

Appendix 1

Internal Audit & Investigations

Quarterly Update Report Q3

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 3 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	Salary Sacrifice Schemes	0	2	4	Reasonable

- 2.1.1 The purpose of a salary sacrifice scheme is to allow employees to exchange a part of their salary for a non-cash benefit from their employer. Employees pay for the benefit from gross salary, which means that the employee does not pay tax and National Insurance on the part of the salary that has been sacrificed. This also means that the Council does not pay Employer's National Insurance contributions on the part of the salary that has been sacrificed by employees.
- 2.1.2 HM Revenue and Customs has provided guidance for employers on setting up salary sacrifice arrangements for calculating statutory deductions. HMRC have advised that schemes will be categorised as either 'successful' or 'unsuccessful' when determining if there is a taxation liability upon the employer. In 2022/23, Council employees are offered access to five salary sacrifice schemes, Additional Voluntary Contribution (pension), Car Leasing, Bicycle Voucher, Workplace Nursery and Childcare Vouchers (this scheme was not examined)
- 2.1.3 It should be noted that these are government-approved schemes that are facilitated through a provider on behalf of the Council. The agreement should be to set out the responsibilities of the Council as the employer, the employee, and the scheme provider. The technical rules governing salary sacrifice schemes are complicated and require professional guidance to ensure neither the employer, nor employee are liable for unpaid statutory deductions or penalties following an HMRC review.
- 2.1.4 We are satisfied that a signed agreement was held and that these are being renewed at the end of each agreement's duration term, although we have recommended that any income tax risk and potential tax implications are fully reviewed and approved, with evidence retained. We have specifically advised that the Council, as the employer, confirms that the car lease, bicycle, and workplace schemes have the same HMRC clearance which was provided for the pension Additional Voluntary Contribution (AVC) scheme. This may simply involve obtaining the same assurances from PSTAX¹. We also recommended that these assurances are formalised in writing as part of the service agreement.

¹ PSTAX provides Tax advice and consultancy services to local authorities

2.1.5 We are satisfied that the payroll deductions could be substantiated and had been correctly made in accordance with the payment mandate. The employee should be checking their payroll deductions and the provider should be reconciling the payments they have received from the Council against the employee's private service plan in the scheme.

	Recs			Assurance
2.2 Deputyship and Appointeeship	5	3	3	Limited

2.2.1 The purpose of the audit was to review the financial accounts and supporting evidence to provide assurance that records were complete, cash was held and handled securely, and management oversight and challenge were effective.

2.2.2 We acknowledged that the workload of the deputy's team had expanded significantly, with a considerably increased number of deputy's clients, with more complex needs and significant financial assets. In addition, the team had been managing delays and backlogs, brought about by the pandemic. The Assistant Director had identified that the resources for the service were limited and that this had been addressed creatively using a mixture of volunteers and apprentices.

2.2.3 Since the previous audit, there had been a significant reduction in the amount of cash handling being undertaken, with the majority of clients now receiving personal allowances via card. We found policies and procedures to be in place, although they would benefit from further review to ensure they reflected current practice and legislative requirements. Also, appropriate fees had been charged, as set out by the Office of the Public Guardian.

2.2.4 Notwithstanding this, there were some areas of concern that were identified during the audit, such as the high volume of manual processes and an overreliance on a variety of spreadsheets. In one instance, this had led to correspondence being overlooked and a lack of timely identification and action where client funds (circa £62,500) had been incorrectly transferred to the wrong account and not picked up for some considerable time. It was also noted that staff, in some instances, were keeping personal sensitive hard copy paperwork at home and whilst there may be operational reasons for this, GDPR implications need to be considered.

2.2.5 We reported a lack of controls in relation to the transfer of clients' funds from private to RBC designated deputy and appointee bank accounts. Progress was tracked manually via spreadsheets and no formal reconciliation was conducted between bank statements to verify that the correct amounts had been received into the correct accounts.

