

Manchester City Council Report for Information

Report to: Audit Committee - 20 March 2014
Subject: Head of Internal Audit Annual Opinion 2013/14
Report of: Head of Internal Audit and Risk Management

Summary

This report provides Members with the Head of Internal Audit and Risk Management's Annual Opinion on the Council's systems of governance, risk management and internal control.

Recommendations

Members are requested to consider and comment on the Head of Internal Audit and Risk Management's Annual Opinion for 2013/14

Wards Affected:

None

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Background documents (available for public inspection):

Internal Audit Plan 2013/14 (June 2013)
Internal Audit Plan Update (January 2014)
Internal Audit Quarterly Assurance Reports 2013/14
Review of Effectiveness of Internal Audit 2013/14

1. Background to report

- 1.1. The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which Internal Audit Service operated during 2013/14. It sets out the requirement for the Head of Internal Audit and Risk Management (“Chief Audit Executive”) to report to officers and the Audit Committee (“The Board”) to help inform their opinions on the effectiveness of the framework of governance, risk and control in operation within the Council.
- 1.2. This report provides the Head of Internal Audit and Risk Management’s assurance opinion on the adequacy and effectiveness of the Council’s internal control arrangements for the year April 2013 to March 2014. The report highlights matters for consideration and refers to plans for further assurance activity in areas of concern. The report is broken down into an overall opinion and a summary of assurance in business areas. The extent and direction of audit coverage is driven by assessment of risk and, by necessity, available resources.
- 1.3. The annual opinion contributes to the completion of the Annual Governance Statement (AGS). It is specifically timed to be considered as part of the Council’s annual review of governance and internal control and is reported along side the Review of Effectiveness of Internal Audit. A detailed Internal Audit outturn report for all activity in the year will be reported to the Audit Committee in July to fulfil the requirements of the Accounts and Audit Regulations and PSIAS.

2. Overall Opinion

- 2.1 The Head of Internal Audit and Risk Management can provide **substantial** assurance that the Council’s governance, risk and control framework is generally sound and operated reasonably consistently other than in respect of a small number of significant control issues identified. The opinion is based on delivery of planned Internal Audit work and reliance on some other assurance provision available in the period.
- 2.2 The key governance, risk and internal control issues of which the Head of Internal Audit and Risk Management was made aware during the year related to:
 - A second limited assurance opinion was issued in respect of safeguarding casework compliance operated for the Council by Manchester Mental Health and Social Care Trust. This has accelerated a programme of improvement activity and will be subject to further audit in April 2014. A report will be presented by senior management to the Council’s Audit Committee in July focusing on actions being taken to develop arrangements with the Trust.
 - Given the scale and range of data and information assets held by the Council there remain inherent risks of loss or leakage of sensitive information that requires a sound system of risk management and control. This risk is increased by the nature of social care, health partnership and reform work requiring substantial volumes of data

sharing between the Council and other organisations. During 2013/14 there were a small number of incidents that emphasised the need for controls to be strengthened. Actions were taken in a number of key areas and there is a corporate commitment to deliver on a focused improvement plan during 2014.

- There have been a number of positive steps taken to strengthen the Council's ICT arrangements and 2013/14 was a year of further progress with major programmes of improvement delivered including the Town Hall Extension fit out and the establishment of the new data centre at The Sharp Project. Nonetheless there remain key challenges to be addressed in terms of security, resilience, bringing more applications to the latest upgrade versions and the prioritisation of business projects with ICT interdependencies to provide the capacity to support the transformation to the scale of the Council ambitions.

2.3 In addition the challenge from an audit perspective, as recognised by management and Members, remains the financial context in which the Council operates. The impact of delivering a continuous programme of substantial savings continues to impact on all areas of the business. Savings plans are well established and being delivered for 2013-2015 and the planning for 2015 onwards is underway which will have further significant impact on the way the Council operates. Whilst the Council remains well placed to respond, the scale and pace of required remains a fundamental risk.

