



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 8 September 2023

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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

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**1. PURPOSE**

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

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 August 2023 against the annual Audit & Assurance Plan 2023/24, 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 August 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 167 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**

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

\* 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.

#### **Other Investigations**

Audit & Assurance has carried out a review involving a potential conflict of interest involving a member of staff within the Adults Department. Whilst there was no evidence of any financial impropriety, the review concluded that the correct procedures, as set out in the relevant Standing Financial Instruction, had not been followed by the staff member. The matter was referred to senior management to consider disciplinary action in consultation with HR. At the time of providing this update the matter was still subject to an investigation under the Council's HR Disciplinary procedures.

As a result of 2 recent bank mandate frauds, which targeted a Community Centre and a school, Audit & Assurance carried out a review of the arrangements in place to prevent this type of fraud. This included a review of the processes in place for

setting up new suppliers within the Finance purchasing system and amending supplier bank details. A summary of the findings is shown below. The matter was referred to the Police for further investigation via Action Fraud.

### **Internal Audit**

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

<b>Risk, Control &amp; Governance Reviews</b>	<b>Assurance Opinion</b>		<b>Recommendations Agreed</b>
	<b>Environment</b>	<b>Compliance</b>	
Adults Disabled Facilities Grant	Substantial	Substantial	1
Main Accounting System Reconciliation Processes Q4 2022/23	Adequate	Adequate	1
Main Accounting System Reconciliation Processes Q1 2023/24	Adequate	Adequate	1
New Supplier Set-up and Changes	Limited	Limited	13
Property Services for Schools	Substantial	Substantial	2
Property Services – Use of Design Consultants	Substantial	Substantial	2
Council Tax	Substantial	Substantial	4
Public Health Contracts & Commissioning	Adequate	Adequate	4

A brief commentary on the audit assignment which we have provided a limited assurance opinion is set out below for consideration.

**New Supplier Set-up and Changes** - The final report provided **limited** assurance opinions in respect of the control environment and compliance with the controls and procedures in place for setting up or amending supplier details.

A number of recommendations were made to strengthen the control framework and compliance with the controls identified. These included:

- Completion of a standard new supplier template or change of details form in all cases;
- Changes only being made to supplier details following receipt of approved forms; and
- Strengthening procedures regarding the confirmation of changes requested.

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

- Local Authority Bus Subsidy Ring-Fenced (Revenue) 2022/23; and
- Local Transport Settlement 2022/23.

The relevant declarations were signed by the Chief Executive and Head of Audit & Assurance. The results of the work confirmed that, in our opinion, the conditions attached to these grant determinations had been complied with in all significant respects.

Staff have also provided advice and support to departments during the period regarding various queries.

### **Current internal audit reviews**

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

- Traded Services to Schools;
- Adults Contracts & Commissioning;
- CCTV Arrangements - Compliance with Surveillance Camera Code of Practice;
- Children's Services Inspection Readiness;
- Local Authority Improvement Plan;
- Health & Safety Compliance;
- Highways Maintenance – Inspection and Repair;
- Inspections of Homes of Multiple Occupancy;
- VAT;
- Equality Act; and
- Creditors.

### **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:

<b>Performance Measure</b>	<b>Target</b>	<b>Q2 2023/24</b>	<b>Q1 2023/24</b>
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	<b>70%</b>	<b>77%</b>
3. Final Reports Issued Within Deadline	90%	90%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	<b>66%</b>	88%
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 10 audits completed during the period required additional time due to the following:

- additional time for planning, preparation and testing for new audit areas and liaising with departments to finalise the reports; and
- extra time carrying out additional testing due to the complexities of the audit and

liaising with the various teams responsible for the area.

#### 5. Recommendations implemented

Sixty-nine of the 105 recommendations for follow-ups responded to which were due for implementation on or before 31 August 2023 (66%) had been fully or partly implemented.

There was only one must recommendation that had not been completed in accordance with the agreed timescales. This was delayed due to the timing of the school's governing body meeting.

#### **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: 8 September 2023

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