

Risk Services Quarterly Report
1st January to 31st March 2014

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1. Annual Audit Opinion

- 1.1 All internal audit reports include an overall opinion and assurance statement. These have been reported on a quarterly basis to the Finance and Audit Committee, and further explanations provided as required.
- 1.2 In 2013/2014 the number of negative assurance statement for internal audit work completed was higher than in previous years. Given the reduced resource available across the Council it is understandable that some controls may have lapsed. However it is important that all managers continue to ensure that a sound control environment is in place for their service area.
- 1.3 All areas which Internal Audit assesses as high risk and a priority one recommendation is made are followed up by the Chief Internal Auditor to help ensure these priority areas are addressed. The follow-up work undertaken by Internal Audit has confirmed that in the majority of cases appropriate action has been taken and where this is not the case a revised deadline or action has been agreed.
- 1.4 Therefore the opinion of the Chief Internal Auditor is that the overall control environment of the Council is adequate. A number of areas where further improvements to controls would be desirable have been included in the draft Annual Governance Statement. The Annual Governance Statement is approved by the Corporate Leadership Team and the Finance and Audit Committee.
- 1.5 The audit opinion is based on work completed which amounted to 94% of that planned. Best practice is that at least 90% of planned audit work should be completed and this target has been exceeded. The compliance audit programme and all reviews agreed to be of high priority were completed and the Chief Internal Auditor is satisfied the amount of work undertaken is sufficient to enable an informed audit opinion to be drawn.

2. Fourth Quarter Summary

Service Developments

2.1 *Internal Audit*

The Internal Audit Plan for 2014/2015 has been agreed and resources are currently being planned in order to ensure that the plan is delivered.

Lisa Hughes, who was a temporary auditor covering maternity leave with the team, has now been made permanent to help ensure that adequate resource is available to provide an appropriate level of assurance across the Council. The trainee auditor post unfortunately was not successful and the individual has left the team.

2.2 *Investigations*

The Benefit Fraud Investigations Manager, Mike Spencer, has decided to take voluntary redundancy and will be leaving the team in May 2014. Mike's expertise which he has built over the 40 years that he has worked for the Council will be missed and we wish Mike every success. The post of the Investigations Manager will not be filled and a restructure is currently taking place to create the role of a Senior Investigator who will take on supervisory responsibility in the team.

2.3 *Risk Management and Insurance*

The focus of the Risk and Insurance Team has been to ensure that the new insurance policies are in place for the start of the new financial year and that recharges can be undertaken promptly.

2.4 *Emergency Planning and Business Continuity Planning*

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The team were involved in responding to the severe weather on the 12th February 2014 and also the hotel fire on the 13th February 2014.

Close links have been formed with the Council’s statutory flooding officer and work is currently underway to develop how the Council would respond should another flooding incident occur.

Work is underway with some services who do not have up to date business continuity plans in place and some thematic plans are also in the process of being produced, such as for the office portfolio.

3. Performance

Internal Audit performance indicators

PI Ref.	Performance Indicator (Description of measure)	2013/14 Target	2013/14 Actual
Local IAPI1	Percentage audit plan completed (annual target).	90%	94%
Local IAPI2	Percentage draft reports issued within deadline.	96%	94%
Local IAPI3	Percentage audit work within resource budget.	92%	97%
Local IAPI4	Percentage of positive satisfaction surveys.	85%	88%
Local IAPI5	Percentage compliance with quality standards for audit reviews.	85%	84%

Investigations performance indicators

PI Ref.	Performance Indicator (Description of measure)	2013/14 Target	2013/14 Actual
Local IPI1	Number of fraud investigations, per 1,000 caseload.	35	33.58
Local IPI2	Number of prosecutions and sanctions, per 1,000 caseload.	11	11.03
Local IPI3	Percentage cases closed resulting in changes to benefit.	50%	59%
Local IPI4	Percentage cases closed resulting in changes to benefit with sanctions.	54%	55%

Investigations Team Statistics

Month	Local Authority Overpayment	DWP Overpayment	Sanctions			
			Cautions	Admin Penalties	Completed Prosecutions	+/- Target
January	£116,065	£2,355	16	8	1	3

