



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 28 November 2023

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

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

1. PURPOSE

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

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 October 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 October 2023:

Counter Fraud Activity

National Fraud Initiative (NFI) 2022/23

The Council takes part in a bi-annual data matching exercise that is administered by the Cabinet Office (CO). Having submitted all the required datasets on time the Council has started to receive the output from these reports.

In total, 6,670 data matches have been received. These include queries in the following areas:

- Housing Benefit (756 matches);
- Payroll (204 matches);
- Blue Badge parking permits (195 matches);
- Concessionary Travel Passes (1158 matches)
- Creditors payments (4072 matches); and
- Procurement (75 matches).

To date 243 matches have been processed and 58 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	5	852.42	4,445.81*	5,298.23
Blue Badges	51	0	33,150**	33,150
Residents Parking Permits	2	0	0	0
Total	58	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, by colleagues in relevant departments. However, there is no expectation from the Cabinet Office that all the matches are followed up.

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

Council Tax Single Person Discount Matching

The Council has received additional reports from the CO, which included 5,280 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 and HMRC records. The matches indicate that entitlement to Single Person's Discount is incorrect and further enquiries need to be

made. To date, the following 88 of these matches have been processed with the following results:

Area	No. of Errors	Outcome (£)	CO Estimates	Overall total (£)
Council Tax SPD	27	12,819.22	17,175.50	29,994.72

The remaining data matches are currently being reviewed and followed up by the Revenues section.

Corporate Governance and Risk

The table below summarises the four “red” priority areas/issues reported by departments, grouped by key themes, which were identified in the summary Director Exception/Dashboard Reports and Assurance Statements as at 30th September 2023.

Three “red” priorities that have remained areas of concern from 31st March 2023 and one area of concern identified as “amber” at 31st March 2023 has been upgraded to “red” (U below). There are two areas that were identified as “red” at that date which have now been downgraded to “amber”, (D below), in the period.

		2023/24	2022/23
No	Theme / Description	30 th September Half Year	31st March Year End
Demand Management			
1	Fostering Sufficiency (Children’s Services)	Red	Red
2	Limited availability of domiciliary provision (Children’s Services)	Red ^(U)	Amber
	Workload and Capacity (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
Staffing/ HR			
	Sickness (whole Council) Chief Executives Department	Amber ^(D)	Red

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Traded Services to Schools	Adequate	Adequate	3
VAT	Limited	Limited	1
Health & Safety Compliance	Adequate	Adequate	8
Creditors	Adequate	Adequate	9

A brief commentary on the audit assignment we provided a limited assurance opinion for is set out below for consideration. This opinion is not considered to have a significant impact on the overall control environment in place within the Council.

VAT - The final report provided **limited** assurance opinions in respect of the control environment and compliance with the controls and procedures in place regarding the arrangements to manage VAT and the submission of VAT returns to HMRC.

Prior to the audit, the Council had commissioned an external review of its VAT management arrangements. The outcome of the review coincided with the audit work so reliance was largely placed on the consultant's report and findings in arriving at the assurance above. The report contained a number of recommendations, including 17 graded as red. Immediate action was being taken on those recommendations viewed as key areas of control. These included:

- Updating the Constitution to clarify the responsibility for the management of VAT;
- Introduction of operational procedure notes;
- Development of a comprehensive VAT manual;
- Providing VAT training for all Finance Managers and staff where appropriate;
- Documenting and evidencing the management checks completed ensuring that a clear segregation of duties is in place; and
- Review VAT applicable charges.

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

- Changing Places Fund Grant Determination, Financial Year 2022/23: No 31/6222; and
- Family Hubs and Start For Life Programme P2 Capital Grant Determination 2023-24: (No 31/6536).

The relevant declarations were signed by the Chief Executive and Head of Audit & Assurance and provided to funded Departments. 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 completed the review and challenge of the half-year Director Exception/Dashboard Reports and Assurance Statements, and associated reporting to Corporate Leadership Team and 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:

- Sundry Debtors;
- Adults Contracts & Commissioning;
- CCTV Arrangements - Compliance with Surveillance Camera Code of Practice;
- Section 106 Arrangements;
- Children's Services Inspection Readiness;
- Local Authority Improvement Plan;
- Departmental Governance;
- Highways Maintenance – Inspection and Repair;
- Inspections of Homes of Multiple Occupancy;
- Albion Mill;
- Mileage & Expenses;
- Payroll;
- Bus Recovery Grant Compliance;
- Multiply Grant Compliance;
- Lammack Primary School; and
- Equality Act.

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	Q2 2023/24	Q1 2023/24
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	50%	77%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	90%	66%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	100%	100%

We have provided a brief commentary on the measures where performance in the period has fallen below the agreed target:

2. Planned Audit Completed Within Budget

Two of the four audits completed during the period required additional time due to the

following:

- additional time for planning, preparation of reviews by new audit staff familiarising themselves with the systems, additional testing due to the nature of the audits, liaising with the various teams responsible for the areas and finalisation of audit reports.

5. Recommendations implemented

28 of the 31 recommendations for follow-ups responded to which were due for implementation on or before 31 October 2023 (90%) 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 limited resources available to progress and other priorities.

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: 17 November 2023

Background Papers: Audit & Assurance Plan 2023/24, approved by the Audit & Governance Committee on 2 March 2023.