

Appendix 1

Internal Audit & Investigations

Quarterly Update Report

APPENDIX 1

1.0 OVERVIEW

1.1 Purpose & Scope of Report

1.1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits completed in quarter 1, as well as those carried over and completed from the 2020/21 financial year.

1.2 Assurance Framework

1.2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:

Opinion	Explanation
No Assurance	“Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”
Limited	“Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
Reasonable	“There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
Substantial	“A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”

1.2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management’s responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing limited or ‘no’ assurance to ensure that agreed recommendations have been implemented in a timely manner.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

		Recs			Assurance
2.1	Budgetary Control 2020/2021	0	5	3	Reasonable

- 2.1.1 We acknowledge the level of change over the last year brought about by the Covid-19 pandemic and the impact this had on the Council's revenue budget and savings plans. There have also been major challenges in monitoring financial performance against the budget that was approved in February 2020 as the impact of the pandemic delivered an unprecedented level of change and uncertainty. The budget was based upon a pre-pandemic set of assumptions that have had to be continually revised and adjusted throughout the year.
- 2.1.2 The provisional General Fund revenue outturn position for 2020/21 was a £12.573m net favourable variance, made up of £4.468m of unspent Covid-19 grant funding, service net favourable variances of £1.652m, and £6.453m of corporate contingencies, held to deal with pressures not foreseen in the original budget, were ultimately not required.
- 2.1.3 Budget monitoring was overseen by Policy Committee, who received quarterly monitoring reports. CMT and DMT also received regular reports. There was a timetable and guidance notes for the budget setting process. Service plans were developed in parallel with the budget build process, with budget priorities reflecting corporate plan priorities.
- 2.1.4 Savings were identified in the Medium-Term Financial Plan (MTFP) and reviewed as part of the budget monitoring process, with savings RAG rated in terms of achievability. Forecasts were updated on a monthly basis, with possible options (i.e. variables) considered during the review of business cases in the MTFP.
- 2.1.5 Budget monitoring meetings had not been held as frequently in all cases in the last year due to the circumstances, specifically Covid 19. Budget monitoring at service manager/manager level had not occurred in DACHS in the last quarter, nor consistently on a regular monthly basis at this level across all directorates.
- 2.1.6 During the audit we were provided with informal estimates of directorate outturn positions, which sometimes conflicted with budget monitoring reports. Whilst this is not necessarily unusual, as financial forecasts can and do change at the last minute, especially in the time of a pandemic, these variances were not insignificant in terms of value.

2.1.7 A survey of a number of budget managers noted they possessed budget management skills from previous roles and an online course was available on the intranet. However, they felt budget management did need to be explicitly included within the induction process for new starters (where relevant), in addition to clarifying the roles of service teams and Finance in the process. Budget management information could benefit from review/refinement to highlight key points/trends.

2.1.8 There was also a lack of evidence of appropriate written authorisation of budget virements that had been undertaken in some cases reviewed, with sequential numbered references being reused.

2.1.9 It should also be noted that due to turnover of staff in a number of positions within Finance, it was difficult to ascertain/verify the processes followed in all cases in relation to 2020/21 budget monitoring and 2021/22 budget setting.

		Recs			Assurance
2.2	Adult Social Care - Contract Management	2	2	0	Limited

2.2.1 The Council uses both block and spot contracts to support a wide range of services for adults covering residential homes, nursing homes, home care, day care, supported living, extra care housing, employment support and respite. The purpose of this audit was to review contract management procedures within Adult Social Care (ASC) to ensure contracts are managed in accordance with the Council's Contract Procedure Rules and Local Government Association best practice.

2.2.2 Although a limited assurance opinion was given, we are satisfied that there is an aspiration by Adult Social Care to review and re-evaluate the contract management systems in order to ensure that contracts are appropriately managed and monitored.

2.2.3 Although we appreciate that ASC are currently reviewing their procedures and processes for managing services to the value of approximately £33m per annum, consideration should be given to the development of a Commissioning and Contracting Framework. This will support both the contract management and commissioning aspects to enable better monitoring of the market and individual provider outcomes, which will help inform future strategic and operational decisions.

2.2.4 These improvements to the control framework will require the full evaluation of the staff resources and IT programs to ensure these remain fit for purpose in meeting those requirements for administering and monitoring the contract status of its many social care providers.

