

Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q1

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 of the 2022/2023 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	Treasury Management	0	1	1	Substantial

2.1.1 Treasury Management is the management of the Council's investments, borrowing and cash flows, its banking, money market and capital market transactions; as well as the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2.1.2 It was evidenced that consideration of risk management was embedded within the Treasury Management function. Lines of assurance and scrutiny of required Treasury Management reporting were evidenced. The use of the CIPFA Treasury Live system to provide cashflow information was observed and the process of regular updates, maintenance of audit trails, review and approval was confirmed.

2.1.3 The criteria for borrowing and lending was clearly set out and, on reviewing borrowing and lending for the financial year 2021/22, no exceptions were found concerning the established criteria.

2.1.4 The process of appointment for the Council's Treasury Management consultancy and advisory services was reviewed. It was found that procurement processes were followed as required and appropriate documentation was held on file to demonstrate that the required quotations were obtained, and procurement been approved.

2.1.5 The Treasury Management function comprises of properly trained and qualified staff and there are effective arrangements in place to ensure staff coverage in the event of absence. However, evidence to support qualifications and training records is currently held across multiple locations and the suggested CIPFA model of a consolidated schedule being held to record training and qualification information was not being followed. The CIPFA Code 2017 also identifies the need for those with a Treasury Management scrutiny function to have sufficient training and although this was reflected in Treasury Management Strategy Statement, no Member training had occurred. It is our understanding that this has now been completed.

	Recs			Assurance	
2.2	Accounts Receivable	0	4	0	Reasonable

- 2.2.1 Sundry debtors had received a 'limited assurance' or 'no assurance' opinion over several annual audit reviews. To address previous recommendations, a project plan was drawn up that initially provided for the transition to a new software provider to aid staff to meet these requirements.
- 2.2.2 The Academy system used for sundry debtors had been replaced by the Oracle Fusion Accounts Receivable (AR) module, with the associated transfer of existing customers and debts to the new system.
- 2.2.3 The management of the AR function has been moved to the Revenues & Benefits Team. This has taken time in terms of recruitment and training of resources, but there is now a clearer picture of the outstanding debt and action is being taken to keep current debt under control. Progress ensuring adult social care debt is promptly tackled was still only at the early stages and more work is needed to be done by staff in that area in conjunction with the Debtors Team to ensure that progress to date is maintained.
- 2.2.4 There has been less satisfactory progress with historical debt, mainly because it is historic and difficult to tackle without substantial resources being utilised by both the Legal and Adult Social Care who have by far the largest share of that debt. There was also a decision taken when transferring the debt across from the old system, to hold detailed balance information outside the Fusion system and only transfer the balance. This has meant that it takes longer to establish the current debt position for older debts and does not always reflect that some of the Adult Social Care debt balances may change over time.
- 2.2.5 At the time of our audit, we recommended that a decision needed to be taken on the likelihood of recovery of the oldest historical debt and write offs should be used where there is considered to be a negligible chance of recovery due to the time elapsed and the lack of previous recovery steps being taken.
- 2.2.6 The audit noted that the Oracle Fusion functionality in respect of reporting and general recovery processes (dunning) has been patchy and often very slow. There did not appear to be a readymade suite of management reports that give insight into the debt situation until recently. The tracking of individual debt is satisfactory, although the presentation of information is not always as clear. The AR Team also appeared to manage most of its recovery process through spreadsheets outside of Oracle Fusion.

- 2.2.7 Formal written debtor processes and procedures that covered all areas of the Council were still under development. There was guidance on how to use Oracle Fusion to raise debts and access information on debts; however, the intranet does not contain guidance on the existing Sundry Debtor Policy agreed in 2020. Whilst there is a council-approved Debt Policy, there didn't appear to have been a wider awareness campaign around its implementation.
- 2.2.8 The audit did not find any issues with the receipt of and accounting for monies in respect of invoices raised and on reviewing a sample of credit notes, no issues in their usage were identified.
- 2.2.9 There is now an expectation that the Debtors function will be transferring from Oracle Fusion to a new finance system shortly, and it is hoped that the reporting capabilities and general functionality will be enhanced from where it currently is.