2.4 In a Council of Manchester's size and complexity, with its significant ambitions, change agenda and savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. We have worked actively with management to identify and examine these areas of potential risk and support them in anticipating future risks and challenges for 2014/15 and beyond. Where audit work has highlighted areas for improvement recommendations have been made to address the risk and management action plans agreed. The key elements of this are detailed below.

3. Corporate Services

3.1 Work is complete on most of the key controls in the core financial systems with some work due for completion by year end. Substantial or full assurance was provided over most of these systems. The financial accounts were completed to deadlines with positive assurance provided over the content of the Council's financial statements and the certification of grants by external audit.

3.2 Procurement is an area of current focus with work ongoing in the review of revenue framework contracts but the continued operation of an effective Corporate Procurement Service, development of the Commissioning Hub and improved contract management and monitoring arrangements all provide an acceptable level of positive assurance over activity in this area.

- 3.3 Capital procurement has been subject to increased audit and management scrutiny following the dismissal of a senior member of staff from the Capital Programme Division and this remained a focus of audit and investigation work in the year. A programme of improvement was delivered focused on the standardisation of project files, staff awareness of anti-fraud and bribery regulations and greater oversight of procurement decisions. This programme was overseen by senior officers including representatives from finance, HROD and Internal Audit and included the establishment of a commissioning group to provide greater scrutiny and demonstrable approval of contract awards.
- 3.4 The Town Hall Extension project was delivered, albeit with some challenging issues still to be completed in terms of Lloyd Street and public realm works. Work on the Central Library redevelopment has been prioritised and test runs completed in advance of opening. Governance arrangements for this substantial programme of work continued to operate well and we can confirm that the final account for payments on the Extension element of the works has been subject to robust management scrutiny following positive audit assurance over payment processes in previous years.
- 3.5 We continued to identify and respond to risks around cash management and control in locality offices and this was reflected in reports to management. We also responded to a number of allegations into cash handling including reports of loss and theft. This led to the rationalisation of the use of cash across Children's and Commissioning Services and Families, Health and Wellbeing, and improvements in the approach to dealing with customer cash across the directorates. Actions and updates have been reported to Audit Committee in the year. A significant investigation relating to the theft of cash was concluded in the year and is the subject of an ongoing police investigation we are supporting.
- 3.6 Work in Revenues and Benefits confirms that sound systems are being operated and risks are being managed appropriately. This included the responses taken to respond to changes in welfare reform and the administration of emergency payments from within the service. The Council Tax Support Scheme was introduced in accordance with legislation and has been reviewed and updated for 2014/15. Challenges remain in terms of the localisation of business rates and in particular the volume and value of historic appeals and the poor quality of information inherited by the Council. Prudent estimates have been made to respond to the financial risks presented by this transfer of responsibility from Central Government and will be reflected in the year end accounts.
- 3.7 The delivery of savings remains a key priority for the Council with robust arrangements in place to identify, approve and monitor achievement during the year and identify priority areas for future savings. Assumptions made in the establishment of savings targets have been revisited in a number of areas and compensating proposals for cost reduction and income generation identified to ensure delivery of a balanced budget. The financial context

remains a substantial challenge as the Council seeks to reduce costs through the promotion of growth and public service reform across the City and the wider conurbation. Whilst the challenge of securing savings whilst delivering Community Strategy objectives remains a high risk, as reflected on the corporate risk register, arrangements for the governance of savings continue to be an area of positive assurance.

- 3.8 Other finance-related work in the year included the certification of a number of ERDF, EU and Central Government grants which we confirmed and approved as compliant with grant conditions.