2.2.5 As ASC confirmed that a complete review of all block and spot contract documentation is required and is in progress Internal Audit did not look at this area in detail although we found the file structure on the Shared Drives and audit trails for the contract files to be poor. Given this, we have recommended that a reconciliation of provider information held on the Mosaic system should be carried out with other relevant data records, as the completeness of the existing contract register requires both consolidating and updating to ensure there is improved oversight of contracts.

		Recs			Assurance
2.3	Business Grants (Post Payment) Assurance	0	0	0	Substantial

2.3.1 The Government introduced measures to mitigate the economic and social impact of the COVID-19 pandemic in the form of various grants. The three initial grants the government put in place were Small Business Grant Fund (SBGF); Retail, Hospitality and Leisure Grant (RHLG); and Discretionary Grants (DG). There have been a number of additional grants that have been introduced since the initial three covering areas like Restart and the Extended Lock Down.

2.3.2 The fraud threat posed during emergency situations was higher than at other times, and all public bodies should be attuned to the risks. The Council reduced this threat by integrating low-friction controls (checking business status on companies house, property visits, checks through third parties etc) into payments where possible and carrying out post-event assurance work.

2.3.3 A risk framework that identified the key risks both internal and external was put in place for the claims process. This framework was signed off by the Chief Auditor and was in line with BEIS (Department of Business Energy & Industrial Strategy) guidelines.

2.3.4 Claims which indicated a potential breach of the framework conditions were referred to the Corporate Investigations Team for further investigation. The team then used a government software tool to analyse and compare claim details in respect of 1300 grant claims, which allowed for corroboration of bank account and company address details.

2.3.5 The Corporate Investigations Team indicated that there were five cases where potential breaches had been identified for payments of £10,000. Two cases were resolved with no further action after investigation. One recipient agreed to repay the monies as they were not entitled, and two other cases (total value of £20,000) have been referred to the Council's Legal Team with a view to prosecution for fraud.

2.3.6 The Council also submitted grant data to the Cabinet Office under the National Fraud Initiative for the data to be matched with other local authorities for the purposes of identifying both potential internal duplications across the variety of grant types and claims that indicated attempts to defraud authorities by the submission of grant claims from similar addresses or using similar bank or other details on the claim across multiple authorities. The exercise indicated three cases for consideration and of those, two cases were subsequently found to be satisfactory on further investigation by the Corporate Investigations Team. A further audit sample of grant payments was reviewed against payment details and data held on addresses and no other issues were identified.

2.3.7 To put all of this into context, as at 30 September 2020, 1964 grant claims had been received with a value of £27,010,000 in respect of SBGF and RHLG; and 326 grants with a value of £1,419,300 in respect of Discretionary grants.

		Recs			Assurance
2.4	Housing Benefits	0	1	1	Substantial

2.4.1 Housing Benefit (HB) is a means tested social security benefit intended to help meet housing costs for rented accommodation. It is one of six “legacy benefits” being replaced by Universal Credit and usually, a new claim cannot be made for any of the legacy benefits. Claimants of legacy benefits may be required to move to Universal Credit should their circumstances change in certain ways. Other claimants, except for pensioners, will have to move onto Universal Credit by 2024.

2.4.2 Our audit confirmed that the procedures in place for the administration of housing benefits were sound, and testing carried out found that controls were in place and working well, with several areas of good practice evident. There procedures and system documentation in place to support the administration of Housing Benefits and online resources for staff providing guidance and advice in relation to the complex legislative framework surrounding Housing Benefits.

2.4.3 Low rates of errors have been reported based on 10% daily checks on Housing Benefits assessments and an effective Risk Based Verification (RBV) process contributes towards the prevention and detection of fraud.

2.4.4 Processes followed with respect to the timely recovery of overpayments and performance monitoring were reviewed with no issues found.

- 2.4.5 All reconciliations were found to be up-to-date with the primary reconciliation performed, being a triangulated reconciliation of the Academy (Revenues) system, Bank and general ledger. The reconciliation balances payments made from the Academy system to the bank statement and general ledger, by the checking that the amounts paid out on the Academy system reports, match both the bank statement and the journals put through to the general ledger.
- 2.4.6 The second reconciliation occurs between Academy and the Northgate Open Housing Management System (OHMS). The OHMS to Council tenant payment reconciliation balances systems reports from OHMS and Academy to ensure that interface has posted the correct payments to the rent accounts in OHMS. No issues were noted.

