



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 16 October 2018

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 30 September 2018

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 July 2018 to 30 September 2018.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 September 2018 against the Audit & Assurance Plan, which was approved by Committee on 10 April 2018.

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 that have been identified during the year.

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 public sector internal audit standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

5. KEY ISSUES

Outcomes achieved in the year to 30 September 2018:

Counter Fraud Activity

National Fraud Initiative

Work is now complete on the 2017 National Fraud Initiative. The results of this exercise have previously been reported to Committee.

The Council also received reports from the Cabinet Office on 23 February 2018 which identified 5,716 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. The matches indicate that entitlement to Single Person Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for investigation.

The next National Fraud Initiative exercise (NFI 2018/19) will result in data matches being issued to the Council for further review and follow up from 31 January 2019. Audit and Assurance staff are currently co-ordinating the provision of various data sets to the Cabinet Office for this exercise.

Other investigations

During the period Audit & Assurance staff also carried out an investigation into an alleged fraud following a complaint made by a member of public. We found no evidence of fraud by Council staff. However a number of recommendations were made to compliment the process in place and strengthen the controls for the area concerned.

Audit & Assurance has also reviewed the petty cash procedures at two locations following the report of missing money. Whilst fraud/theft was suspected, insufficient evidence was available to confirm that this was the case. In one case we identified several issues concerning non-compliance with the Council's Standing Financial Instructions. The findings have been reported to management along with several recommendations to improve the control environment and ensure compliance.

We are also continuing to liaise with the Police regarding a case of suspected overpayments in respect a social care client responsible for the direct commissioning of their own care service.

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Payroll – Core System	Adequate	Adequate	3
Income Collection & Management	Adequate	Substantial	2
Kings Georges Hall (KGH) Events Management	Adequate	Adequate	7
Main Accounting	Substantial	Substantial	1
Budget Setting and	Substantial	Substantial	1

Control			
Off Payroll Engagement (IR35)	Limited	Limited	8
Procurement and Contract Management Arrangements	Substantial	Adequate	4
Project Management/Capital Schemes Management	Adequate	Adequate	4

We have provided a brief commentary on the audit assignment where we have provided a limited assurance opinion.

Off Payroll Engagement (IR35): The audit objective was to assess the adequacy and effectiveness of the Council's arrangements to ensure Departments were compliant with the requirements of IR35 to identify and assess self-employed workers, and to make appropriate deductions where applicable. We could only provide **limited assurance** for the control environment and **limited assurance** for compliance with the controls for this area. A number of points were identified for management attention. These included the following:

- There was no clear ownership to ensure compliance with IR35 regulations. The onus was placed on the employing manager to identify and assess contractors to ensure that, where applicable, their invoices were paid correctly; and
- It was difficult to clearly identify contractors and it was unclear if all contractors had been assessed against the IR35 regulations using the HMRC toolkit.

During the period Audit & Assurance staff also completed appropriate work to enable the Local Authority Bus Subsidy Ring-Fenced (Revenue) and the Local Transport Settlement 2016/17 Grant Declarations to be signed by the Chief Executive and Head of Audit & Assurance in respect of the year ended 31 March 2018. The results of the work confirmed that, in all significant respects, the conditions attached to the grant determinations had been complied with.

Current internal audit reviews

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

- Partnership Arrangements;
- Highways;
- Overtime/Additional Hours;
- Adults Off System Commissioning Arrangements; and
- Social Determinants of Health/Public Health Internal Spend.

Internal Audit Performance

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

Performance Measure	Target	Q2 2018/19	Q1 2018/19
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A

Performance Measure	Target	Q2 2018/19	Q1 2018/19
2. Planned Audits Completed Within Budget	90%	63%	75%
3. Final Reports Issued Within Deadline	90%	88%	88%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	100%	88%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measures where performance (Q1, 2018/19) has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

Three of the eight audits (63%), completed in the period were over budget. The Corporate Procurement and Off Payroll Engagement reviews required additional time to complete due to the cross cutting nature of the work and the need to liaise with various teams and staff within the Council to finalise the findings and management responses. The KGH Events Management review was completed by a second member staff. Extra time was required to complete the testing and update the findings prior to finalising the report.

3. Final Reports Issued within Deadline:

The final report for Off Payroll Engagement was delayed due to staff absence.

6. POLICY IMPLICATIONS

This 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. CONSULTATIONS

Directors

Contact Officer: Colin Ferguson, Head of Audit & Assurance– Ext: 5326

Date: 3 October 2018

Background Papers: Audit & Assurance Plan 2018/19, approved by the Audit & Governance Committee on 10 April 2018.