



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 25 June 2024

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

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

1. PURPOSE

- 1.1. To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 February 2024 to 31 May 2024.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the internal audit outcomes achieved to 31 May 2024 against the annual Audit & Assurance Plan 2023/24, as approved by the Committee on 18 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 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	145	6	587.62	1,119.69	1,707.31
Payroll	204	36	-	-	-	-
Blue Badge PP's*	195	195	80	18,850.00	52,000.00	70,850.00
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	1,630	357	20,290.04	65,780.50	86,070.54

The above table sets out the areas of activity and the results that have been identified. To date 1,630 matches have been processed and 357 errors have been identified resulting in total savings of £86,070.54. Arrangements are in place to recover any losses.

Blue Badges and Concessionary Travel Passes (Now Card)

We currently have 7458 blue badge holders in the borough. The error rate noted above for Badges is 1.07% of the total badges issued. We currently have 14993 NOW cards (concessionary bus passes) on issue and the above errors equate to 1.77% of the total concessionary travel passes. The errors are attributed to deaths of residents which occurred outside of the borough which do not get notified to the Service via the official reporting channels and where the pass has remained valid. Estimated savings from preventing future incorrect payments are calculated by the CO.

Blue Badges

Customer Services use 3 methods to identify deaths that involve Blue Badge holders:

- Tell Us Once notifications – this is a voluntary service that next of kin can use to notify multiple council services of a death.
- Registrars death list – this is a list of residents that have passed away in the Blackburn with Darwen area.

- Adult Social Care death list – this is a list of residents that are known to social services that have passed away.

This information is received on a weekly basis and checked to see if anyone listed is a Blue Badge holder. If they are, the badge is cancelled and the process to retrieve the blue badge is started. However, the above notification process is not a 'catch all' and we rely on next of kin to notify us of a death. Where the above falls down is when a badge-holder passes away outside of the borough. Deaths are registered in the area that they take place in. If someone has applied for a blue badge, and subsequently goes into a care home outside of the borough, it is unlikely that they will appear on any of the above lists. Unfortunately, there is no way around this and there will always be some badges that 'slip through the net'.

Concessionary bus passes

The process above is also used to identify deaths for Concessionary Bus passes; both services are dealt with at the same time. However, the process is slightly different as there is no need to retrieve the pass. The issued pass can be cancelled, and it will be flagged up on a bus if someone attempts to use it. They will simply be not allowed on the bus and the driver will attempt to retrieve the pass. On July 2023, we switched over to a new database for the Concessionary Bus Passes and the Council has now become responsible for the NFI submissions. Prior to this date, the process was handled by Lancashire County Council. This exercise involves passes from prior to this transfer date, and from the volume of passes on the report, it looks as though nothing was done as a result of the NFI report. As we are now responsible for this process, we expect the number to be significantly lower on the next NFI exercise.

Estimated savings from preventing future incorrect payments are calculated by the CO. 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 130 matches have been processed which has identified 33 errors.

	Matches	Processed	Errors	Outcome	CO Estimates*	Total Saving
C'Tax to Electoral Register	2,299	112	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	130	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 commenced on the Premium matches 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 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.

Corporate Governance and Risk

The table on the following page summarises the six "red" priority areas/issues reported by departments, grouped by key themes, which were identified in the summary Director Exception/Dashboard Report and Assurance Statements as at 31st March 2024.

The table shows the three "red" priorities that have remained as areas of concern from 30th September 2023. It also includes details of two areas of concern identified as "amber" at 30th September 2023 that have been upgraded (U below) to "red" at the year end and one new area of concern (N below) which has emerged since the last report. There is also one area of concern previously identified as "red" which has

been downgraded (D below) to “amber” in the period.

