

Internal Audit and Counter Fraud Quarter 1 Progress Report 2018/19

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1. Summary of Completed Audits

Care Leavers - Payments & Grants - Partial Assurance

1.1 The audit was a planned review to provide assurance that key financial controls were in place and operating effectively for administering grants and other payments to those leaving care.

1.2 The review found that the service performs well with regard to key indicators of performance when compared to other councils, but that there were number of issues with the control environment where improvements are required. These were that:-

- Although Pathway Plans require an assessment of needs every six months, information at the time of audit indicated these timescales were not always being met. Action has already being taken to address this concern.
- There is a high volume of petty cash, £8,000 per month, used by this service to support Care Leavers who do not have access to a bank account and are vulnerable. This has created a number of risks and system redesign is required to address these concerns.
- The financial impact of the change, from April 2018, requiring Councils to continue the parental role to age twenty five is not yet fully understood. An action to undertake financial modelling of this change has been agreed.
- There were weaknesses with the arrangements for retaining invoices and receipts.

Care Management System Re-procurement - Reasonable Assurance

1.3 As part of this year's audit plan we have been carrying out an ongoing review of the procurement of the CareFirst system replacement. This report was to provide an opinion to the Project Board on progress to date during the period leading up to the decision to award the contract. The main conclusions from our work to date were:

- The Project Board has fulfilled its role with regard to governance;
- Significant soft market testing on alternative social care software solutions has been undertaken, including a wide range of stakeholders;
- Timeframes for the Board's preferred option are extremely challenging;
- Work on the council's needs have moved at pace to develop a set of requirements and build a specification; however, this has increased risks associated around omission of functionality;

- The Board is working closely with the corporate IT&D Change Advisory Board (CAB) to ensure better consistency and control over changes to the project. This has identified areas that require further work/resolution/clarification with the supplier;
- Only one supplier met the Council's requirements. The risks relating to this decision have been considered.

1.4 We will continue to support and review this project through to final implementation with a focus on providing assurance on key risk areas.

Front Door for Families - Reasonable Assurance

1.5 A re-organisation of the service early in 2017-18 meant that the Early Help Hub, Family Information Service and Multi Agency Safeguarding Hub have become part of the Front Door for Families service. These services are a key part of meeting the Council's statutory duty to work together with partner agencies to identify children who need help to reach developmental milestones, emotional wellbeing and to be safe in their home, school and community.

1.6 The purpose of the audit was to ensure the service's performance and financial management arrangements were working effectively.

1.7 The review found that:

- Performance and operational indicators are clearly defined, enabling staff to respond quickly to the needs of the young person and their family and direct them to appropriate services;
- Budget monitoring for this service is robust and is delivering the service within the available resources.

1.8 Areas for improvement were:

- Addressing significant delays for families who require access to mental health services;
- To review the target setting for response times to ensure that publicised information is accurate and performance measuring reports provide an accurate reflection of the service.

1.9 Appropriate actions have been agreed with management to address the above issues.

Cash and Banking - Substantial Assurance

1.10 The Council's Cash and Banking arrangements are a key financial process. Key objectives of the review were to ensure that all income is promptly and accurately posted to the council's income distribution system (ICON) and that income is accurately and promptly distributed to the correct financial systems.

1.11 Key controls are in place and working effectively. Opportunities for further improvement were also identified in relation to:

- Documenting bank reconciliation and interface processes;
- The authorisation of changes following system upgrades.

Adult Social Care Income and Collection - Partial Assurance

1.12 The scope of the audit was to ensure that financial assessments are promptly and accurately completed and that all income due to the Council is promptly invoiced and collected.

1.13 The audit found that although controls are in place to ensure assessments are completed accurately there are a number of areas for improvement as follows:

- Improving the timeliness of financial assessments for residential care for some cases;
- Increasing the frequency of communication with clients, informing them of the calculation / uplift of benefits and savings;
- Improved arrangements for monitoring the collection of high value debts from the estates of deceased clients;
- Ensuring more regular write-off of debts.

1.14 These actions have all been agreed with an implementation target of the end of September 2018.

Housing Windows Tendering – Review of system shortfall - No opinion given

1.15 Following the implementation of internal audit recommendations in 2016, additional controls were incorporated over the operation of the Mears Housing works contract. These included improvements over the tendering processes for capital works.

1.16 One of the additional controls that had been implemented enabled the Housing service to identify a business relationship between two subcontractors which could have increased the risk of collusion.

1.17 This finding was reported by the Housing Service to Internal Audit who initiated a review of tendering processes by both Mears and the Council. This Council's review was carried by Mazars Public Sector Internal Audit Ltd which sought to examine a range of subcontractor works on Mears capital contracts.

1.18 The Mazars review confirmed that there was a business relationship between one of the window subcontractors and two other window subcontractors. The review did, however, find evidence that there was still satisfactory competition for those jobs where there were company relationships i.e. other tenders had been submitted for these works.

1.19 No evidence of collusion was found by Mazars, however the report did highlight some of weaknesses with procurement processes where improvements can be made. These were that;

- Mears should update its sub-contractor conflicts of interest form at its monthly meetings with its sub-contractors;
- Mears should clarify all non-priced items directly with bidders and retain evidence of having sent Invitations to Tender to all potential bidders at the same time;
- Mears should record the closing time for receipt of tenders on the face of the tender opening register as well the closing date for receipt of them;
- Formal tender receipt procedures should be prepared for the Housing Centre Reception.

