



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 18 March 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 31 January 2024**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 November 2023 to 31 January 2024.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 January 2024 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 January 2024:

Counter Fraud Activity

National Fraud Initiative (NFI) 2022/23

The Council takes part in a bi-annual data matching exercise conducted by the Cabinet Office (CO) to assist in the prevention and detection of fraud. The exercise includes data provided by public and private sector organisations, including government departments. The Council has started to receive the output for consideration and follow up.

In total, 6,680 data matches have been received to date. These include queries in the following areas:

	Matches	Processed	Errors	Outcome	CO Estimates **	Total Saving
Housing Benefit	54	36	2	852.42	4,445.81	5,298.23
Council Tax Reduction	712	92	6	587.62	1,119.69	1,707.31
Payroll	204	36	-	-	-	-
Blue Badge PP's*	195	125	51	-	33,150.00	33,150.00
Concessionary Travel Passes*	1,158	1,158	265	-	8,215.00	8,215.00
Residential Permits	12	12	2	-	-	-
Creditors	4,072	-	-	-	-	-
Procurement	75	21	-	-	-	-
Waiting Lists	198	6	-	-	-	-
	6,680	1,486	326	1,440.04	46,930.50	48,370.54

The above table sets out the areas of activity and the results that have been identified. To date 1486 matches have been processed and 326 errors have been identified resulting in total savings of £48,370.54. Arrangements are in place to recover any losses.

Blue Badges and Concessionary Travel Passes (Now Card)

*Weekly Death Notifications are received from 'Tell Us Once', Registrars Service and Adults social care service. Each death is checked to see whether the individual holds either a Blue Badge or a NOW card. If they do, the badge will be de-registered. However, the above sources are not finite and the service is reliant on relatives to notify a death.

The high error rate is attributed to unknown deaths where the pass remains valid. Estimated savings** from preventing future incorrect payments are calculated by the Cabinet Office. The value attached to the Blue Badges Parking Permits and the Concessionary Travel Passes (CTP) has been determined by the Cabinet Office, which considers the average loss of fraud/error to be £650 for Blue Badges and £31 for CTP's per case. These permits have either been recovered and destroyed or are in the process of being recovered.

Creditors

During 2022 the Council commissioned a creditor recovery audit. Meridian undertook a purchase ledger review comparing the ledger transactions of both the Council and suppliers to identify anomalies. The audit compared the Council's ledger transactions with supplier records looking for:

- Duplicated transactions and error payments;
- Credit notes and misallocations where the Council have not achieved value from suppliers;
- Under-recovered VAT; and
- Debt balances.

The exercise resulted in the recovery of £306,997 for the Council. This was an alternative to Council staff following up the NFI data matches. Further work will be carried out to review the data matches not covered by the recovery audit.

Council Tax Matching

The Council has also received additional reports from the CO for Council Tax 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. To date, the 128 matches have been processed which has identified 33 errors.

	Matches	Processed	Errors	Outcome	CO Estimates*	Total Saving
C'Tax to Electoral Register	2,299	110	23	15,328.12	18,110.44	33,438.56
C'Tax rising 18's	18	18	10	2,621.23	4,826.12	7,447.35
C'Tax to Other Datasets	2,963	-	-	-	-	-
C'Tax to DDRI Deceased Persons	529	-	-	-	-	-
Premium C'Tax SPD	21,778	-	-	-	-	-
C'Tax to HMRC Household Composition	3,118	-	-	-	-	-
	30,705	128	33	17,949.35	22,936.56	40,885.91

The Revenue and Benefit department have advised that minimal work has been done on the 2022/23 matches, due to electoral registration information submitted for matching being out of date in comparison to council tax records.

Previous NFI matching exercises have shown that nearly half of the cases reported relate to previous or deceased occupants, a further 20% are cases that the department have already investigated, with evidence to substantiate the discount or a disregard was in place and an additional 5% being where there is a slight spelling difference of the name, but it is the same person.

This approach is a very labour intensive and has historically resulted in only 4% of discounts being removed.

A decision was therefore made to opt for the Premium matching service this year, as the team believe this will enable them to focus on those cases which should not be

entitled to the discount. Work will commence on the Premium match from April 2024.

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.

Other Investigations

Audit & Assurance staff have carried out a review into of the tendering arrangements for the procurement of a third-party provider to deliver a Children’s Social Care Service. This was in response to allegations of corruption and collusion in the award of the contract. We found no evidence to support the allegations made. The procurement process followed was adequately controlled. There was evidence that the Council’s Contract and Procurement Procedure Rules had been complied with.

Audit staff also carried out a review of records relating to the use of Government grant to support a related disciplinary process following concerns raised by management. The results of the review were provided to the officer carrying out the staff disciplinary investigation and recommendations were made to management to strengthen the control framework in place.

Audit & Assurance staff have also provided advice and support to a school which was the subject of a cheque fraud. The details were reported to Action Fraud and the school’s bank subsequently refunded the amount of the fraudulent cheque in full.

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Use of Household Support Fund Grant	N/A	N/A	4
Multiply Grant	Substantial	Substantial	0
Planning Obligations – Management of Section 106 Agreements	Substantial	Substantial	1
Equality Act Data Recording and Reporting	Adequate	Adequate	6
Audley Junior School	Adequate	Adequate	14
Lammack Primary School	Adequate	Adequate	20
St Mary & St Joseph RC Primary School	Substantial	Substantial	8
Intack Primary School	Limited	Limited	26
Bus Recovery Grant	Limited	Limited	2

A brief commentary on the audit assignments we provided a limited assurance

opinion for are set out below for consideration. These opinions are not deemed to have a significant impact on the overall control environment in place within the Council.

Intack Primary School - The final report provided a **limited assurance** opinion in respect of both the control environment in place within the school and compliance with the controls identified in respect of the eleven areas covered during the visit. We made 26 recommendations across these areas, including 13 graded as ‘must’. These recommendations relate to strengthening the existing control framework in place across the areas covered by the audit and ensuring compliance with those controls identified to ensure that they are operating effectively, particularly in respect of expenditure controls and recording and checking of school assets.

Bus Recovery Grant - 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 the Bus Recovery Grant funding received in 2022 and 2023. The audit identified that there was no clear record of management oversight of the expenditure relating to this grant.

During the period, Audit & Assurance staff also completed work to support the certification of the Family Hubs and Start for Life Programme P2 Capital Grant and Bus Recovery Grants. 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.

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;
- Finance System Reconciliations;
- 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;
- Use of Purchase Cards;
- VAT Follow-up.

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	Q3 2023/24	Q2 2023/24
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A

2. Planned Audits Completed Within Budget	90%	67%	50%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	93%	90%
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 nine audits completed during the period required additional time due to the following:

- additional time for planning and preparation for audits of new areas not previously reviewed, including research and familiarisation with the systems, and additional testing requested by the department to extend the coverage of a review to provide additional feedback for management as part of the work carried out.

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 March 2024

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