4. Chief Executive

- 4.1 A key focus for the Council's Performance Division has been the quality and integrity of data and intelligence available for use in decision making, including support for activity delivered through the PSR programme. Although this focus has identified issues in the accuracy of data sets across a range of services it has also led to the prioritisation of resources in areas for further improvement. This includes the cleansing of discrepancies between the raw workforce and finance data in SAP which has led to the historic development of workarounds in the production of reports. Positively the business is now addressing the underlying data issues through specific projects and workstreams to improve accuracy and efficiency of processes.
- 4.2 We provided positive assurance over the Troubled Families grant claims submitted in year and have been engaged positively in the development of systems such as IBase that are being used as part of PSR to analyse and make use of data and intelligence from partners across the City.
- 4.3 Performance reporting arrangements have been sound, resulting in regular and timely reporting of key performance data and information to officers, Members and stakeholders. Additional reports have been identified and introduced in the year to support decision making including accessible dashboards for PSR theme priorities, as part of the performance dashboards to Strategic Management Team and within directorates. Business plans for 2014-16 have been produced for each Directorate, underpinned by service plans and supporting schedules for finance, workforce development and risk management. These arrangements continue to demonstrate that the Council has effective governance structures to convert vision and strategy into plans, objectives and targets.
- 4.4 We confirmed sound processes for the production and monitoring of the annual governance statement, Code of Corporate Governance, corporate risk register and partnership risk register, all of which are key elements of the Council's governance arrangements. Internal Audit supported a thorough revision of the partnership governance framework to ensure it remained focus on key risks and could be used as an effective tool for assurance and action planning. This refresh includes the introduction of a new mid-year update for SMT and Audit Committee to provide assurance over actions taken to address

issues of concern arising from the partnership assessment process. These arrangements provide positive assurance that the basic elements of the Council's governance framework have been subject to ongoing review throughout the year.

- 4.5 Engagement of staff and management has been a continued focus for HROD with meetings held of the Council's Senior Management Forum and Wider Leadership Team to cascade corporate priorities, objectives and information across services. Workforce development and attendance management have remained key priorities with senior management focus driven through the HROD Board, Skills Development Board and directorate workforce development groups. Training plans have been established across all services and consolidated to enable development opportunities and training to be commissioned. This has helped drive efficiency in the approach and ensured a focus on key workforce priorities identified as essential to the delivery of Council objectives such as commercial skills, financial literacy and leadership. Training has also included the ongoing provision of support for change workshops for staff across the Council impacted by the redesign of services.
- 4.6 ICT remains a key component of the Internal Audit plan and whilst some of the formal work for 2013/14 is still to be finalised we took assurance from updates on key developments. Given the scale of change across ICT we contributed to a number of change projects involving ICT such as employee/ manager self-service, automatic password resets and the BACS payment system replacement.
- 4.7 ICT resilience has been a cause of disruption in the year with two system outages involving SAP and a recent outage and subsequent performance reduction impacting on the benefits system. Following the first SAP outage, Internal Audit and Risk Management produced a robust lessons learned review that confirmed the need to develop arrangements in a number of areas including the management and governance of major ICT changes and incident management. Positive steps were taken including the establishment of an ICT Risk, Continuity and Change Group to review and approve major activity including upgrades, patches, application migration and any major change that could present significant risks to business continuity. There has also been a strengthening of incident management arrangements. As a result of these changes the second SAP outage and benefits system issues have been managed far more effectively although they both had a detrimental impact on the ability of the Council to efficiently process transactions and there remains work to do in this area.
- 4.8 ICT have also delivered on a number of key, high profile projects including the fit out of the Town Hall Extension and Central Library and a pilot of mobile devices in social work teams which were included in a report to the Finance Scrutiny Committee in February 2014. This is in addition to the less visible investment that has applied to address historic weaknesses in the Council's basic ICT infrastructure; this includes the establishment of the data centre at The Sharp Project but also the wide area network and telephony. Further

investment is scheduled before year end to address requirements of the Public Service Network (PSN) accreditation including the replacement of a substantial number of end-user devices and other equipment required to improve ICT security and meet Central Government ICT security standards. This work presents a significant challenge and means that the Council will not have fully met all PSN requirements by 31 March but will have a clear roadmap to do so over 2014. This is not an uncommon position across local government given the higher standards under PSN but the risk of demonstrating sufficient progress by year end and sustaining the pace of improvement activity required to deliver plans for 2014/15 presents a big challenge.