		Recs			Assurance
2.5	Corporate Governance Review	-	-	-	Reasonable

- 2.5.1 The purpose of this review was not to assess the content and relevance of the Council's policies, strategies, plans, or guidance documents, nor compliance with them, but to establish the existence of expected governance arrangements as detailed in the CIPFA¹/SOLACE² guidance *Delivering Good Governance in Local Government* ('the Framework'). The Framework defines the principles that should underpin the governance of each local government organisation.
- 2.5.2 Although our overall assessment concluded that the Council's governance arrangements comply with the framework and associated principles, there are areas for improvement. We chose to record these improvements as next steps under themed areas, rather than individual recommendations. These themed areas are '*Local Code of Corporate Governance*', '*Financial Governance*', '*Assurance Mapping*' and '*Service Engagement*'.
- 2.5.3 To achieve good governance, the Council should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out. The extent to which it complies with its own code of governance should be reported on an annual basis to the Audit & Governance Committee, including how the effectiveness of governance arrangements have been monitored in the year, and on any planned changes in the coming period.
- 2.5.4 The links between governance and financial management are crucial and as part of the review of the Council's constitution, the Director of Finance will be establishing an effective way to communicate financial governance through financial regulations and procedures.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

2.5.5 Assurance functions (other than finance) made up of professionals from various disciplines should work together to improve and embed good governance, identify areas of weakness and deliver improvements which benefit the council and its residents. The purpose of the Assurance Map is to aid transparency, answering the question who does what and why, by identifying the various internal, external / independent assurance providers.

2.5.6 Services will need to be engaged to assist in the development of the corporate code of governance and to update governance related documents and/or processes as required.

		Recs			Assurance
2.6	Facilities Management Corporate Repairs	2	6	1	Limited

2.6.1 The purpose of the audit was to determine whether the council has adequate arrangements in place for undertaking planned and reactive maintenance works, for Council properties.

2.6.2 Planned and reactive repair works for the council’s corporate buildings are managed by Property Services on behalf of Facilities Management. Works are were scheduled using the Planet FM application so that the works can be repaired internally or via a specialist contractor.

2.6.3 Facilities Management and Property Services have a good understanding of the improvements required for ensuring both planned and responsive repairs are completed on timely basis. However, overseeing of the scheduling and monitoring of the status of repairs, especially for works completed by a contractor, needs improving.

2.6.4 We raised concerns regarding the completeness and accuracy of information on the property database and asset register on Planet FM, which is was the principal tool used to ensure all repair obligations are identified. There are no regular or periodic reconciliation procedures or cleansing exercises to ensure the record of properties on Planet FM match the primary records held by the Valuation Team, which record the Council’s repair obligations³.

2.6.5 Property Services flagged their concerns regarding their ability to complete a meaningful reconciliation because property data has been inconsistently recorded on Planet FM, due to poor system setup and data entry controls. Consequently, there could be gaps in the scope of works and responsibilities for ensuring Council locations remain functional and safe.

³ The Valuation Teams listing of property assets only records the legal repair obligation and whether the property is funded by the general fund or housing revenue account.

- 2.6.6 The procedures for both defining and prioritising repairs, together with the justification of the use contractors, are overly reliant on individual judgements. Although the monitoring of outstanding works had recently been reintroduced, the monitoring reports used to do this did not accurately reflect the timely completion or repair status of jobs, particularly in relation to the prioritisation of works. This meant that there was a lack of a complete audit trail to confirm the status repair works and which was impacted further by untimely submission of invoices by contractors.
- 2.6.7 Although we were satisfied that contractors' costs for corporate repairs could be accounted for, we found it difficult to measure and validate whether contracts had been properly let, as some of works span Property Services entire operation(s), including schools. Corporate Procurement commenced a product review to examine how works could be better packaged to meet needs and help services improve their contract management skills and practice and to make sure these meet contractual limits and requirements. Internal Audit supports this initiative because as such, it is currently difficult to demonstrate compliance with contract procedural rules and to ascertain how and why the Council uses particular contractors.

