



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 16 April 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 28 February 2019**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 December 2018 to 28 February 2019.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 28 February 2019 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

Counter Fraud Activity

National Fraud Initiative

A total of 6,496 data matches were received from the Cabinet Office in January as part of the 2018/19 National Fraud Initiative exercise (NFI 2018/19). An initial sift of these matches is currently taking place to ensure that follow up action is taken where appropriate. To date, 237 matches have been processed and a further 199 investigations are ongoing. A total of 36 fraud/errors have been found to date resulting in savings of £95,997 and arrangements are already in place to recover this money from the individuals concerned. The table below illustrates main areas of activity and where savings have been identified.

Summary of Results

Area	No. of Frauds/Errors	Value (£)
Benefits (Housing/Council Tax Support)	8	£20,395
Private Residential Care Homes	28	£75,602
TOTAL	36	£95,997

Other investigations

During the period Audit & Assurance has also reviewed the cash security arrangements at one location following the report of missing money. Whilst fraud/theft was suspected, insufficient evidence was available to confirm that this was the case. Following discussion with management, internal controls have been strengthened to prevent a reoccurrence.

As part of its proactive plan of counter fraud work, Audit & Assurance is currently undertaking an exercise to validate the VAT status of a sample of suppliers to ensure that VAT is only paid in appropriate circumstances. The results of this exercise will be communicated in the next report to Committee.

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 six audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Highways	Adequate	Adequate	7
National Non-Domestic Rates (NNDR)	Adequate	Substantial	4
Equality Act Reporting	Adequate	Adequate	7

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Police & Crime Commissioner Grant	Adequate	Limited	11
Ashworth Nursery	Adequate	Adequate	21
Longshaw Junior School	Adequate	Adequate	16

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

Police & Crime Commissioner (PCP) Grant: The audit objective was to ensure that the conditions attached to the Council's PCP Grant award, by the Home Office, were fully complied with for the financial year 2017/18. **Adequate** assurance was provided for the control environment and **limited** assurance for compliance with the controls identified in place. A number of areas were identified for management attention. These included improving the recording of expenditure and storing of related documentation, and identifying the costs of overheads and staff resources used to support the PCP to fully utilise the grant available.

Current internal audit reviews

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

- Mileage Payments;
- Overtime/Additional Hours;
- Social Determinants of Health/Public Health Internal Spend
- VAT Management;
- Council tax;
- Adults Client Care Assessment/Case Management
- Personalised Budgets/Direct Payments;
- Highways Asset Valuation
- Pupil Transport;
- Payroll Core System;
- St Francis CE Primary School; and
- Cedars Primary School.

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	Q3 2018/19	Q2 2018/19
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	66%	63%
3. Final Reports Issued Within Deadline	90%	100%	88%

4. Follow Ups Undertaken Within Deadline	90%	63%	100%
5. Recommendations Implemented	90%	100%	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

Two of the six audits, (33%), completed in the period were over budget. The Police & Crime Commissioner and Highways reviews required additional time to complete as the work was carried out by the apprentice, under supervision, and additional time was spent to ensure that the work and related reports met the required quality standards.

4. Follow Ups Undertaken Within Deadline

Three follow ups due to be carried out in the period were only issued in March due to the way these had been recorded in the Audit & Assurance time management system. There were no must recommendations identified in these reports which were due for implementation in the period. The results from these follow ups will be included in the next report.

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: 04 April 2019

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