- 4.9 Governance of ICT continues to be exercised at the highest officer levels through the ICT Board and ICT Continuity and Change Group. The establishment of directorate lead officers for ICT is also helping to ensure that service needs are better understood and reflected in ICT priorities. The ability to deliver on the wide range of ambitious priorities presented to ICT has been a challenge in the year, especially given turnover in ICT staff and reliance on external resources to deliver projects and programmes. Internal Audit work on programme and project management recommended changes to governance arrangements and a number of SMT members and senior officers are currently developing a revised process for agreeing key ICT project priorities for 2014/15.
- 4.10 Information security considerations, including those relating to ICT, are also a key focus of the Corporate Information Risk and Assurance Group (CIARG). Internal Audit has supported the CIARG in the year with audits of information and building security that have highlighted areas for further improvement and basic compliance with policies and procedures. These findings have been cascaded to management through Directorate Senior Information Risk Officers (SIROs) who were nominated in the year.
- 4.11 There have been a number of information security risks, only some of which involved ICT and are linked to behavioural change and sustaining the improved awareness of staff and partners, not just technical infrastructure. Most risks were low level, did not result in an issue and were managed within the Council but a small number have resulted in the loss or theft of personal or sensitive information. Directorate SIROs and the CIARG provide oversight of incidents and there have been improvements in the year with strengthened incident handling and reporting procedures, training in information security and awareness campaigns that have all strengthened the Council's arrangements for information security.
- 4.12 The Internal Audit Plan for 2014/15 includes an allocation of time to participate in a corporate project team that is being established to accelerate actions to further embed a consistent and effective approach to information security across all areas of the Council.

5. Children's Services

- 5.1 Given the continued scale and pace of change across Childrens and Commissioning Services, including integration with Families, Health and Wellbeing, our work has again included advice and guidance on the development of emerging arrangements and the implications of these in terms of governance, risk management and internal control. For example we were engaged in the redesign of the Juvenile Employment Licensing process used to license children in acting and other performance roles in the City. Management were seeking independent advice over the plans and proposals as a number of key decisions still had to be finalised at a late stage in the system development. We identified a number of actions to be taken to address key issues and improve the success of the transfer process.
- 5.2 We issued moderate assurance audit opinions following audits of 'No Recourse to Public Funds' payments, Pupil Referral Units and the Centralised Placements Team which all demonstrated a positive understanding of risk and evidence of progress being taken to drive forward audit recommendations to strengthen systems of control.
- 5.3 Having raised concerns in previous years regarding the closure of services and buildings across the Council we reviewed arrangement for the decommissioning of Early Years centres and Children's Homes. We provided substantial assurance to management over the development and use of a clear closure framework, regular oversight and engagement of both the project manager and other key stakeholders in the process and in supporting Home Managers in planning and completing closures. We also provided positive assurance to management in Families, Health and Wellbeing over the closure of day services which demonstrate a much improved approach being applied across the Council and we consider is an example of a positive outcome emerging from the close working between the two directorates.
- 5.4 Information security was an area of audit focus initially examining culture, behaviours, systems and processes across the Directorate with a second audit on information sharing. This followed a small number of significant information security incidents and increased awareness of the risks inherent in managing data and information securely across services and organisational boundaries. Following our work management established a robust action plan of improvement which has been regularly monitored to ensure it delivers improvements in training and awareness; information risk assessment; clarity of roles and responsibilities; and oversight of potential information breaches.
- 5.5 Our work on information sharing emphasised the challenge inherent in exchanging high volumes of sensitive and personal data safely with partners. We issued a moderate assurance opinion as there was a good awareness of risks and a clear approach in relation to information security and information sharing in areas using secure (GCSX) connections. Where GCSX was not used for sharing due to partner expectations and requirements, and in the absence of effective, alternative solutions, there was less clarity of the

