



**TO:** Audit & Governance Committee

**FROM:** Head of Audit & Assurance

**DATE:** 15 October 2019

**PORTFOLIOS AFFECTED:** All

**WARDS AFFECTED:** All

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**TITLE OF REPORT: Audit & Assurance - Progress and Outcomes to 30 September 2019**

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**1. PURPOSE**

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 June 2019 to 30 September 2019.

**2. RECOMMENDATIONS**

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 September 2019 against the annual Audit & Assurance Plan, which was approved by Committee on 16 April 2019.

**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.

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 in their particular

areas of responsibility throughout the year.

## 5. KEY ISSUES

### Outcomes achieved in the year to 31 September 2019:

#### Counter Fraud Activity

##### **National Fraud Initiative**

A total of 4,716 data matches were initially received from the Cabinet Office in February 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, 479 matches have been processed and a further 176 investigations are ongoing. A total of 59 errors have been found to date resulting in savings of £109,380 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.

A further 636 matches were received in August 2019 as a result of comparisons made with HMRC data. These are currently being reviewed by staff within the Revenues & Benefits section.

##### **Summary of Results**

| Area                                   | No. of Errors | Value (£)       |
|--|---------------|-----------------|
| Benefits (Housing/Council Tax Support) | 17            | £33,778         |
| Private Residential Care Homes         | 28            | £75,602         |
| Resident Parking Permits*              | 14            | -               |
| <b>TOTAL</b>                           | <b>59</b>     | <b>£109,380</b> |

\* Residents parking permits cancelled & system updated as a result of NFI information

The Council received additional reports from the Cabinet Office in February, March and August 2019, which included 9,005 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 and HMRC records. The matches indicate that entitlement to Single Person's Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for follow up and further action.

##### **Other investigations**

Audit & Assurance is continuing to liaise 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. It was established that this client's circumstances had changed, which were not notified to the Council, 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 nine audits completed and finalised since the last report to Committee are detailed below:

| Risk, Control & Governance Reviews                                  | Assurance Opinion |             | Recommendations Agreed |
|---|-------------------|-------------|------------------------|
|   | Environment       | Compliance  |                        |
| Personalised Budgets/<br>Direct Payments                            | Adequate          | Limited     | 11                     |
| Fostering Recruitment<br>and Payments                               | Adequate          | Adequate    | 7                      |
| Petty Cash  | Adequate          | Adequate    | 3                      |
| Highways Asset<br>Valuation   | Adequate          | Adequate    | 5                      |
| Payroll Core System   | Adequate          | Adequate    | 6                      |
| Growth Strategy   | Substantial       | Substantial | 1                      |
| Football Foundation<br>Investment                                   | Substantial       | Substantial | 0                      |
| Adults Client Care<br>Assessment/Case<br>Management and<br>Payments | Adequate          | Adequate    | 6                      |
| Performance Indicators  | Adequate          | Adequate    | 2                      |

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

**Personalised Budgets:** The audit objective was to ensure that there were effective arrangements in place for managing personalised budgets/direct payments and preventing fraud or misuse of those payments. **Adequate** assurance was provided for the control environment and **limited** assurance for compliance with the controls identified in place. The areas identified for management attention included ensuring that:

- planned reviews were carried out in line with the legislation and Council policy;
- support plans were checked, agreed and appropriately authorised in accordance with the agreed procedures;
- Financial monitoring risk assessments were carried out for all new service users and an annual review conducted in all cases; and
- cases where no charge element was shown on Mosaic needed to be investigated to ensure the correct direct debit payment was paid and the charge element was correctly shown.

In addition to the above audit reviews, Audit & Assurance staff have also completed additional work to follow up a number of potential duplicate mileage claims identified as part of the Mileage Payments review reported to the last Committee meeting. A small number of duplicate payments were confirmed, and arrangements have been

made to recover the amounts concerned via payroll.

Audit & Assurance staff also completed reviews during the period to enable the annual Local Authority Bus Subsidy Ring-Fenced (Revenue) and Local Transport Settlement 2018/19 Grant Declarations to be signed by the Chief Executive and Head of Audit & Assurance in respect of the year ended 31 March 2019. The results of the work confirmed that, in our opinion, the conditions attached to the 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:

- Overtime/Additional Hours;
- Social Determinants of Health/Public Health Internal Spend;
- Main Accounting System;
- Budgetary Control;
- Information Governance;
- New Section 106 Procedures;
- Pupil Transport;
- Highways Maintenance – Procurement;
- Young Peoples Service – Educational Visits Risk Assessments;
- Sundry Debtors; and
- Protocol System – Access Controls.

### **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>Q2<br/>2019/20</b> | <b>Q1<br/>2019/20</b> |
|---|---------------|-----------------------|-----------------------|
| 1. Delivery of Priority 1 Audits (Annual) | 100%          | N/A                   | N/A                   |
| 2. Planned Audits Completed Within Budget | 90%           | <b>75%</b>            | 60%                   |
| 3. Final Reports Issued Within Deadline   | 90%           | 100%                  | 80%                   |
| 4. Follow Ups Undertaken Within Deadline  | 90%           | <b>100%</b>           | 80%                   |
| 5. Recommendations Implemented            | 90%           | <b>84%</b>            | 94%                   |
| 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 (Q2, 2019/20) has fallen below the agreed target:

## 2. Planned Assignments Completed Within Budget

Two of the eight audits, (25%), completed in the period were over budget. Additional time was required to complete the Adult Care Assessment review due issues accessing the system to carry out the testing, and additional time required to follow up audit queries and obtain responses from staff. Extra time was spent on the on the Direct Payments review due to the limited compliance opinion and testing carried out in respect a fraud identified.

## 5. Recommendations Implemented

Of the follow up responses received back 118 (84%) of the 140 recommendations due for implementation on or before 30 September 2019 had been fully or partially implemented. Only one of the 22 recommendations not yet implemented was categorised as 'must'. This related to the use of confirmation orders at St Francis Primary School.

## **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. CONSULTATIONS**

Directors

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

Date: 4 October 2019

Background Papers: Audit & Assurance Plan 2019/20, approved by the Audit & Governance Committee on 16 April 2019.