

# Internal Audit and Counter Fraud

## Quarter 3 Progress Report 2022/23

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## 1. Summary of Completed Audits

### Adult Social Care Financial Assessments - Partial Assurance

1.1 As part of the Care Act a financial assessment must be undertaken to ascertain whether service users are able to make a contribution towards the cost of their care and this determines the extent of financial support that will be provided by the Council. These financial assessments are completed by the Council with the service user.

1.2 The purpose of this audit was to provide independent assurance on the adequacy of the controls in place to manage financial assessments and ensure that they are accurate, completed in a timely manner and client contributions are raised for payment and correctly recorded in financial systems.

1.3 In providing an audit opinion of Partial Assurance, we found that further improvements are required to ensure financial assessments processes and controls are robust. These include the following:

- Agreeing a process to ensure that the Council can manage reviews of care assessments for non-residential clients, that complies with the Care Act and matches available resources;
- Improving regularity of updating financial assessments so that they reflect any significant change in circumstances for service users;
- Improving the oversight of assessments to identify any errors, omissions or miscalculations;
- Retaining evidence of monthly reconciliations;
- Improving management information to monitor performance and workloads;
- Establishing and publishing service standards; and
- Providing assessment teams with guidance manuals detailing the process.

1.4 Following the audit, we formally agreed 8 actions with management to address the issues highlighted in the report, including:

- An options paper will be written to consider the cost benefit risk analysis of undertaking non-residential care assessments;
- Quality assurance processes will be reviewed;
- Service plan and performance indicators will be reviewed and developed to include implementation, reporting and responsibility arrangements;
- Process and deadline guidance for issuing notification letters will be included in guidance;
- Guidance notes will be developed and made available to the assessment teams;
- Monthly reconciliations will be retained and will be reviewed and approved by a second officer;
- Signature and initial of the visiting officer will be added to the financial assessment form, and;
- Communication to service users will include a reminder to inform the Council of any changes in their financial circumstances.

1.5 For all partial assurance audits, we undertake a formal follow-up review to that the agreed actions are implemented and have addressed the issues raised.

## School Attendance – Reasonable Assurance

1.6 Legal duties for school attendance are set out in the Education Act 1996 and the Education (Pupil Registration) Regulations 2006. New non-statutory guidance was issued in May 2022 and is expected to become statutory. The changes include new statutory expectations for local authority attendance services. During and following on from the pandemic, there has been widespread concern over school attendance and welfare of pupils.

1.7 During the autumn 2021 and spring 2022 terms, Brighton and Hove schools had an absence rate of 8.2% compared to 7.4% for both the South East and the rest of England. Attendance levels both nationally and locally have been lower than pre-pandemic, though there is a gradual upward trend.

1.8 The purpose of this audit was to provide assurance that controls are in place and are operating as expected. These include that a school attendance strategy (including those with elective home education) is in place and is effective, policies and procedures are set in accordance with national guidance, reviewed regularly and disseminated, attendance data is collected, analysed and used to identify and support vulnerable pupils.

1.9 Our review found that the service has increased their scrutiny on school attendance since the start of the Covid-19 pandemic. A Hidden Children Officer post has been created and there is evidence of cross service working to identify young people who are not receiving a full-time education.

1.10 The expected regulatory changes have been evaluated by the service to ensure that they can be met and there is a commitment to discuss these further with Ofsted to ensure that the Council has fully understood new guidance and operates in compliance.

1.11 Whilst we were able to provide Reasonable Assurance, some opportunities for further improvement were found during the audit, these included:

- Ensuring that policy and procedure documents are updated, recorded as approved and published as final documents;
- That all relevant policy, procedure and guidance documents are communicated to schools and can be accessed through BEEM;
- Improving the quality and timeliness of data provided by schools and;
- Improving data analysis, particularly around movements in the data.

1.12 Appropriate actions to address all of the above areas have been agreed with management, as part of a formal action plan.

## Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations – Reasonable Assurance

1.13 The Public Sector Bodies (website and mobile applications) Accessibility Regulations came into force in September 2018. Failure to comply with these regulations would constitute a breach of the 2010 Equality Act. Public Sector Bodies must make their websites and mobile applications more accessible by making them ‘perceivable, operable, understandable and robust’.

1.14 This audit is a follow-up review of a previous audit report issued December 2021 concluding Partial Assurance. The objective of this audit was to follow-up on the actions agreed from the previous audit and to provide assurance that actions have been implemented and key controls are in place and operating effectively.