	Recs			Assurance	
2.3	Client Contributions	1	4	5	Reasonable

- 2.3.1 The Care Act gives Councils the power to charge adults for services provided to meet their eligible care and support needs. A financial assessment is conducted to determine the maximum amount that a care user can afford to contribute towards their care, with any charges applied from the start of a care package, and the financial assessment reviewed annually.
- 2.3.2 The audit focussed on the assessment process, checks which were being undertaken to establish capital/savings and income, to determine the ability to contribute to care costs, and how quickly clients were invoiced in relation to the commencement of the care provided.
- 2.3.3 The financial assessment process was carried out using the agreed financial assessment form on Mosaic, and in some cases the client contribution was auto calculated. However, it was noted that this was overridden in the majority of cases. This represented a risk of error and incorrect calculation of client contributions that needed proper assessment and possible mitigation. We were informed that the mitigation put in place for this was having appropriately trained Financial Assessments and Benefits (FAB) Team Officers. In the majority of cases reviewed, details of service users' financial circumstances were obtained from central government using the Searchlight¹ facility or from other RBC teams via an agreement to share information.

¹ Department for Work and Pensions (DWP) customer information system to support its staff in dealing with claims around benefit payments, allowances and credits.

- 2.3.4 Policies and procedures were adequate and in place. The annual uplift process had a clear, documented process in place with allocated roles and responsibilities. However, it was noted that charge uplifts for 2021/22 were carried out manually via the Mosaic administration tool for circa 1,000 records, which was time-intensive and increased the likelihood of error.
- 2.3.5 An existing and known inherent risk was that unless the service user or their financial representative notified RBC of a change in the service user's financial circumstances, this was unlikely to be identified other than as part of the annual review process. The consequence of this is that either the Council or the individual could end up contributing too much or too little.
- 2.3.6 All areas, services, and staff within Adult Social Care needed to better understand their roles and responsibilities and the impact they had on the FAB (and other) Teams and ensure there was confidence in the accuracy and timeliness of the process.
- 2.3.7 Billing testing identified that where service users had been invoiced for their contributions, this had been backdated to the start of the service provision. However, there were instances identified where service users had yet to be invoiced for chargeable services, as the service had yet to be set up on Mosaic or an account had not been created in Oracle Fusion. In addition, an instance was found where a service user had been invoiced for the revised amount following the annual review, but their contribution on Mosaic had not been updated to reflect the revised charge. Although not significant in isolation, were this to be repeated on scale, this could have a material impact.
- 2.3.8 There was also a lack of clarity found as to when the appeals procedure was being used, as opposed to the complaints procedure. Further discussion identified that this could be as a result of misuse of terminology. Complaints were noted as often being related to charging for ongoing services after a period of reablement/use of the hospital discharge scheme (when care was not chargeable), and whether this had been sufficiently clearly communicated/documentated at the time. Remote working had also meant that some queries had taken longer to resolve.
- 2.3.9 Initially this audit carried a limited assurance opinion. However, following the review of the management responses, which were seen to be robust with appropriate timeframes assigned to them, the opinion was revised. Nevertheless, there is still a significant amount of work required to implement the recommendations and therefore it is recommended that this report be subject to formal follow up.

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit reviews carried over from 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Client Contributions (Adult care)	●				Feb-22	May-22	Jun-22	1	5	6	
Freedom of Information (Follow-up Review)	●				Jun-22	July-22					
Accounts Payable		●									
Transparency Code Compliance (follow-up)	●				Jun-22	Jul-22					

Audit reviews for 2022/2023

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Green Homes BEIS Grant	●				Jun-22						
Waste Operations	●				Apr-22	Jun-22		0	2	0	
Rent Accounting	●				Apr-22	Jun-22		0	6	5	
Deferred Payments	●				Apr-22	Jun-22		1	8	0	
NHS Test and Trace Grant Determination	●				Jun-22	Jun-22		0	0	0	n/a
Contain Outbreak Management Fund Grant*	●				Jun-22	Jun-22		0	0	0	n/a
Practical Support Payment (PSP) grant*	●				Jun-22	Jun-22		0	0	0	n/a
Rough Sleepers Initiative Grant*	●				Jun-22	Jun-22		0	0	0	n/a

