

Allerdale Borough Council

Audit Committee - 25 February 2019

Assurance, Risk and Audit Report for the Quarter Ending 31 December 2018

The Reason for the Decision	To inform the Committee of the work performed by the Assurance, Risk and Audit Team in the third quarter of the financial year 2018/19.
Summary of options considered	N/A
Recommendations	<ol style="list-style-type: none">1. That the report is accepted subject to any additional information that the committee may require.2. That the self-assessment is considered
Financial / Resource Implications	As outlined in the report
Legal Implications	Acceptance of this report has no legal implications.
Community Safety Implications	Acceptance of this report has no community safety implications.
Health and Safety and Risk Management Implications	Acceptance of this report has no Health and Safety implications. Consideration should be given to the activities reported and how they contribute to the organisations Risk Management Framework
Equality Duty considered / Impact Assessment completed	Equality is considered during the Assurance, Risk and Audit activities.
Wards Affected	All
The contribution this decision would make to the Council's priorities	Acceptance of the Assurance, Risk and Audit Team's work provides a direct and indirect contribution to the achievement of the Council's priorities, in accordance with the Assurance, Risk and Audit Service Plan.
Is this a Key Decision	No
Portfolio Holder	Councillor Joan Ellis (email: joan.ellis@allerdale.gov.uk)
Lead Officer	Emma Thompson, Assurance, Risk and Audit Manager. 01900 702988 emma.thompson@allerdale.gov.uk

Report Implications (Please delete where applicable).

Community Safety	N	Employment (external to the Council)	N
Financial	N	Employment (internal)	Y
Legal	N	Partnership	N
Social Inclusion	N	Asset Management	N
Equality Duty	N	Health and Safety	N

Background papers: Assurance, Risk and Audit reports and working papers.

1 Introduction

1.1 This is the third progress report for the financial year 2018/19.

1.2 Items covered in this report are as follows:

- Performance against the 2018/19 plan
- Assurance and consultancy activities during the quarter
- Fraud work
- Assurance, Risk and Audit activity performance,
- Quality Assurance and Improvement Program
- Agreed Action follow up, and
- Training and staffing.

2 Performance against the 2018/19 Audit Plan

2.1 Time Summary

Activity	Planned Days	Actual Days
Statutory Assurance Reviews	77	12.87
Assurance and Risk Support	8	6.79
Follow up and performance	20	17.23
Completion of 2017/18 reviews	50	47.64
Assurance Reviews	38	31.89
Democratic Representation	30.5	20.68
Corporate Support	120.5	92.91
Projects	25	16.35
Peer Review	6	5.74
Advice	5	3.65
Investigations	8	2.70
Fraud Activities	9	4.05
Risk Management Facilitation	10	4.80
Contingency	6	
Total Audit Time	413	267.30
HR/EP Management	80	58.07
Total Chargeable time	493	325.37
Non-Chargeable		

Non chargeable time	40	34.56
Training	35	34.66
Sickness / other absences	12	25.50
Total Non-Chargeable Time	87	94.72
Total Days	580	420.09
Annual Leave	96	77.03
Total Days	676	497.12

- 2.2 The chargeable time performance for quarter three is 77% (total time/total days) this is slightly above the planned target of 71.21%.
- 2.3 Additional external audit support will be supplied by Mersey Internal Audit Agency for ICT assurance and the Governance Support Assistants will be providing additional administration support. If planned work is completed, there will be no impact on the ability to provide an opinion on the adequacy and effectiveness of risk management, control and governance at Allerdale Borough Council for 2018/19.

3 Assurance and Consultancy Activities

- 3.1 The assurance activities for this quarter focused on the review of Community Services and Financial Services.
- 3.2 The following report was submitted this quarter and can be found in **appendix one** to this report:
- Governance 18/19
- 3.3 The ARA Manager is a member of the Transformation and Procurement Board to provide advice and guidance on risk management, control and governance. The Board receives and considers transformation Project Outline Documents for approval, from this it considers the key deliverables of the project and how these contribute to the design principles for the transformational agenda at Allerdale. Following the creation of the Programme Office service the governance arrangements have changed. The ARA Manager is involved in the discussions to help shape the assurance framework.
- 3.4 The ARA Manager has provided specific advice and guidance in relation to risk management for the changes to arrangements for cash handling for car parking income.
- 3.5 Risk management facilitation is a vital role of the Assurance Risk and Audit Service, during this quarter we have supported the organisation by:
- Facilitating a risk management workshop for the Senior Management Team and third Tier Managers – this focused on procurement risk.
 - Facilitating a risk management workshop to support the Sports Development Steering Group for the Stadium project.