APPENDIX

Audit reviews carried over from 2020/2021

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Feeder system interface and reconciliation	x				To be completed in Q3 of 2021/2022						
Commercialisation	x				Mar-21	Jun-21	Jun-21	0	3	2	
MOSAIC payment controls (Finance Module)	x				Aug-20	May-21	Jun-21	3	5	1	
Budgetary Control	x				Jan-21	Jun-21	Aug-21	0	5	3	
NNDR and CTAX Administration	x				Mar-21	Jun-21	Jun-21	0	0	3	

Audit reviews for 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Emergency Active Travel Grant	x				Apr 21	May-21	Jun-21	0	3	0	N/A
Travel Demand Management Grant	x				Apr-21	Jun-21	Jun-21	0	2	0	N/A
Compliance & Enforcement Surge Grant	x				May-21	May-21	May-21	0	0	0	N/A
Facilities Management (Corporate Repairs)	x				Apr-21	Jun-21	Jul-21	2	6	1	
Housing Allocation Scheme	x				May-21	Aug-21		0	5	5	
Business Grants (Post Payment) Assurance	x				Jun-21	Jul-21	Aug-21	0	0	0	
NHS Test and Trace Grant Determination	x				Grant return now not due until 2022/2023						
Community Testing Funding Grant	x				May-21	Jun-21	Jun-21	1	4	0	N/A
Corporate Governance Review	x				Apr-21	Jun-21	Sep-21	0	0	0	
Housing Benefit		x			Jun-21	Aug-21	Sep-21	0	1	1	
Low Carbon project Grant (NEW)		x			Jun-21						
Local Transport Plan Capital Settlement (Grant Certification)		x			Sep-21						

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Bus Subsidy Grant		x			Sep-21						
Freedom of Information (Follow up Review)		x									
Accounts Receivable		x									
Contract Management (Adults)		x			Jun-21	Aug-21	Sep-21	2	2	0	
Payments to Adult Social Care Providers (NEW)		x	x		Sep-21						
Parks & Grounds Maintenance			x								
Feeder system interface and reconciliation (NEW)			x								
Furlough Administration			x		Oct-21						
Client Contributions (Adult Care)			x		Sep-21						
Accounts Payable			x								
Climate Change Strategy			x		Aug-21						
Green Homes BEIS Grant			x								
Staff (Grey Fleet) Vehicle Documentation - (Follow up Audit)				x	Aug-21	Sep-21					
Waste Operations				x							
Records Management & Document Retention Policy (Follow up review)				x							
Treasury Management				x							
Transitions from children's social care to adults				x							
Transparency Code Compliance (Follow up)				x							

4.0 INVESTIGATIONS (APRIL 2021 - SEPTEMBER 2021)

4.1 Grant Funding Schemes Assurance work

4.1.1 The investigations team have been continuing to conduct sample checks to provide post-payment assurance on risk of error and/or fraud and over payment. Using government fraud prevention tools, which interface with other departments and agencies they validated claims and facts for various business grants paid out as a result of the pandemic. This work continued from April to July this, with no suspicions of fraud identified during this period.

4.2 Council Tax Support Investigations

4.2.1 The investigations team have recovered a record total of £2,693 from Council Tax investigations completed, where a discount was removed from the current account.

4.3 Housing Tenancy Investigations

4.3.1 Since 1st April 2021 officers have commenced investigation into several referrals of tenancy fraud, with fourteen cases ongoing and five properties having been returned to stock to date. Four of these cases were tenancy related investigations and one case was under the Right to Buy (RTB) scheme. In addition to the notional savings, the RTB case secured a 12-month rental income, equivalent to £5,799, plus the RTB discount saving of £86,400

4.3.2 The notional saving achieved is £464,199.00, adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

4.3.3 Investigations team have also undertaken joint working with one of Readings Registered social landlord. Investigators helped the RSL to recover one property following a lengthy investigation.

4.4 Social Care Fraud & Investigations

4.4.1 The team have been working with Brighter Future for Children on two complex investigations. Both are now with BFfC and await legal updates.

4.4.2 There is one ongoing direct payment investigations (Adults) which commenced in August linked to potential money laundering offences and this case is still ongoing.

4.4.3 Officers also investigated a referral from the NHS regarding a possible overcharging for care at a large residential home in the area. Although we found no evidence of fraud, recording keeping with respect to the care hours provided was poor.

4.5 Disabled Persons Parking Badges (Blue Badges)

- 4.5.1 Since April 2020 work on civil enforcement was suspended. The service has recently been re engaging, and since April 2021 we have received a total of 8 cases which are currently under investigation, with one case with Legal awaiting charging decisions.

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