1.20 Housing have confirmed that these actions have now been implemented.

EU Grant - PACE – Claim number 3

1.21 This is one of five EU Interreg projects that require grant certification at least once a year.

1.22 The full title of the project is Providing Access to Childcare and Employment. The total value of the project between 2017 to 2020 is approximately £625,000 (Grant expected £375,000).

1.23 No significant issues were identified in the grant certification.

EU Grant - SCAPE – Claim number 3

1.24 This is one of five EU Interreg projects that require grant certification at least once a year.

1.25 The full title of the project is Shaping Climate Change Adaptive PlacEs. The total value of the project between 2017 to 2020 is approximately £488,000 (Grant expected £293,000).

1.26 No significant issues were identified in the grant certification.

St Bartholomew's School (Follow-up) – Reasonable Assurance

1.27 The previous Internal Audit report for St Bartholomew's CE Primary School from July 2017 concluded that Minimal Assurance could be given on that the financial management of the school, its systems and internal controls.

1.28 This follow up review has sought to gain assurance that the identified areas for improvement have been implemented. The audit concluded Reasonable Assurance demonstrating that improvements have been made at the school.

1.29 Remaining areas where controls could be further strengthened were in relation to:

- The 3 year budget plan, budget monitoring and the monitoring of income;
- Retaining evidence of recruitment processes and the authorisation of additional hours/ overtime.

Fairlight Primary School (Follow-up) – Reasonable Assurance

1.30 The previous Internal Audit report for Fairlight Primary School in April 2017 concluded that Limited Assurance could be given on that the financial management of the school, its systems and internal controls.

1.31 This follow up review has sought to gain assurance that the identified areas for improvement have been implemented. The audit concluded Reasonable Assurance demonstrating that improvements have been made at the school.

1.32 Remaining areas where controls could be further strengthened were in relation to:

- The quality of financial information shared with the Governing Body;
- Updating the schools scheme of delegation, business continuity plan and school development plan;
- The maintenance and update of the schools asset register.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

2.1 Following the establishment of the Orbis Counter Fraud Team in April 2018, focus in the first quarter has been on aligning investigative practices and procedures to ensure a consistent approach is adopted across the Orbis partnership in line with best practice and relevant guidance. Q2 will see the implementation of an integrated Fighting Fraud Plan across Orbis partners that will strengthen our ability to prevent and detect fraud.

Summary of Completed Investigations

2.2 The outcomes at the end of quarter 1 are as follows: -

- Investigations have resulted in 5 council properties being returned to the Council's stock making them available for people in genuine housing need (the target for the year is 20).
- One Right to Buy application has been stopped following the intervention of the Corporate Counter Fraud Team.
- Two concessionary travel passes have been cancelled for the year to date.
- 18 Blue Badges were cancelled (where there were prosecutions or community resolution orders).
- £3,900 of Council Tax Single Person Discount and Council Tax Reduction identified.
- Housing Benefit overpayments of £1,300 have been identified.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 1, 93% of high priority actions due had been implemented.

3.2 The two actions that are overdue are detailed in the table below and relate to the City Clean External Contracts and Commercial Waste audit that was carried out last year.

3.3 The service is currently reviewing the commercial waste service business case and operational and business processes and procedures are being reviewed and improvements are being made to invoicing systems. An update report was taken to PRG in July 2018 on the progress made.

Audit/ Action	Dir.	Due date	Revised date	Progress and risks
<p>City Clean External Contracts and Commercial Waste</p> <p>To provide assurance that the service can at least break-even, the budget must be updated to include all expenditure relating to the provision of commercial waste disposal and recycling.</p>	EEC	31/3/18	31/12/18	<p>This work is still in progress and a resource is being recruited to support the service. This will include the completion of this action. This work is important to ensure that the service can demonstrate it is recovering its costs via the charges levied.</p>
<p>City Clean External Contracts and Commercial Waste</p> <p>All customers, including events and those where the service is provided to a third party, should be provided with terms and conditions of the service and a signed agreement should be in place to confirm their acceptance of the charges and terms of the contract.</p>	EEC	31/3/18	31/12/18	<p>New terms and conditions and have been drafted but need to be agreed with Legal Services. Until this action is completed there remains a risk that that it is more complex to resolve disputes with individual customers.</p>

4 Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan during the year:

- Royal Pavilion and Museums – The audit was requested by the Director of Economy Environment & Culture. The review is planned to focus on the letting of contracts, budget management, income collection and the joint arrangements with the Royal Pavilion Foundation.
- Brighton Centre – The audit was requested by the Director of Economy, Environment & Culture to examine controls over the rostering and recording and payment of overtime and other enhancements.

- BioCultural Heritage Tourism project (New EU Interreg Grant) – A new audit to provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.

4.2 Through the same process, the following audits have been removed or deferred from the audit plan and will be considered for inclusion in the 2019/20 plan as part of the overall risk assessment completed during the annual audit planning process:

- On and Off Street Parking – This service was previously audited every final year. The service has now significantly reduced the risks relating to this service through the migration to (mainly) cashless parking. The 2017/18 audit of this service finalised in April 2018 concluded Substantial Assurance.
- Disabled Facilities Grant – Internal audit is no longer required to certify this grant claim.
- Troubled Families Grant Claim – Internal audit is no longer required to certify this grant claim.

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 up 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	G	Approved by Audit Committee on 27 March 2018
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 24 July 2018
	Customer Satisfaction Levels	90% satisfied	G	100% as at the end of quarter 1
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	On target. 24% of the plan complete as at the end of quarter 1.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	A	93% at end of quarter 1.
Our staff	Professionally Qualified/Accredited	80%	G	85%

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	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.
Minimal Assurance	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.