No	Theme / Description	2023/24	2023/24
		31st March Year End	30 th September Half Year
Demand Management			
1	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department. (Adults & Prevention)	Red ^(U)	Amber
2	Operational Safeguarding Adults - Consideration of the risk management activity and actions undertaken during transition period from a dedicated safeguarding team. (Adults & Prevention)	Red ^(N)	-
3	Limited availability of domiciliary provision (Children’s Services)	Red	Red
	Fostering Sufficiency (Children’s Services)	Amber ^(D)	Red
Budgets & Finance			
4	Budget and Demand Pressures - Social Work Demand Costs and externally commissioned Placements. (Children Services)	Red	Red
5	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red	Red
Staffing/ HR			
6	Sickness (whole Council) Chief Executives Department	Red ^(U)	Amber

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Sundry Debtors	Adequate	Limited	16
VAT Follow-up	Adequate	Adequate	1
Finance System Reconciliations Q2	Adequate	Adequate	2

Finance Reconciliations Q3	System	Adequate	Adequate	3
Mileage & Expenses		Adequate	Limited	9
Children's Inspection Readiness	Services	Adequate	N/A	4
Local Authority Improvement Plan		Adequate	N/A	6
Bus Recovery Grant 2023		Limited	Limited	2
Departmental Governance		Adequate	Limited	10
Albion Mill Chronology		N/A	N/A	1
Brookhouse Primary School		Substantial	Substantial	6
St Stephens CE Primary School		Adequate	Adequate	13

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

Sundry Debtors – The report on this provided an adequate assurance opinion in respect of the control environment and limited assurance in respect of compliance with the controls and procedures in place regarding the system for the identification, billing and collection of sundry debtor income. A number of areas of good practice were identified, including the following:

- effective controls in place within Civica Debtors to ensure that there is effective separation of duties between the officers responsible for raising and approving debtor invoices;
- invoices had been correctly raised and issued without undue;
- a standardised process was in place for the recovery of outstanding debts; and
- regular income reconciliations were completed.

Areas for improvement noted included:

- Finalising and publicising relevant policies and procedures to ensure that these are up to date and available to relevant Council staff;
- Promptly removing access to the debtor's system for staff who now longer required it or had left the Council to reduce the risk of unauthorised access; and
- Improving the collection of debts over 30 days and, where required, the prompt write off of unrecoverable debts.

Mileage & Expenses - The agreed objective was to review the adequacy and effectiveness of the **procedures** in place within Departments for the recording of drivers and vehicle checks by managers in line with Standing Financial Instruction 06 – Business Journey and Car Mileage (SFI06) and the processing and payment of valid staff expenses.

Adequate assurance was provided for the control environment and limited assurance

for compliance with the controls in place. Recommendations were made to ensure that staff provide the documentation and information required by the SFI to ensure that mileage and expenses claimed are valid and to remind managers of their responsibilities to carry out relevant checks and maintain adequate record of these.

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 central record maintained of the expenditure relating to this grant or relevant supporting documentation provided by bus operators.

Departmental Governance – The review highlighted the following areas of weakness which led to a limited assurance opinion being reached regarding compliance with controls processes, based on the results of the testing carried out:

- Staff induction processes were not being consistently followed and evidenced.
- Up to date authorised signatories lists and procedures were not in place within departments.
- Audit testing showed limited compliance with the requirement for departments to ensure that Registers of Personal Interest (SFI 12) and Gifts and Hospitality (SFI 21) were kept up to date.
- Not all elected members had completed the 3 mandatory online training courses.

Other Audit Work

During the period, Audit & Assurance staff also completed work to support the certification of the Weekly Wates Food Collection and Local Transport Authority 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:

- Finance System Reconciliations Q4;
- Highways Maintenance – Inspection and Repair
- Use of Purchase Cards;
- Adults Contracts & Commissioning;
- Payroll Core System;
- CCTV Arrangements - Compliance with Surveillance Camera Code of Practice;
- St Pauls RC Primary School;
- Highways Disposal of Surplus and Waste Materials;
- Inspections of Homes of Multiple Occupancy;
- Personalised Budgets/Direct Payments;
- Partnership Arrangements;
- Procurement Arrangements;
- Main Accounting System; and
- Council Tax.

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 2024/25	Q4 2023/24
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	100%
2. Planned Audits Completed Within Budget	90%	50%	65%
3. Final Reports Issued Within Deadline	90%	100%	95%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	93%	87%
6. Client Satisfaction	75%	100%	98%
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

Seven of the 14 reviews 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, extra time carrying out additional testing due to the complexities of the audit area and liaising with the departmental staff.

6. POLICY IMPLICATIONS

The delivery of the Plan leads to the Annual Internal Audit Opinion Report which, 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: 11 June 2024

Background Papers: Audit & Assurance Plan 2023/24, approved by the Audit & Governance Committee on 2 March 2024 and 2024/25 Audit Plan approved on 18 March 2024.