
Budgets & Finance			
3	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
4	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
	Increase Contract Costs (Adults & Prevention)	Amber(D)	Red
	Budget Pressures – Children's and Adults Social care and SEND cases all increasing, resulting in demand pressures and costs which need to be monitored. (Legal and Governance)	Amber(D)	Red
Staffing/ HR			
5	Sickness (whole Council) Chief Executives Department	Red(U)	Amber
	Governance Arrangements - risk of single points of failure due to the absence of a number of senior leads and vacancies (Children Services)	Amber(D)	Red

Internal Audit

A summary of the 12 audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Sport England Grant Management Arrangements	Substantial	Substantial	0
Payroll Core System	Adequate	Adequate	3
Value for Money Audit - Adult Social Care	Substantial	Substantial	0
Budget Control and Monitoring	Substantial	Adequate	4
Fostering Recruitment and Payments to Foster Carers	Adequate	Adequate	8
Adults Client Case Management Processes	Substantial	Substantial	3
Performance Indicators/Data Quality	Limited	Limited	19
Housing Benefits	Substantial	Substantial	2
Regulation of Investigatory Powers Act (RIPA) Processes and Procedures	Substantial	Substantial	6
Main Accounting System Reconciliation Processes Q3	Adequate	Adequate	1
St Michael with St John CE Primary School	Adequate	Adequate	13
St James Lower Darwen CE Primary School	Limited	Adequate	26

Brief commentaries on the audit assignments where we have provided a limited or part assurance opinion are set out below for consideration.

Performance Indicators/Data Quality - The final report provided **limited** assurance opinions in respect of the control environment and compliance with the controls and procedures in place for performance management.

Recommendations were made to strengthen controls in the following areas:

- Retention of evidence to support the performance information reported; and
- Training and awareness of staff regarding the Council's Data Quality Policy and related requirements to ensure compliance.

St James Lower Darwen CE Primary School - The final report provided a **limited** assurance opinion in respect of the control environment in place within the school and adequate assurance for compliance with the controls in place in respect of the

eleven areas covered during the visit. We made 26 recommendations across these areas, including ten graded as 'must'. These recommendations relate to strengthening the existing control framework in place across eight of the areas reviewed and ensuring compliance with those controls identified.

Staff have also completed a number of other activities during the period. These include:

- work to enable the certification of the Family Hub Capital grant return;
- the co-ordination and collocation of the 2022/23 Annual Governance Statement and Risk Management Annual Report;
- Drafting the Audit & Governance Committee 2022/23 Annual Report;
- Preparing the annual Head of Audit Opinion and Counter Fraud Reports; and
- the year-end Management Accountability Framework Directors dashboard Report review and challenge, including a review of corporate and departmental risk registers.

Current internal audit reviews

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

- Traded Services to Schools;
- Property Services for Schools;
- Property Services – Use of Design Consultants
- Public Health Contracts & Commissioning ;
- Children’s Services Inspection Readiness;
- Local Authority Improvement Plan;
- Council Tax;
- Inspections of Homes of Multiple Occupancy;
- Adults Disabled Facilities Grant; and
- Health & Safety Compliance.

Internal Audit Performance

The Audit & Assurance team have seven performance targets which we monitor relating to our strategic aims. The target and actual performance for the current and previous periods for each measure are as follows:

Performance Measure	Target	Q1 2023/24	Q4 2022/23
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	87.5%
2. Planned Audits Completed Within Budget	90%	77%	57%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	95%
5. Recommendations Implemented	90%	88%	92%
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

Three of the 13 audits completed during the period required additional time due to the following:

- remote working arrangements that the Council had in place during the period, coupled with additional time for planning, preparation and testing for new audit areas; and
- extra time carrying out additional testing and liaising with the department to finalise the report.

5. Recommendations implemented

Seventy two of the 82 recommendations for follow-ups responded to which were due for implementation on or before 31 May 2022 (88%) had been fully or partly implemented. There was one assignments where a complete follow up response was not forthcoming at the time of the report. A verbal update will be provided at the meeting.

There was only one must recommendation that had not been completed in accordance with the agreed timescales. This was subsequently followed up with the manager concerned in order to clarify the reason for the delay.

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: 30 June 2023

Background Papers: Audit & Assurance Plan 2022/23, approved by the Audit & Governance Committee on 2 March 2023.