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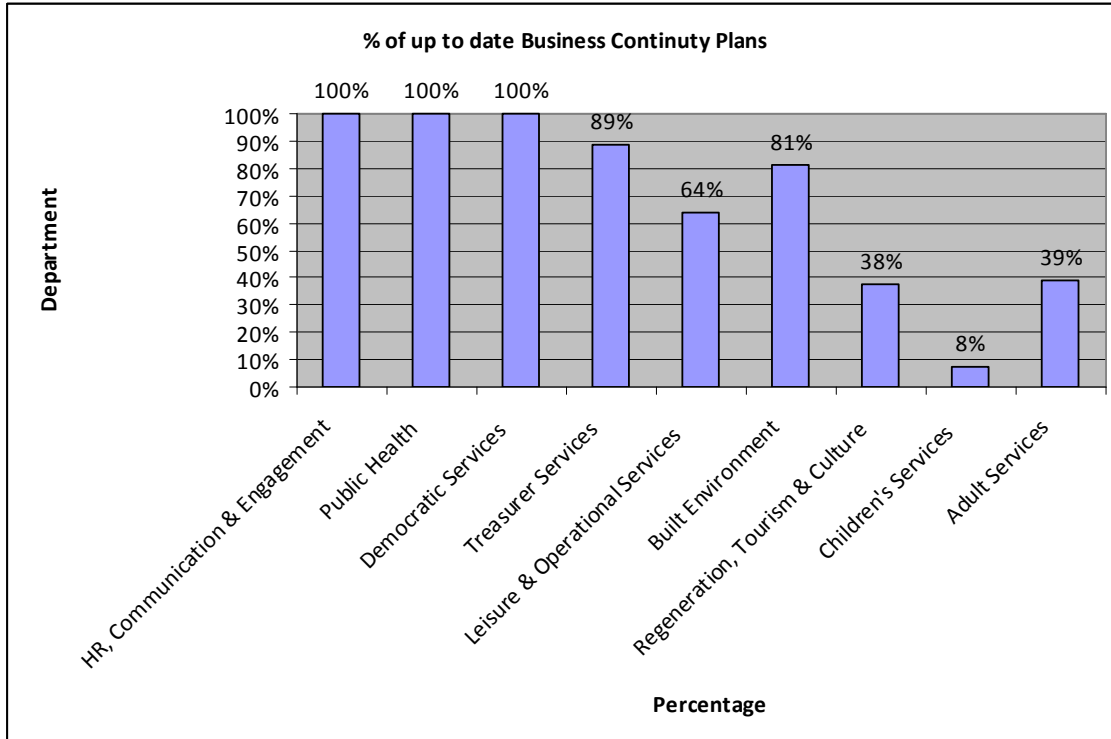
Month	Local Authority Overpayment	DWP Overpayment	Sanctions			
			Cautions	Admin Penalties	Completed Prosecutions	+/- Target
February	£101,136	£146,529	12	2	10	3
March	£108,588	£7,402	11	7	5	1
TOTAL	£325,789.00	£156,286.00	39	17	16	7

Civil Contingencies performance indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2013/14 Target	2013/14 Actual
Local CC1	Percentage of Council services with business continuity plans.	100%	91%
Local CC2	Percentage of Council service business continuity plans updated during the financial year.	90%	42%
Local CC3	Number of civil contingency training and exercise sessions held.	6	8
Local CC4	Number of trained Emergency Response Group Volunteers.	60	32
Local CC5	Number of updates to the Major Emergency Plan.	2	1
Local CC6	Percentage integration into the Lancashire Resilience Forum workstreams	70%	70%

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*In support of the 42% of business continuity plans up to date by the end of the quarter the following graph shows a breakdown by department:



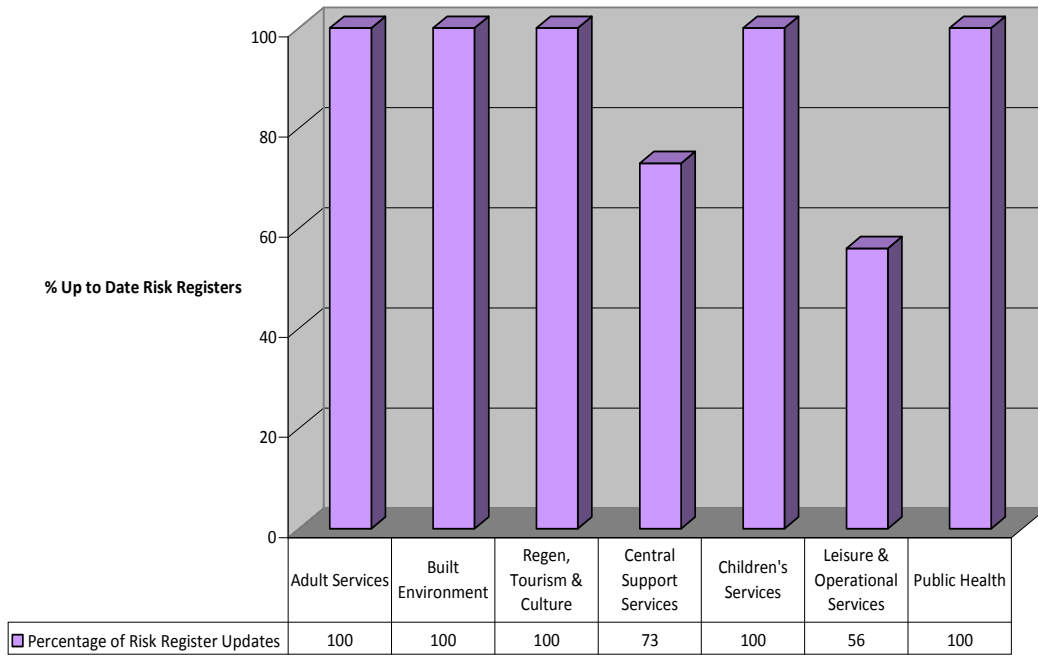
Risk and Insurance Performance Indicators

PI Ref. (BVPI, Local, PSA)	Performance Indicator (Description of measure)	2013/14 Target	2013/14 Actual
RI1	Number of new liability insurance claims notified each month.	30	29
RI2	Number of liability insurance claims settled each month.	35	43
RI3	Number of liability insurance claims outstanding.	550	443
RI4	Percentage of new insurance claims registered and dispatched to insurers within 3 working days of receipt.	92%	86%
RI5	Percentage of property risk audit programme completed (annual target).	90%	90%
RI6	Percentage of risk registers revised and up to date at end of quarter.	90%	82%

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*In support of the 82% of risk registers revised and up to date by the end of the quarter the following graph shows a breakdown by department:

Percentage of Risk Register Updates for Q4 2013-14



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4. Appendix A: Performance & Summary Tables for Quarter 4 – January to March 2014

Internal Audit reports issued in period

Department	Review Title	Assurance Statement
Adult Services	Supported Living Service	<p><u>Scope:</u></p> <p>The scope of our audit work was to review a sample of six addresses from the Supported Living and Extra Support Scheme and undertake compliance testing which covered the following areas:</p> <ul style="list-style-type: none"> ▪ Care plans, ▪ Staff rotas, ▪ Training logs, ▪ DBS checks, ▪ Client monies, ▪ Cash handling , ▪ Security, ▪ Assets, ▪ Policies and procedures, ▪ Medication. <p><u>Assurance Statement</u></p> <p>We consider that the controls in place are adequate, with most risks identified and assessed and only minor control improvement required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

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Department	Review Title	Assurance Statement
Adult Services	Deferred Payments	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> ▪ The recently drafted guidance and the risks and controls associated with the deferred payment scheme; ▪ The recording of information in relation to deferred payments; ▪ The appropriate ownership and management responsibility for the scheme; and ▪ The calculations, accounting arrangements and reasonableness of the assumptions used to form the basis of the financial estimates for the scheme. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are inadequate, as a number of material risks were identified and improvements are required. The weaknesses were highlighted by management throughout the review and actions to resolve a number of the identified issued were already being explored at the time of the audit fieldwork.</p>

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Department	Review Title	Assurance Statement
Built Environment	Queens Park Development	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> ▪ The effectiveness of contract management arrangements; ▪ The effectiveness of governance arrangements in place for the project; ▪ Whether value for money was achieved in the procurement process; ▪ The effectiveness of joint working arrangements across Council services in the planning of the Queens Park Development. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate, with some areas for improvement noted. The project is now entering the delivery phase and therefore it is important that the findings are addressed in a timely manner.</p>
Children’s Services	Merese Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> ▪ Purchasing ▪ Procurement ▪ Petty cash and purchase cards ▪ Income ▪ Payroll ▪ Banking <p><u>Assurance Statement</u></p> <p>We consider that the controls in place are inadequate with significant control improvements required.</p> <p>Our testing revealed some lapses in compliance with the controls.</p>