* The requirement for these grants to be signed off by the Chief Auditor was not known until mid-June this year

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Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Salary Sacrifice schemes	●				Jul-22						
Deputyship and Appointeeship	●				Jun-22						
Local Transport Plan Capital Settlement (Grant Certification)		●			Jun-22						
Waste PFI contract		●			Jun-22						
Cyber Security		●			Jul-22						
Inflationary Uplifts (follow-up)		●									
Audit Committee Review*		●									
Budget Setting/Monitoring		●									
Housing Repairs (responsive & planned maintenance)			●								
Housing PFI			●								
Records Management & Document Retention Policy (up follow-up review)			●								
General Ledger - New Finance System			●								
Accounts Payable			●								
BACS Security and controls over Faster Payments			●								
Furlough Administration			●								
Direct Payments			●								
Provider Payments (follow-up)			●								
Commercial Assets & Investments				●							

* Guidance was expected to be published in June, but has now been put back until September

Key: ■ No Assurance ■ Limited Assurance ■ Reasonable Assurance ■ Substantial Assurance

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Intercompany accounting (Follow-Up Review)				●							
Contract Management				●							
Terminations (leavers and movers) processes				●							
Adults Contract Management (follow-up review)				●							
Client Contributions Adult Care (Follow Up)				●							
Adult Social Care Debt				●							

4.0 INVESTIGATIONS (APRIL 2022 - JUNE 2022)

4.1 Council tax Support Investigations

4.1.1 The Investigations Team has referred 5 cases for financial reviews from 146 Council investigations completed, where a discount was removed from the current account.

4.2 Housing Tenancy Investigations

4.2.1 Since 1st April 2022, officers have commenced investigation into several referrals of tenancy fraud, with 21 cases ongoing and 3 properties having been returned to stock to date. All these cases were tenancy-related investigations.

4.2.2 The notional saving achieved on the properties returned to RBC stock is £279,000 adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

4.2.3 The Investigation Team also undertakes assurance verification by looking at new homeless applications. For the period, the team have reviewed 43 cases.

4.3 Social Care Fraud

4.3.1 There is one ongoing Direct Payment investigation (Adults) currently in progress, which is linked to potential money laundering offences.

4.3.2 Officers are currently looking at five Adult Social care cases to ensure monies are being spent in accordance with the care plans.

4.4 Disabled Persons Parking (Blue) Badges

4.4.1 Blue Badges are parking permits issued by the Council to assist disabled persons with parking across the area. A Blue Badge can give the badge holder exemption from some parking restrictions and access to designated parking spaces.

4.4.2 Over a 3-day period in May, Investigation Officers worked alongside the Blue Badge Team and Parking Enforcement Officers to monitor and report on possible Blue Badge misuse across the town centre.

4.4.3 Over the 3-day period, officers undertook approximately 18 hours of monitoring, checking, and verifying a total of 307 vehicles. The investigations identified the following:

- Two badges were found to be in use where the Badge holders were not present.
- Five badges designated to a child were found to be in use when the child should have been in school.
- One badge reported as stolen was found to be in use.
- Four badges in use had expired, of which three were seized by officers and removed from circulation.
- One badge belonging to a deceased person was found to be in use.

4.4.4 All the above cases are subject to further investigation and possible legal action where applicable. All these cases were reported to NSL, and Fixed Penalty Charges (FPN) were issued. A further two vehicles were found to be parked in disabled bays, without displaying any Blue Badge. These vehicles were reported to Parking Enforcement Officers and an FPN was issued in both cases.

4.4.5 Including the vehicles which failed to display any badge, we reported fifteen issues linked to Blue Badge misuse over the period of inspection. This equates to approximately 5% of all vehicles inspected on the day.

4.4.6 In addition to the above, since April 2022, we have received a total of 5 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 4 cases have been sent a formal warning letter.