4 Corporate Fraud

- 4.1 Data submissions for the 2018/19 National Fraud Initiative Data Matching exercise is complete. All data matches are expected to be back by 31 January 2019. These will be categorised by risk and addressed.
- 4.2 The Corporate Fraud Group continues to meet and discuss any opportunities to improve internal policy and process to contribute to the zero tolerance approach to fraud at Allerdale. The ARA Manager now attends the monthly fraud meetings with DWP to gain further insight into the working arrangements for housing benefit fraud referrals from Allerdale to DWP.
- 4.3 During this quarter there was an attempted fraud on the Council relating to National Non Domestic Rates (NNDR).

Overview

A customer contacted the Revenues and Benefits Department to request a refund on an NNDR overpayment. The customer stated they had used the ATP (Automated Telephone Payment) system to make a £400 payment on their NNDR and had paid £4000 in error by keying an extra zero.

Following the new procedures the R&B team implemented following a previous refund fraud in 2017, this refund was referred to the Deputy Customer Accounts Manager to investigate and authorise the refund. Upon investigation he identified some potential fraud indicators.

Following further investigation he authorised the refund of £3600 back to the original method of payment in line with procedures as there were no grounds to refuse the refund at this stage.

Around a week after the refund was processed a debit of £3600 was made from our bank account as a result of a 'charge back'. (*What is a chargeback? A demand by a credit-card provider for a retailer to make good the loss on a fraudulent or disputed transaction.*)

We responded to the bank with the evidence required to confirm that we were entitled to the original £3600 credit as we had already refunded the customer.

Further Actions following the event

- It was identified that the fraudulent customer did not have an agreement with the landlord to take over the empty property
- It was identified that the property was still empty
- The correspondence address provided was actually the address of a school in London
- Carlisle City Council had a similar attempt at their authority, same customer name, address, business name and empty property, they had been informed by Barclays a further Local Authority has also been targeted.
- A report was raised via Action Fraud online

- A further meeting was held to review the current procedures in place – agreement was reached to refer the property in question for a visit by one of our visiting officers for these high value cases where the fraud indicator criteria is met.
- We are also exploring with our bank how best to proceed with refunds of suspicious transactions, should these be withheld until the bank has established a fraud has been committed for example?

Outcome

On 16 January we were informed that the chargeback application was successful and the £3600 was returned, this confirmed the controls in place are now tested and working as expected.

Further communications will be made to raise awareness with all relevant employees and this information will be shared with Lancashire and District Chief Auditors Group and the Revenues and Benefits Shared Service group.

5 Progress with the Annual Plan

5.1 The following reviews were in progress at 31 December 2018:

Audit Title	Status
Housing and Health	Final report
Financial Services	Testing
ICT (External)	Planning

5.2 **Management's acceptance of recommendations - 100%**

Assurance, Risk and Audit is designed to add value and assist management in achieving the organisations overall key aims and objectives. An indicator for ARA performance is that 100% of all recommendations made are accepted by management.

5.3 **Management's implementation of agreed actions (recommendations) up to here**

After follow up following the quarter ending 31 December 2018, 9 actions are overdue, 7 of which were in progress.

6 Quality Assurance and Improvement Program (QAIP)

6.1 The ARA Manager has completed a self-assessment to evaluate compliance Public Sector Internal Standards, this is attached as **appendix two** to this report, there are no significant areas of non-compliance, the QAIP focus for 2019/20 will be to revisit corporate assurance mapping following the changes to strategic priorities in the Council Plan 2019-2023.

7 Risk Management

7.1 The programme of six monthly risk workshops has started, with the first session being held on 10 January 2019, great feedback was received. We agreed this format would be a valuable development opportunity going forward and discussed expanding this by inviting other member groups.

7.2 We explored the issues the committee have been having accessing the intranet via their tablets and the ICT Manager has provided a solution to this which is being explored. This will allow the Committee to access the register directly at any time as part of their oversight role. The Corporate Risk Register is also published quarterly as part of the Council agenda in the quarterly performance report.

8 Services Delivered as Locally as Possible

8.1 Assurance, Risk and Audit operates in support of other Council services.

9 Finance and or Resource Implications

9.1 There are currently no finance or additional resource issues that have not already been included in the report.

10 Legal Implications and Risks

10.1 Acceptance of this report has no legal, health and safety or risk management implications other than the consideration of the Corporate Risks and Issues Log by the Committee in terms of oversight of the effectiveness of Risk Management Framework.

11 Recommendations

11.1 1. That the report is accepted subject to any additional information that the committee may require.

2. That the self-assessment is considered.

Emma Thompson
Assurance, Risk and Audit Manager