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Department	Review Title	Assurance Statement
Children's Services	Highfield School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> ▪ Purchasing ▪ Procurement ▪ Petty cash and purchase cards ▪ Income ▪ Payroll ▪ Banking <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are adequate with some control improvements required.</p> <p>Our testing revealed some lapses in compliance with the controls.</p>
Children's Services	Christ the King RC School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> ▪ Purchasing ▪ Procurement ▪ Petty cash and purchase cards ▪ Income ▪ Payroll ▪ Banking <p><u>Assurance Statement</u></p> <p>We consider that the controls in place are adequate with some control improvements required</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

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Department	Review Title	Assurance Statement
Children's Services	Claremont Primary School	<p><u>Scope:</u></p> <p>Compliance testing based on a random sample was carried out in the following areas:</p> <ul style="list-style-type: none"> ▪ Purchasing ▪ Procurement ▪ Petty cash and purchase cards ▪ Income ▪ Payroll ▪ Banking <p><u>Assurance Statement</u></p> <p>We consider that the controls in place are adequate with some control improvements required.</p> <p>Our testing revealed minor lapses in compliance with the controls.</p>

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Department	Review Title	Assurance Statement
Public Health	Public Health Post-Transition Project	<p><u>Scope:</u></p> <p>The scope of the review was to:</p> <ul style="list-style-type: none"> ▪ Undertake a post implementation review of the transition of the Public Health service to Blackpool Council and identify any outstanding areas which still need to be implemented, ▪ Gain a wider Council viewpoint and assess whether Council departments are satisfied that all required actions have been completed, ▪ Identify any lessons learnt from the implementation process. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place in relation to management of the transition were good, with most risks identified and assessed and minor control improvement required.</p> <p>However, we consider that the controls in place in relation to ensuring continued access to NHS data are currently inadequate. The IT systems compliance required to enable NHS data access is not yet achieved, and failure to achieve compliance may impact on the Councils ability to fulfil its public health responsibilities.</p> <p>Since issuing the audit report progress has been made on the above and this is detailed in the priority one follow-up section of this quarterly report.</p>

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Department	Review Title	Assurance Statement
Treasurer Services	Council Tax and Business Rates Retention	<p><u>Scope:</u></p> <p>The scope of our audit work was to jointly review:</p> <ul style="list-style-type: none"> ▪ The impact of changes to Council Tax and Business Rates on total income and measures to maximise collection; ▪ The extent to which the authorities are on top of the changes and the impact on revenues and benefits staff workload and resourcing; ▪ Control of Council Tax and Business Rate liabilities; ▪ The extent to which the risks associated with the changes are recognised and reported. <p><u>Assurance Statement</u></p> <p>We consider that the controls in place are good, as most risks are identified and assessed, and only minor control improvements are required.</p>

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Department	Review Title	Assurance Statement
Treasurer Services	Discretionary Support Scheme	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> ▪ The processes for the administration of the Discretionary Support Scheme. ▪ Similar spend across other Council services to determine whether assistance to vulnerable people is effectively controlled, and identify whether efficiencies can be made through a more co-ordinated approach. ▪ The value and cost of other effective Council interventions. <p><u>Assurance Statement</u></p> <p>We consider that the controls in place for the processes and administration of the Discretionary Support Scheme are good.</p> <p>However, controls surrounding the awarding of similar expenditure from different budgets across the Council are inadequate and there is not currently a co-ordinated approach to providing assistance to vulnerable people in need of one-off assistance.</p> <p>Our testing revealed a satisfactory level of compliance with the controls.</p>

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Department	Review Title	Assurance Statement
Treasurer Services	Property Management and Rationalisation	<p><u>Scope:</u></p> <p>The scope of the audit was to review:</p> <ul style="list-style-type: none"> ▪ The transition to the corporate landlord model and how effectively this is working including clarity over roles and responsibilities; ▪ How planned property rationalisation is progressing in light of the imminent completion of Talbot Gateway. <p><u>Assurance Statement:</u></p> <p>We consider that the controls in place are inadequate, with a number of material risks identified and significant improvement required. The corporate landlord model is in place, however elements of the model are not operating as anticipated, understood or accepted by some Council departments.</p> <p>A number of groups are in place for decisions around property management, however, an overarching framework linking the different groups and a review of their functions would be helpful to ensure that robust governance arrangements are in place in relation to property management, and that inefficiencies and duplication are avoided.</p>