1.15 We found that work to ensure compliance continues to progress. A Senior Responsible Officer has been appointed to a project overseeing these regulations. Further accessibility guidance has been developed and provided by IT&D for staff considering using new applications.

1.16 Following the audit, we were able to revise the opinion to Reasonable Assurance. Of the previous four actions, we found that three had been implemented.

1.17 There is still a concern that there may not be sufficient resources to maintain compliance without a dedicated project manager and an action to address this has been agreed.

## Schools

1.18 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within schools. The objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there was independent oversight and challenge by the Governing Body;
- Decision making is transparent, well documented, and free from bias;
- The school is able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people do not have access to pupils, systems, or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds used for an educational purpose;
- All unofficial funds are held securely and used in accordance with their agreed purpose; and,
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

1.19 At the time of writing, school audits continue to be undertaken under remote working arrangements.

1.20 One school audit was finalised in quarter 3 and another two are in progress in Q4. The table below summarises our findings together with the final level of assurance given.

Name of School	Audit Opinion	Areas Requiring Improvement
Queens Park Primary School	Partial Assurance	<ul style="list-style-type: none"> <li>• Scrutiny and challenge by the Governing Body regarding financial management should be recorded in minutes of meetings.</li> <li>• Ensure that staff involved in managing the school finances are involved in strategic financial planning and budget monitoring reporting.</li> <li>• The school should ensure that the Governing Body receives financial reports to aid their role of providing financial oversight.</li> <li>• School Improvement and Development Plan should be fully costed and included in the school budget.</li> <li>• The staffing structure needs to be periodically reviewed to ensure it meets the needs of the school.</li> <li>• The contracts register needs to be updated with key details.</li> <li>• Purchase orders should be raised and approved prior to staff placing orders for goods, works or services with suppliers.</li> </ul>

1.21 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions.

1.22 The core financial role of the LA is to set and monitor a local framework, including provision of budgetary information, provision of a financial oversight and ultimately intervening where schools are causing financial concerns. Schools (the governing body and the Headteacher) are required to manage their delegated budget effectively ensuring the school meets all its statutory obligations, and through the Headteacher comply with the LA’s Financial Regulations and Standing Orders.

**Grant Certifications and Non-Opinion Work**

**EU Grant – Solarise (Claim 9)**

1.23 This is a European Union (EU) Interreg project that requires grant certification. The full title of the project is ‘Solar Adoption Rise in the 2 Seas’. The total value of the project is approximately EUR

320,686, with 60% funded by the EU. The funding has been used to support solar innovation projects at three council housing sites. This was the final claim on this project

1.24 No significant issues were identified in the grant certification.

### **EU Grant – Blueprint for a Circular Economy (Claim 5 and on the spot check)**

1.25 This is a European Union (EU) Interreg project that requires grant certification. The total value of the project is EUR 402,322, with 69% funded by the EU. The funding has been used to grow and embed circular principles into the wider community by supporting the growth of circular business models and practices across existing and new emerging social enterprises based in the City.

1.26 During the life of the project there is a requirement for an ‘on the spot’ check of the progress of the programme and expenditure against the grant.

1.27 No significant issues were identified in the grant certification.

### **DfT Grant – Local Transport Capital Funding**

1.28 This is a ringfenced grant available to local authorities from the Department of Transport (DfT) to provide capital funding towards local transport. The amount of £4.902m was provided to the Council for 2021-22. The grant expenditure requires certification by Internal Audit.

1.29 We note that there is an underspend of £2.438m that has been carried forward to 2022-23 capital programme to meet planned and re-profiled local transport capital expenditure.

1.30 No significant issues were identified in the grant certification.

### **Enterprise Resource Planning (ERP) Programme**

1.31 In July 2022, Policy and Resources Committee agreed to commence procurement of a corporate Enterprise Resource Planning (ERP) system to replace the current Finance and HR/Payroll systems which have been used by the Council for 16 and 12 years respectively.

1.32 Internal Audit have been attending Programme Board meetings to provide independent and objective ad-hoc advice, guidance and challenge.

1.33 A package of deliverable work is being agreed with the Board, designed to provide the Board with assurance when making critical decisions, including the provision of assurance over the design of the control environment within the new system.

1.34 We will continue to update the Committee on our work as the programme progresses.

## Housing Repairs Works Management System Replacement Programme

1.35 It was agreed by the Housing & New Homes Committee and the Policy, Resources & Growth Committee in 2018 to bring the responsive repairs and empty property refurbishments service in house on 1st April 2020. This service includes emergency repairs, and the procurement of suppliers to provide specialist works, where the in-house team do not have the skills to complete them.