- 2.2.6 Supporting documentation, particularly in relation to the receipt of cash, had not always been retained to provide a clear audit trail of the amounts received. Monies received had also been misrecorded on Caspar², in some instances as expenditure, leading to discrepancies between clients' Caspar and cashfac³ balances. However, the Deputy's Team Manager had indicated that funds were always double-checked by someone else in the team and counted into the cash float, where it was also recorded.
- 2.2.7 Notes on Caspar and documentation on information@works⁴, were not always kept up to date so there was not always a clear audit trail to substantiate actions taken for all clients.
- 2.2.8 Whilst there were three levels of control on cashfac payments, requiring three different officers to undertake these roles, all team members (including juniors) with cashfac access could undertake any of these roles. At review stage, transactions were only reviewed with a view to identifying anomalies so inputting errors such as incorrect bank accounts were unlikely to be identified. Due to changes in staffing/profile of staff within the team, we recommended a review of the roles and responsibilities of team members more widely to ensure they were appropriate to their seniority.
- 2.2.9 It would also be of benefit for professional advice to be sought, to ensure that legislation and best practice was met and that all actions could be demonstrated to be in the client's best interests (for example in relation to proposed actions with clients' assets)⁵.
- 2.2.10 The Deputy's Team was proactive in addressing Internal Audit recommendations as they were identified during the audit.

	Recs			Assurance	
2.3	Purchase Cards (Follow up review)	0	2	0	Reasonable

- 2.3.1 In December 2020 an Internal Audit report was issued on the review of Purchase Cards, with a total of 15 recommendations including 12 priority 2 recommendations. The assessment of the status of implementation was obtained largely by an update from the identified responsible officer, followed by obtaining supporting evidence and, where necessary, testing.

² Deputies Case Management System

³ Deputies Cash Management Software

⁴ the Council's Document Management System

⁵ Audit has been informed that two Independent Financial Advisers (IFAs) have now been sourced to review client accounts with balances in excess of £50,000.

2.3.2 Good progress has been found to have been made with most of the recommendations having been implemented. Two recommendations which have been not implemented, were contingent upon the updating of the procedure document that had been in place at the time of the audit in December 2020.

2.3.3 Due to the implementation of agreed actions since the original audit report in December 2020, the assurance level provided by Internal Audit is now Reasonable Assurance.

	Recs			Assurance	
2.4	re3 Waste PFI	0	5	1	Reasonable

2.4.1 re3 is responsible for arranging the disposal of household waste collected across Bracknell Forest, Reading and Wokingham Boroughs. This includes recyclable waste and general waste collected at the kerbside, at the two Recycling Centres, glass banks and street cleaning. Since 2006, the partnership has been working with FCC Environment, a private contractor. On re3 Council’s behalf, FCC Environment manages and provides facilities for recycling and managing the waste. This includes management of a “state-of-the-art” Material Recycling Facility in Reading, two Recycling Centres and Transfer Stations as well as facilitating waste treatment services through energy recovery facilities, green waste composting sites and landfill.

2.4.2 The focus of the audit was to evaluate the existing formula and process for allocating/charging costs as agreed in the original Joint Working Agreement (JWA). We also reviewed processes used for allocating/charging costs across the 3 boroughs: and similarly, arrangements for the sharing of any financial reward(s) or incentive across the 3 boroughs for meeting recycling targets.

2.4.3 We concluded that the re3 waste project is well controlled and managed. However, there are several areas where improvements should be made, which if implemented would provide additional assurance to the Joint Waste Disposal Board and the three individual Borough Councils who are part of the project.

2.4.4 From review of the JWA and Schedule 24 of the Contract, signed by the three Councils, and the re3 Waste Contractor, we can confirm that the JWA in place provides clear formulae and processes for allocating and charging costs.

- 2.4.5 A number of changes to the JWA were made and included in a JWA Changes document, dated 2011. We saw evidence that all changes were reported to the Joint Waste Disposal Board (JWDB) for approval, including the Energy Recovery Payment and the Monthly Landfill Payment. However, there appear to have been other changes to the waste processes, in recent years, including recycling, that should be included in an updated version of the JWA Changes document, with evidence of approval by the JWDB.
- 2.4.6 We are satisfied that the control framework supporting the financial and operational records are complete and accurate and that the processes in place are sufficiently robust. Where errors or omissions have occurred the Principal Finance Officer (PFO) in the re3 waste project team, had identified the cause in a timely way and rectified the issue. Going forward there is a need to consider the reliance placed on the re3 PFO and for the re3 Strategic Waste Manager to ensure that the risk of single person dependency, is mitigated more effectively.
- 2.4.7 There is no formal internal quality review process within the re3 waste project team. There is evidence, however, to show that in the monthly meetings between the re3 PFO and Finance colleagues from the three borough councils, there is a significant exchange of information and opportunity during the meetings to check that the formula and processes are being followed by all three boroughs, and that all three boroughs agree that the sharing of rewards/ incentives is fair transparent and accurate. However, the meetings are informal and do not provide minutes and/ or action plans to progress issues raised. In addition, there is no formal documented review process that would require, for example, the three borough council Finance Managers to carry out sample checks of spreadsheet formulae, evidence of source data and invoice calculation and allocation. If these checks were formalised it would provide additional assurance to each council, to the re3 Project team and to the JWDB. Furthermore, it would go some way to mitigating the risk of the single point of dependency with the PFO.
- 2.4.8 We were satisfied that the reporting and meeting control framework provides adequate assurance to the JWDB and the three borough councils. There is, however, an opportunity for the reports to provide an update and challenge for the JWDB on the management of risk in the project. In addition, the Chair of the JWDB should set a more forward-looking agenda, which enables the partnership to take the leadership in progressing change in the project and introduce a process of minutes and specific action plans to follow up at subsequent meetings.

