



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 15 January 2019

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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

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**1. PURPOSE**

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

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 November 2018 against the annual 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 November 2018:

#### Corporate Governance and Risk

#### Director Exception/Dashboard Report and Assurance Statement Half-Year Update

The table below summarises the ten “red” priority areas of concern across the departments, by key themes, which were identified in the summary Director Exception/Dashboard Report and Assurance Statements for the first half of the year, as at 30 September 2018.

This includes five “red” priorities that have remained as areas of concern from 31st March 2018, three “red” areas that have been upgraded (U below) and two new “red” areas (N below) which have been identified and appears as red for the first time. There are also two areas of concern previously identified as “red” that have been downgraded (D below) to “amber” in the period.

Themes	No	Description	2018/19	2017/18
			30 <sup>th</sup> Sept Half Year	31 <sup>st</sup> March Year End
<b>Demand Management</b>	1	Reducing fly tipping, landfill waste and maximising recycling in order to reduce the amount waste going to landfill. (Environment)	<b>Red</b>	Red
	2	Inspections (Children’s)	<b>Red<sub>(U)</sub></b>	Amber
	3	Child Exploitation (Children’s)	<b>Red<sub>(U)</sub></b>	Amber
	4	Placement Sufficiency - Foster & Adoption Placement Issues combined from previous MAF. (Children’s)	<b>Red</b>	Red
	5	Social Worker Workloads (Children’s)	<b>Red</b>	Red
	6	Crime Figures (Localities & Prevention)	<b>Red<sub>(N)</sub></b>	n/a
<b>Budgets &amp; Finance</b>	7	Budget Pressures - Adult Social Care Commissioning (Adults)	<b>Red<sub>(U)</sub></b>	Amber
	8	Budget Pressures - Social Work Demand Costs and Out of Borough Placements (Children’s)	<b>Red<sub>(N)</sub></b>	n/a
	9	Budget Pressures - Increased Waste Costs and Parking Income (Environment)	<b>Red</b>	Red
		Budget Pressures (Leisure)	<b>Amber<sub>(D)</sub></b>	Red
		Family Court Decisions Placing Increased Financial Burden On Permanence Planning (Children’s)	<b>Amber<sub>(D)</sub></b>	Red
<b>Staffing/ HR</b>	10	Sickness Absence (Adults)	<b>Red</b>	Red

## **Counter Fraud Activity**

### **National Fraud Initiative**

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 have co-ordinated the provision of various data sets to the Cabinet Office for this exercise.

### **Other investigations**

During the period Audit & Assurance staff also carried out two investigations following complaints made by members of public. The first investigation involved an allegation of theft and resale of Council assets. We found no evidence of fraud or theft by Council staff. The second investigation concerned an allegation of fraud and the falsification of documents. We found no evidence to substantiate the allegations made.

Audit & Assurance is currently liaising with the Police regarding two separate cases of suspected overpayments in respect of social care clients who are in receipt of Direct Payments for their care provision. The most recent case involves the identification of a £20,000 overpayment after it was established that the client's circumstances had changed and Direct Payments had been falsely claimed for over a year. Payments have been suspended and recovery will be sought from the client.

### **Internal Audit**

A summary of the three 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 Off System Commissioning Arrangements	Adequate	Adequate	7
Blackburn Central High School	Adequate	Adequate	16
Partnership Arrangements	Substantial	Adequate	7

During the period Audit & Assurance staff also co-ordinated the half year MAF reporting process. This included the review and challenge of the Director Exception/Dashboard Report and Assurance Statements and providing support to the Corporate Plan Performance Challenge meetings.

### **Current internal audit reviews**

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

- Ashworth Nursery;
- Longshaw Juniors Primary School;
- Business Rates;
- Mileages Payments;
- Overtime/Additional Hours;

- Police & Crime Commissioner Grant
- Equality Act Reporting;
- Social Determinants of Health/Public Health Internal Spend
- VAT Management;
- Council tax; and
- Highways.

### **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:

<b>Performance Measure</b>	<b>Target</b>	<b>Q3 2018/19</b>	<b>Q2 2018/19</b>
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	<b>66%</b>	63%
3. Final Reports Issued Within Deadline	90%	100%	88%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	93%	100%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measure where performance (Q3, 2018/19) has fallen below the agreed target:

#### **2. Planned Assignments Completed Within Budget**

One of the three audits (33%), completed in the period was over budget. The Adults Off System Commissioning Arrangements review required additional time to complete due to nature of the work involved. This included working with a business analyst to process map the various systems and processes in place, liaising with a range of colleagues across Adults and Finance and additional time involved in testing the system in operation.

### **Audit & Assurance Plan 2018/19 – In Year Review**

As previously reported to this Committee, changes to the Audit & Assurance Plan will be submitted to Members for consideration when they become necessary. Changes to the Plan are now required because of the following emerging issues:

Resources – it was anticipated that Audit & Assurance would have staff resources amounting to 818 days for the delivery of the Audit & Assurance Plan, as reported approved by the Committee on 10 April 2018. This comprised of 699 days for internal audit, 54 days for risk/governance and 65 days for fraud. However, it is now anticipated that Audit & Assurance will now only be able to deliver 652 days (535 days for internal audit, 43 days for risk/governance and 74 days for fraud). The short fall in days has arisen due to delays in recruiting to one of the Internal Auditor posts, which became vacant on 19 August, an unplanned extension to the time that Audit

staff resources were required to provide cover and support to the Insurance team in order to ensure that insurance claims and associated processes were managed effectively and extra time dealing with staffing and recruitment matters within the team. The estimated final plan will be slightly less than the 560 days achieved in delivering the internal audit work as reported in the 2017/18 Annual Internal Audit Opinion Report.

Audit & Assurance has proposed revisions to the Audit & Assurance Plan, which will allow it to provide an opinion on the Council's framework of governance, risk management and internal control. This revision will ensure that the highest priority (priority 1) audits will be completed in 2018/19. The lower priority audits will be delayed to start at the end of the current financial year or deferred and considered for inclusion in the Audit & Assurance Plan 2019/20 and will cover all departments/areas of the Council.

**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

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Date: 24 December 2018

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