- appropriate and safest methods to be used to share information. We agreed with management that there were some immediate actions to be taken and use of interim solutions to address risks. This is in advance of implementation of a corporate solution for e-mail encryption for which a project is well advanced and will strengthen security, in the Directorate and wider Council.
- 5.6 Cash handling remained a focus of audit work following a number of issues raised in previous years. We have seen improvements as confirmed in our audit of Section 17 & Contact Payments. There was also a reduction in the reported exposure to risk with the development and launch of comprehensive cash handling procedures and training programme, as well as the introduction of processes to encourage alternatives to cash.
- 5.7 We had planned a further audit of Casework Management in the year but delayed the start of this pending OFSTED inspection which had been anticipated from October 2013. There has been a lot of activity to improve capacity and quality of casework recording across social care and safeguarding activity in the year including the refresh and relaunch of the quality assurance framework which is the subject of an audit that will be finalised in April. The OFSTED inspection is likely to take place in early 2014/15 and we will work with management to understand the findings and how audit work can be best timed to support further improvement.
- 5.8 Schools remained an area of focus for Internal Audit given the crucial role that they play in supporting the achievement of objectives and the Community Strategy. There has been a broad range of findings with the majority of schools being issued with moderate assurance but examples of good practice in others. There have been a small number where we have been unable to provide more than limited assurance and these are the areas where we will be targeting our follow up work to ensure that actions are taken to implement agreed recommendations. Our work has been usefully informed through our positive engagement with colleagues in Education and Skills and we have responded to a number of requests in the year for audits to be targeted in schools experiencing difficulties or where audit involvement could add most value. This included work at a federation of schools where our audit confirmed a number of major issues relating to governance and financial management and where our recommendations triggered positive improvement actions.
- 5.9 Key risks identified from school audits continue to be around procurement and the operation of purchasing controls and the engagement of governors in the decision making related to this procurement. Cash handling and dinner money have also remained key themes with an audit in this area and a number of referrals relating to cash losses and potential theft. One major investigation at a primary school was delivered by the team in conjunction with Education colleagues and led to changes in staffing and governance arrangements following the identification of a range of issues, many of which have been addressed by a new Head Teacher and Governing Body.
- 5.10 We continue to explore opportunities and approaches to engage effectively with schools and are currently working with colleagues in Childrens Services

and the Manchester Schools Alliance, as well as through school cluster group conferences and events, to develop new ways of supporting head teachers, business managers and governors.

6 Families, Health and Wellbeing

- 6.1 The Directorate for Families, Health and Wellbeing continued to engage positively with audit and risk management in the development of new strategies, systems and processes. Management assurance frameworks continue to support improved compliance in a number of areas and we will continue to encourage the use of management information reports from the Performance, Research and Intelligence Team to enable timely management action to address gaps in meeting expected standards, especially for the recording of casework and safeguarding activity.
- 6.2 Working in partnership with NHS auditors we reviewed compliance with safeguarding procedures between the Council and Manchester Mental Health and Social Care Trust. For the second year we provided limited assurance that the referrals managed by the Trust complied with Manchester Safeguarding Adults Board (MSAB) standards and best practice, or the Trust's own policies. Although there was evidence of some improvement in arrangements this was not sufficient to enable a greater level of assurance to be provided. Issues were escalated to senior management as well as the Chair of the Manchester Safeguarding Board. There is substantial work ongoing between the Council and the Trust to address matters of concern through the implementation of a broader improvement strategy. The Trust have confirmed a number of actions agreed as part of the report have been implemented and we will be testing these assertions and the impact they have had on compliance in a thorough follow up audit. This work as well as an audit to provide assurance over the effectiveness of the Council's monitoring arrangements for the commissioning of social care services by the Trust will be completed in April 2014.
- 6.3 Moderate assurance was provided over Blue Badge applications given the need to address improvements in verification checks carried out on the issue of badges. We anticipate a moderate assurance to be issued in respect of Social Work Assessments where we have seen improvements in standards of activity recording but where more is needed to be done to ensure records demonstrate timely actions, interventions and decision making.
- 6.4 Cash handling and management was a key theme where concerns and lower levels of assurance have been provided in previous years and where we undertook further audits in 2013/14. We provided moderate assurance over the operational management of customers' personal monies operated at District Offices and agreed a number of actions to improve controls. Similarly in our audit of Client Financial Services (CFS) we provided moderate assurance over the effectiveness of the systems in place within CFS for the management of customers' finances where the Council act as an appointee or deputy. Prompt action was taken to introduce a management assurance

framework enabling greater oversight and challenge to reduce the risks of both poor performance of actual or perceived financial abuse to customers. The Strategic Head of Finance continued to lead improvement in this area which we consider provides positive assurance over the focus and priority afforded to the improved management of risk. An update report from management will be provided to Audit Committee in March 2014.