- 2.4.9 At the time of the audit testing, there was evidence that a number of the procedural documents required updating. In addition, the documents are based on the experiences of the present and previous re3 PFO's and have received no additional review and or approval by either the re3 Strategic Waste Manager or, if appropriate, the JWDB. As part of the overall effective Governance of the project, supporting written guidance should be in place to cover all processes for all of the teams' operations.

2.5 Grant Certifications

Local Transport Plan Capital Settlement

- 2.5.1 The funding streams fall into two Grant determinations, the Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) and the Local Transport Capital Block Funding (Pothole Fund). The funding streams are the Integrated Transport Block (£1,592m), Highways Maintenance Block Needs element (£817k), Highways Maintenance Block Incentive element (£204k) and the Pothole Fund (£817k).
- 2.5.2 The grants may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003 and the Chief Executive and Chief Internal Auditor are required to sign and return a declaration to the Department for Transport confirming the grants have been spent in accordance with the conditions of the grant determination.
- 2.5.3 Whilst we can confirm that grant funding has been spent in accordance with the grant the total funding for the Integrated Transport Block of £1.592m has yet to be spent.

Green Homes BEISA Grant Phase 1B Project Closure

- 2.5.4 The Green Homes Grant scheme is funded by the UK government Department for Business, Energy and Industrial Strategy ('BEIS') and is a scheme for homeowners and landlords in England to support the installation of energy efficient and low-carbon heating improvements to their homes.
- 2.5.5 The amount of the grant was £287,500 and having carried out appropriate investigations and checks, in our opinion, the conditions attached to the Green Homes Grant have been complied with.

Covid-19 Bus Services Support Grant - certification

- 2.5.6 In 2020 the Department for Transport made available a two-part funding stream to support both the local transport authority and the bus operator. This was to help mitigate the impact of Covid-19 on the bus industry and support them to be able to continue to run services due to the availability of staff, as well as passengers' unwillingness to use bus services following the Governments advice to avoid non-essential travel.
- 2.5.7 Funding was allocated across 8 tranches, between April 2020 and August 2021 to a value of £406,939. Having carried out appropriate investigations and checks, in our opinion, the conditions attached to the Covid-19 Bus Services Support Grant have been complied with.

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	Jul-22	Aug-22	-	-	-	
Transparency Code Compliance (follow-up)	●				Jun-22	Jul-22	Aug-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	●				Nov-22	Nov-22	Nov-22	-	-	-	N/A
Waste Operations	●				Apr-22	Jun-22	Jun-22	0	2	0	
Rent Accounting	●				Apr-22	Jun-22	Aug-22	0	6	4	
Deferred Payments	●				Apr-22	Jun-22	Aug-22	1	8	0	
NHS Test and Trace Grant Determination	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Contain Outbreak Management Fund Grant*	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Practical Support Payment (PSP) grant*	●				Jun-22	Jul-22	Jul-22	-	-	-	N/A
Rough Sleepers Initiative Grant*	●				Jun-22	Jun-22	Jun-22	-	-	-	N/A
Salary Sacrifice schemes	●				Jul-22	Oct-22	Oct-22	0	2	4	