Progress with Priority 1 audit recommendations

A number of priority one recommendations have been implemented in the quarter and these include:

- Compliance with corporate contracts
- Marketing Blackpool
- In-House Claims Handling (in part)
- Enforcement
- Car Parks (in part)
- Personalised Budgets
- Information Requests
- Petty Cash
- Register of Interests
- Public Health Post Transition Project

In terms of the Public Health Post Transition Project (included in the above assurance statements) the Deputy Chief Executive provided an update subsequent to the audit taking place and this was that ICT has worked with

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key stakeholders in various areas of the Council including Public Health and Social Care, to collate evidence to enable the council to fulfil the requirements of the IG Toolkit. ICT has completed and submitted Blackpool Council's IG Toolkit version 11, in line with the national timescales (31/3/2014). Following guidance from HSCIC, ICT also submitted a Development Plan to enable the council to achieve full Level 2 compliance. This has now been published and to date, the Council has not received any challenges on its submission. Alongside this ICT have also been working with Blackpool Hospital NHS Trust and Lancashire CSU to enable access to NHS data through existing connections to providing N3 connection into the council network. This has now been agreed and is in the process of being implemented. This approach has been taken as it removes the need to procure a dedicated N3 connection with the costs and timescales associated with implementing such a project.

There are a number of outstanding recommendations which have either not yet been fully implemented or a response is still required from the service area. These include:

- Streetlighting PFI
- Adult and Children's Services Commissioning
- Organisational Resilience
- Selective Licensing
- Management of Leisure Assets
- Advertising
- Troubled Families
- Car Parks (in part)
- In House Claims Handling (in part)
- Corporate Complaints
- Fairer Charging

We are working with each of the above service areas to ensure that these actions are fully implemented and will follow-up each of the above actions to check progress in quarter one of the new financial year.

Benefit overpayment recovery rates

Current performance for the value of all overpayments recovered this year compared to those raised this year is a very encouraging 68.62%.

The Regulation of Investigatory Powers Act 2000

In line with best practice it has been agreed that the Council will report to the Finance and Audit Committee the number of RIPA authorisations undertaken each quarter which enables the Council to undertake directed and covert surveillance. Between January and March 2014 the Council had authorised no directed surveillance.

Complaints in relation to benefit fraud investigations

Within the quarter we received three complaints the first of these related to questions asked by one of the investigators over the telephone for which a full apology was given. The second related to an incorrect address being used on the case management system which has now been resolved. The third relates to a joint investigation with the DWP and we are seeking some clarity from the complainant to help us look into this matter further.

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Benefit fraud referrals

An analysis of the benefit fraud cases to date in 2013/2014 has been included at **Appendix B**. This includes details of the referral source for cases opened and closed in 2013/2014.

Insurance claims data

Statistics in relation to insurance claims are collated on a quarterly basis and details of the latest information can be seen in **Appendix C** of this report.

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5. Appendix B Benefit Fraud Referrals – Analysis of Cases Opened and Closed in to date

Cases Opened – Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of referrals received	232	318	118	63	18	301	273	62	35	1420
No. of new referrals	1	0	0	0	0	11	1	0	0	13
No. of cases passed to DWP	43	0	0	5	3	54	82	9	0	196
No. of cases passed to Visiting Team	40	0	3	1	1	71	71	22	1	210
No. of cases not investigated	26	4	7	12	2	31	27	10	5	124

Cases Closed– Fraud Referral Source

	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of cases closed	247	331	124	46	23	281	281	66	39	1438
No. of cases passed to DWP	43	0	0	5	3	54	82	9	0	196
No. of cases passed to Visiting Team	40	0	3	1	1	71	71	22	1	210
No. of cases not investigated	26	8	11	12	3	33	28	10	6	137