- 6.5 Cash handling has also been an area of focus in supporting living accommodation and in particular supported network properties. We have previously investigated allegations of irregularity and have continued to follow-up issues relating to clarity of contractual roles and responsibilities, cash management and mental capacity assessments. Internal Audit work in these areas will continue into 2014/15.
- 6.6 Public Health has been well embedded in the Directorate's activity following a successful transition and commissioning activity has been strengthened in partnership with Childrens and Commissioning Services. Along with public service reform activity, which remains a major focus for the directorate, these are both areas for further audit work in 2014/15.

7 Growth and Neighbourhoods

- 7.1 The Growth and Neighbourhoods directorate was established in the year, with a strong vision and communication of key priorities and objectives communicated to staff and managers at engagement events. The Directorate business plan and supporting service plans were finalised and strong governance, management and reporting arrangements established.
- 7.2 We continued to work with management and colleagues in finance and legal to review and update the cost and fee model used for taxi licensing accounts following complaints and an objection to the 2011/12 annual accounts. Work has progressed well in the year with draft cost models now developed and a project plan being delivered to ensure all recommendations made by internal and external audit are addressed in 2014. The principles applied to taxis are being rolled-out across other licenses including premises to ensure that the principles of cost recovery and legal compliance can be adhered to and can be clearly demonstrated to fee payers and other stakeholders.
- 7.3 We issued one limited assurance opinion to management in the Directorate which related to the Council's arrangements to support private sector housing. We recognised that the Residential Growth Prospectus provided a sound commitment to deliver improvements, but agreed with managers that a delivery plan should be developed to detail the key actions to be undertaken in support of this commitment. Positive actions were also agreed following our NDT Operational Working Arrangements Review. While we were assured over the process followed and the assumptions made, our opinion was inherently constrained by the quality of available, empirical data that could be obtained at the time to support the review. We recommended that assumptions continued to be checked back to further service data as it became available to ensure that they remain valid and targets are achievable. This challenge of establishing strategic priorities and new service models in areas where historical data and evidence is more limited is a common challenge across the

Council as we strive to reform public services, work in new ways with partners and innovate to deliver positive outcomes at much reduced cost and we welcomed the positive way in which support was sought in this area.

- 7.4 We have provided high level support, advice and guidance to management in a wide range of areas including Clean City governance arrangements, relocation of the fleet management services with GMP and in the development of mobile working solutions. The developing arrangements for management of the Mersey Valley based around Chorlton Water Park were also reviewed and we were assured that the service was being managed in line with expectations on a day to day basis and that work was underway to develop a long term, cost effective development plan.
- 7.5 We delivered audits in a number of operational neighbourhood activities including the administration of GMRAPS (road access permits for utility contractors digging up roads) and the quality assurance process of highway repairs, both of which resulted in moderate assurance. We were able to provide substantial assurance over the administration of S106 planning obligations and the project management approach being taken to identify and implement waste management and recycling initiatives.

8 Anti Fraud and Investigations

- 8.1 No organisation can guarantee that it will be free from fraud or financial irregularity, the extent of which can be a measure of the effectiveness of internal controls. Internal Audit has carried out a number of investigations referred during the year, either independently or by offering advice and support to managers and investigating officers. The work included allegations of theft of money; failure to secure income; and poor management controls which led to errors and loss. Investigation reports have been provided to relevant managers and recommendations for action and system improvements made as necessary. Where appropriate this has included liaison with police and courts to pursue criminal action. Further details about cases including outcomes where they are known will be reported more fully to Audit Committee in July 2014 as part of the Annual Fraud Report.
- 8.2 Internal Audit has continued to work on the arrangements for managing and responding to fraud risk. This has included pro-active fraud and compliance reviews within the core financial systems and in some business systems. This work highlighted errors and non-compliance and not fraudulent activities. As in previous years this development work has been impacted on by reactive case load however there has been a additional dedicated resource on secondment working to assist in the development and trial of additional data matching exercises. Other sources of assurance and action for the Council's response to fraud included the Fraud Investigation Group in Revenues and Benefits who continued to investigate allegations of claimant fraud, particularly in relation to benefits.
- 8.3 Proactive work included the approval of a new advertising and information campaign for the Council's anti-fraud policies and procedures, including the arrangements to deal with whistleblowing and the start of a targeted briefing