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	
Deputyship and Appointeeship	●				Jul-22	Sep-22	Nov-22	5	3	3	
Crime & Reduction Grant*		●			Aug-22	Aug-22	Aug-22	-	-	-	N/A
Local Transport Plan Capital Settlement (Grant Certification)		●			Sep-22	Oct-22	Oct-22	-	-	-	N/A
Waste PFI contract		●			Jun-22	Sep-22	Nov-22	0	5	1	
Cyber Security		●			Aug-22	Dec-22					
Audit Committee Review		●			Dec-22						
Budget Setting/Monitoring		●			Dec-22						
Bus subsidy grant (covid) – certification*			●		Nov-22	Nov-22	Nov-22	-	-	-	N/A
Housing Revenue Account (Follow up) *			●		Nov-22	Jan-23	Jan-23	0	0	0	
Purchasing Cards*			●		Sep-22	Dec-22	Jan-23	0	2	0	
Inflationary Uplifts (follow-up)			●		Nov-22						
Housing Repairs (responsive & planned maintenance)			●		Nov-22						
Housing PFI			●								
Records Management & Document Retention Policy (follow-up)			●		Postponed to 2023/2024						
BACS Security and controls over Faster Payments			●		Nov-22						
Furlough Administration			●								
Direct Payments			●		Oct-22	Dec-22		2	6	3	

*ADDED DURING THE YEAR

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	
Adult Care Provider Payments (follow-up)			●								
General Ledger				●							
Accounts Payable				●							
Commercial Assets & Investments				●	Sep-22	Jan-23					
Intercompany accounting (Follow-Up Review)				●	Postponed to Q1 2023/2024						
Contract Management				●							
Terminations (leavers and movers) processes				●							
Adults Contract Management (follow-up review)				●							
Client Contributions Adult Care (Follow Up)				●							
Adult Social Care Debt				●							

3.5 Council Tax Support Investigations

3.5.1 The Corporate Investigations Team (CIT) has referred several cases for financial reviews from 49 Council Tax Support investigations completed, where a discount was removed from the current account. CIT has 12 ongoing investigations linked to Council Tax support.

3.6 Housing Tenancy Investigations

3.6.1 Since 1st April 2022, officers have commenced an investigation into several referrals of tenancy fraud, with 19 cases ongoing and 3 properties having been returned to stock to date. All these cases were tenancy-related investigations. The team has also assisted in the return to stock of 2 Registered Social housing landlords' properties.

3.6.2 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.

3.6.3 CIT has also looked at 13 Right to buy applications 2 applications have been withdrawn in the period securing for RBC a rental income of £13,400 for this year and preventing £174,400 in grants been paid under the scheme

3.6.4 CIT also undertakes assurance verification by looking at new homeless applications. For the period, the team has reviewed 103 cases. There are 13 cases awaiting Council Tax to review the SPD, and to date, a total of £5,823.00 has been recorded as direct SPD savings.

3.7 Disabled Persons Parking (Blue) Badges

3.7.1 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.

3.7.2 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.

3.7.3 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.
- 3.7.4 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 Charge (FPN) was 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.
- 3.7.5 Including the vehicles which failed to display any badges, 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.
- 3.7.6 In addition to the above, since April 2022, we have received a total of 8 misuse referrals, all of which were investigated. 1 case was successfully prosecuted in April 2022, and 5 cases have been sent a formal warning letter and the remaining cases under ongoing investigation.

3.8 Covid Business Grant Investigations

- 3.8.1 The investigations team have recently achieved a successful prosecution, in respect of a fraudulent Covid Business Grant Claim, with the defendant admitted to fraud by false representation and made to pay compensation of £10,000 to RBC. The defendant was also handed a community order to undertake 100 hours of unpaid work.

3.9 Social Care Fraud

- 3.9.1 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences and in a separate case are working with RBC legal services to recover £16,000 in misused monies linked to an ongoing investigation into direct payment fraud.

3.10 Other areas

- 3.10.1 Officers have been working with Adult Social Care (ASC) in reviewing direct payments to ensure monies are being spent in accordance with the care plans. The initial sample of 5 clients selected by ASC was classed as high-risk, as RBC had no access to the client's bank account and was reliant on them providing evidence of care being paid.

- 3.10.2 The purpose of our review was to establish that all clients have used the direct payments from RBC as intended, that all clients had received the care that ASC had confirmed was required and that all services had received payment for that care. The total balance of the five accounts was circa £100,000, of which ASC is looking to recoup the entire balance.
- 3.10.3 As a result, the team was asked to review a further 20 clients' accounts. From these it was found that 14 out of 20 accounts reviewed, were shown to have significant surplus balances above £3,000. 8 accounts had surplus balances above £9,000 and 3 had surplus balances in excess of £14,000. As such, ASC is looking to recoup approximately £133,730.
- 3.10.4 What is important to note is that none of these cases were found to involve fraudulent activity.
- 3.10.5 Following on from this work, internal audit has undertaken a review of direct payments with the results of the audit to be presented to the Committee at its next meeting.