1.36 We have agreed, to attend programme board meetings and provide ad-hoc support, challenge and guidance as appropriate to support the procurement of a Works Management System that works alongside and interfaces with the NEC Housing Management System.

1.37 Whilst no specific internal audit work has yet been required of the new system, internal audit work will be provided to support the programme as and when appropriate, in agreement with the Board.

1.38 A follow-up review of the 2020-21 Housing Repairs audit is also scheduled for quarter 4.

## 2. Proactive Counter Fraud Work

### Counter Fraud Activity

2.1 Internal Audit have been liaising with the relevant services to ensure that the data extracts for the 2022 NFI Single Person Discount exercise are uploaded. The team continue to monitor intel alerts and share information with relevant services when appropriate. A fraud awareness bulletin, focusing on emerging fraud risks, was produced and published on the intranet as part of International Fraud Awareness week in November 2022.

### Summary of Completed Investigations

2.2 There was one completed investigation to report on for this quarter. Advice was also provided to service management/Human Resources in cases referred to Internal Audit.

#### Misconduct

2.3 Internal Audit investigated an allegation that a member of staff was letting their Council property via AirBnB and they had not realised that this was a breach of their Council tenancy. The advert was subsequently removed, and the member of staff was issued a letter of expectation.

#### Advice and Support

2.4 Advice was provided to the Revenue and Benefits Teams following an allegation that a member of staff received an exemption on her council tax account where there was a question over eligibility. In addition the team continue to provide advice to the Adult Social Care team in relation to potential false statements and misappropriation of funds.

Housing Tenancy & Local Taxation

2.5 A key focus area remains housing tenancy fraud and Local Taxation. The CIPFA Fraud & Corruption Tracker continues to place Housing Fraud as the largest threat to local authorities, and the volume of succession and application fraud in particular, has seen significant increases in recent years. Unlike other sectors, tackling this type of fraud is, however, not just about financial savings but the social benefits to the community.

2.6 In recognition of the continued threat facing the city, increased resource has been committed by the Executive Director Housing, Neighbourhoods and Communities. This has resulted in an additional post funded from the Housing Revenue Account which is currently being recruited to. This additional role will provide resource to enhance the reactive investigations whilst also providing capacity to deliver proactive and preventative aspects to enhance the tenancy fraud work.

**3. Action Tracking**

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from Service management that actions have been implemented. As at the end of quarter 3, 95% of high priority actions due have been confirmed as implemented by management.

3.2 There was one high priority action which was overdue. Details are provided below.

Details of Audit Issue	Dir.	Due date	Revised date	Agreed Action
Direct Payments - Annual Client Reviews. We found that 46% of annual reviews for direct payments were overdue at October 2021.	HASC	31.08.22	31.12.22	Staff will target overdue reviews.

3.3 A follow-up review of the Direct Payments audit is scheduled for quarter 4 where we will seek to assess the level of progress made against the above action.



3.4 A number of high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit & Standards Committee.

**4. Amendments to the Audit Plan**

4.1 In accordance with proper professional practice, the Internal Audit plan for the year has been kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for Addition
Adult Social Care - Service Agreements in Brokerage	This audit was included at the request of service leads and will replace the planned audit on residential care procurement.
Budget Management - Savings Targets	This audit has been added to the plan in response to the challenging financial situation and proposed savings. This audit will review the impact of savings on the control framework.
CIPFA Financial Management Code	This review has been added to the plan at the request of the S151 officer. It will review the completed self - assessment to provide further assurance, especially in relation to the supporting evidence.

4.2 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Surveillance Cameras
- Kofax IT Application
- Residential Care Procurement

**5. Internal Audit Performance**

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	2022/23 Audit Plan approved by Audit & Standards Committee on 19 April 2022
	Annual Audit Report and Opinion	By end July	<b>G</b>	2021/22 Annual Report and Opinion approved by Audit Committee on 28 June 2022
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	68%	<b>G</b>	70%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> <li>•Excellent in: Reflection of the Standards, Focus on performance, risk and adding value</li> <li>•Good in: Operating with efficiency, Quality Assurance and Improvement Programme</li> <li>•Satisfactory in: Coordinating and maximising assurance</li> </ul>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>G</b>	95% for high priority agreed actions (see above)
Our staff	Professionally Qualified/Accredited (Includes part-qualified staff and those undertaking professional training)	80%	<b>G</b>	90%

**Audit Opinions and Definitions**

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