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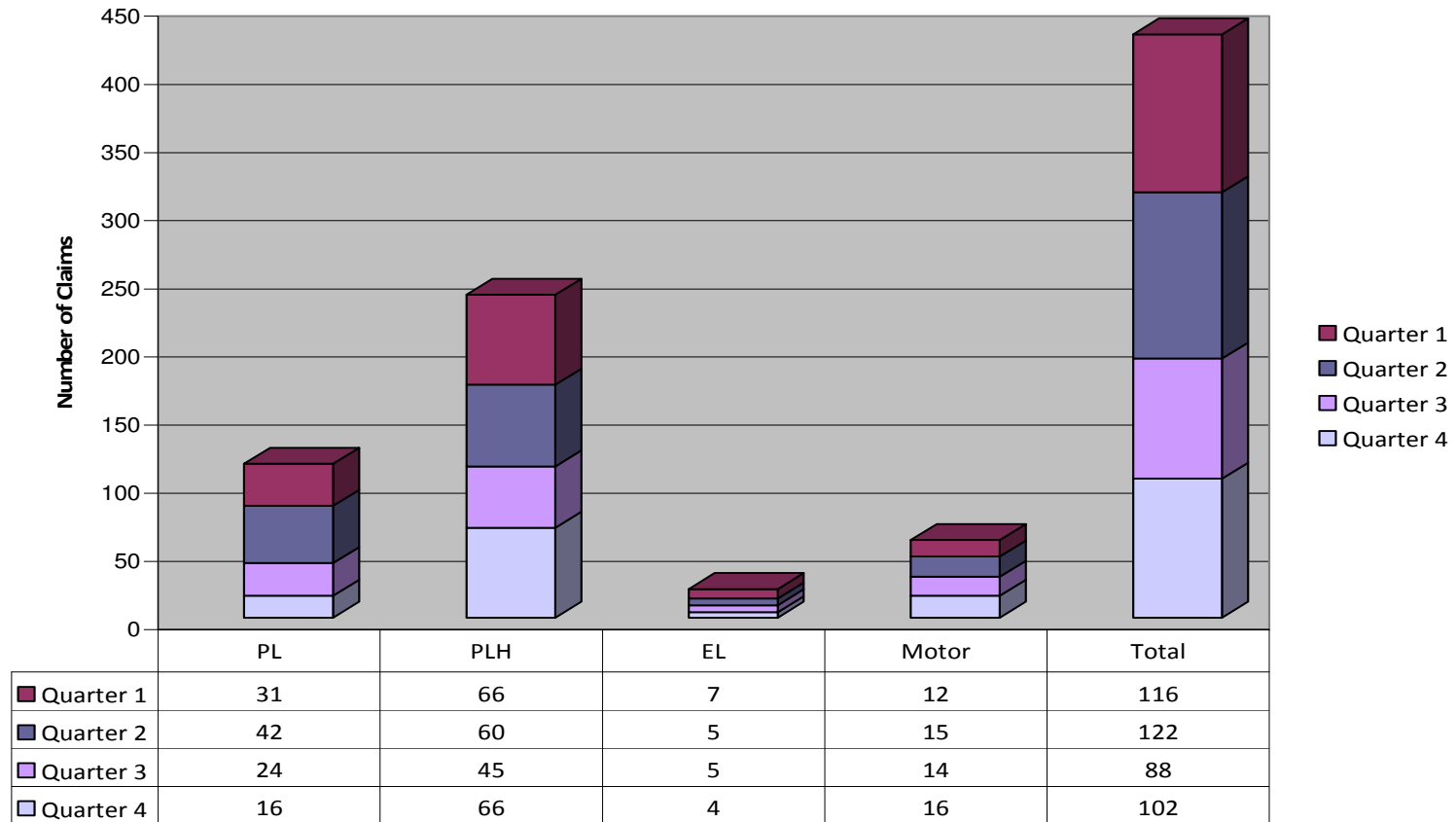
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	Benefit Section	Data Matching	DWP	Fraud Team	Other External	Other Internal	Public	Fraud Hotline	Verification Framework Activities	Total
No. of investigations undertaken	138	323	110	28	16	123	100	25	32	895
No. of no fraud cases	50	72	33	12	11	86	62	17	19	362
No. of positive cases in period	88	251	77	16	5	37	38	8	13	533
No. of prosecutions in period	13	23	32	2	1	3	6	0	0	80
No. of admin penalties in period	14	24	11	1	0	2	3	2	0	57
No. of cautions in period	31	83	7	5	1	12	9	3	6	157

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6. **Appendix C – Insurance Claims Data**

Cumulative Claims by Type per Quarter for FY 2013/14



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Cost of Employer's Liability, Public Liability, Public Liability Highways and Motor Claims per Year as at 16.04.14