- programme for senior managers and others about the arrangements in place and the need to actively examine and report suspicions. We updated the Leaders Handbook to support the information campaign.
- 8.4 We continued to coordinate the Council's response to the National Fraud Initiative which identifies potential fraud or irregularities based on matched data sets with other authorities from which cases are investigated and actions taken as appropriate. Work is on going here.
- 8.5 Our work on duplicate payments establish a number of duplicate which are being recovered. At this stage approximately £330k has been identified of which £226K has so far been recovered and the rest are being followed up. A further £106K remains under investigation but has not been established as a duplicate at this stage.
- 8.6 While we identified these duplicates the numbers were low as a percentage of the total number of payments made and as a result we were able to conclude that the control environment was sufficiently robust to keep the number of undetected duplicate vendor payments being made through the routes we reviewed at a low level. There are other types of payments which will be examined as part of our on going programme and proactive work and audit including grant and contract payments.
- 8.7 Overall the level of proactive anti-fraud and related work undertaken in Internal Audit and across the business is appropriate and outcomes have been positive. Work on expenses and overtime claims did not identify any fraud but did highlight areas for improvement in ensuring a consistent approach and understanding of policies. We also reviewed the right to buy application processes in housing following two fraud investigations and confirmed that the current systems were sound with only minor areas for improvement. It is clear that this proactive work is an area where resources should continue to be deployed to prevent, deter and detect potential wrongdoing and to support managers in taking action when this occurs.
- 8.8 To date in 2013/14 there have been 46 cases of potential fraud or irregularity referred to Internal Audit, of which 18 were whistleblowing referrals handled under the Council's whistleblowing procedures. This included two major investigations. One in a primary school in relation to poor financial management and governance and a second involving contract performance; failure to secure income and allegations of theft.
- 8.9 Cases that Internal Audit have investigated or supported have included allegations relating to:
- contractor performance and theft by third parties;
 - creditor payments;
 - right to buy applications;
 - contract compliance;
 - loss / theft of cash and assets from Council / school premises;
 - theft of cash from service users;
 - cash individual budgets (social care);

- financial irregularity / mismanagement;
- unauthorised access to premises and systems;
- information security breaches.

8.10 Where appropriate and whenever cases of theft or fraud have also been referred to the police for them to consider criminal prosecution. Internal Audit have supported this process with witness statements and evidence as appropriate. Recovery of missing cash is a key consideration in these cases and will be pursued as part of the process.

9 Recommendation Monitoring and Implementation

9.1 During 2013/14 key performance indicators were reported through the Council's Performance Management Framework.

9.2 At the end of December 2013 Internal Audit confirmed that 50% of critical, major and significant recommendations from reports had been implemented with a further 21% partially implemented. The implementation rate reflects a challenge across the business in addressing reported risks within agreed timescales. In a number of areas such as ICT, Information Security, and Cash Handling this reflects an ongoing exposure to risk as action taken to address reported issues have not progressed as planned due to competing priorities. Management are aware of the need to address risk and engaged with Internal Audit in seeking solutions to the issues raised. Given the scale and pace of change remains significant Internal Audit will continue to work closely with managers to target key issues and set appropriate and realistic targets.

10 Conclusion

10.1 This summary opinion relates to audit activity in 2014/15. Members are requested to note the assurance opinion and activity, and to consider whether or not there are any matters which have been raised which require more specific consideration by the Committee or referral to the appropriate Scrutiny Committee.