

Internal Audit and Counter Fraud Quarter 3 Progress Report 2019/20

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1. Summary of Completed Audits

Home Care (Follow-up) – Minimal Assurance

- 1.1 The purpose of this audit was to follow-up on the previous review of this service, in October 2018, which gave a Partial Assurance opinion. The audit followed up on the actions agreed from that audit and sought to provide assurance that key financial controls were in place and operating effectively for payments to third party providers.
- 1.2 The audit concluded Minimal Assurance over the controls operating within this service, a deterioration from our previous review. The main reason for this opinion was that controls are not in place to ensure payments to care providers are correct. Evidence of overpayment has been identified and there is insufficient information to allow the effective monitoring of the care hours provided.
- 1.3 Four high priority and one medium priority action have been agreed with management to address these shortfalls. These were that:
- All providers will now be required to submit data direct to the Council’s Home Care System on the basis of actual care hours. Exceptions will no longer be allowed. Legal advice is being sought on the recovery of amounts overpaid to suppliers;
 - Additional checks and validation is to be undertaken on home care provider claims;
 - Additional data is to be provided by care providers to allow the full validation of claims and the calculation of key performance indicators on provider performance;
 - There will be improved management and administration of the council’s home care system;
 - Measures to ensure that all care provider claims are submitted within an acceptable timescale from the service being provided will be implemented.
- 1.4 We have now given critical assurance opinions on the last two Home Care audits (Partial followed by Minimal Assurance). In accordance with the protocol agreed with Members at the January 2020 Audit and Standards Committee, officers from Health and Adult Social Care will now be asked to present a report to the next Audit and Standards Committee detailing the actions being taken to improve the control environment.

Surveillance Cameras – Partial Assurance

- 1.5 Local authorities are required to pay due regard to the Surveillance Camera Code of Practice (SC Code) where they operate surveillance cameras overtly in a public space (e.g. in town centres, municipal buildings, libraries, leisure centres, body worn videos worn by enforcement officers etc.).
- 1.6 The SC code sets out 12 principles for the operation of surveillance camera systems. The Surveillance Camera Commissioner will be writing to all Senior Responsible Officer (SROs) to conduct a survey of compliance with the Protection of Freedoms Act (PoFA), with the results of the survey to be included in the Commissioner’s annual report to Parliament. In anticipation of this exercise, this audit was undertaken to provide an opinion on the Authority’s arrangements for managing the Surveillance Camera Systems and complying with the SC Code.
- 1.7 We were only able to provide Partial Assurance over this area because the Council is only partly compliant with the 12 principles of the surveillance camera code of practice. Our testing found that:
- The purpose of all the CCTV schemes in our sample was for crime prevention and public safety which is considered legitimate use;
 - We found no evidence that the systems are being used for any purpose other than those specified.;
 - Key roles and responsibility and accountability for surveillance camera system activities including images and information collected, held and used have been clearly documented in the Council's CCTV policy;
 - Access to retained images and information is restricted and the Council has clearly defined its rules on sharing or disclosing of images and information to any third party in its CCTV policy.
- 1.8 However, the following actions were agreed with management in order to ensure the necessary strengthening of the control environment:
- Policies and procedures are extended to cover the use of other surveillance camera systems such as ANPR, or Body Worn Cameras;
 - Data protection impact assessments (DPIA) for surveillance camera systems are put in operation;
 - Improvements to signage to inform the public of the use of surveillance camera systems at the Council's housing estates;

- Devices are procured that capture images that are of evidential value but with software that can protect the identity of any unconnected persons that is recognisable in the images released to a third party;
- Staff consult the Council's data protection team before sharing images and information with law enforcement;
- Measures are in place to protect against cyber security risks because of the increasing use of cloud storage solutions.

ICT Compliance Framework – Reasonable Assurance

- 1.9 Organisations face an ever-increasing list of statutory, regulatory, contractual and legal compliance obligations. While these areas of compliance concern the whole council, they often require significant input from IT&D.
- 1.10 Areas of compliance that have varying impact on IT&D within Brighton & Hove City Council include:
- Government Public Sector Network (PSN) Code of Connection (CoCo);
 - Data Security & Protection (DSP) Toolkit; and
 - Payment Card Industry Data Security Standard (PCI (DSS)).
- 1.11 While not considered areas of compliance, there is an expectation that the Senior Information Risk Owner (SIRO) would also look to take assurance from IT standards such as Cyber Essentials & Cyber Essentials Plus.
- 1.12 The primary objective of this audit was to provide assurance that effective controls are in place for the overall governance arrangements within IT&D, that help to ensure that suitable assurances are provided to the SIRO and the Council.
- 1.13 As a result of our work, we have been able to provide Reasonable Assurance over the controls operating to support the accurate completion of the compliance frameworks.
- 1.14 Our testing found that effective governance processes are in place. While there are statutory requirements for compliance in place for some frameworks, e.g. Data Security & Protection (DSP) Toolkit, Council policies also specify the compliance frameworks that the organisation will seek to achieve. Despite the Council currently not being compliant with the Government Public Sector Network (PSN) Code of Connection (CoCo), management are taking positive steps in order to obtain this certification.

- 1.15 Appropriate review and sign-off of frameworks and standards is taking place, with these being discussed with the SIRO prior to submission.
- 1.16 Arrangements are in place to provide assurance that continued compliance with frameworks and standards is maintained. This is achieved through robust policies, as well as training and support for members of staff.
- 1.17 We agreed actions with management in relation to clearly defining roles and responsibilities for ensuring compliance with the Payment Card Industry Data Security Standard (PCI (DSS)).

Main Accounting System – Substantial Assurance

- 1.18 Internal Audit carry out a regular review of the Council’s main corporate computer accounting system (Civica Financials) as part of our work on key financial systems. The system provides a platform for both the Council’s budget monitoring processes as well as the production of year end accounts and meeting statutory reporting requirements.
- 1.19 The purpose of the audit was to provide assurance that all transactions from feeder systems are accurately and completely recorded in the Main Accounting System and that accounting journals, suspense and holding accounts are effectively controlled.
- 1.20 The audit concluded substantial assurance and that there are appropriate controls in place over the functions above. Three low priority actions were agreed.

Care Payments – Substantial Assurance

- 1.21 The objective of this audit review was to obtain assurance on the operation of key controls in care payments systems. This audit covered Fostering (in-house and independent placements) and Residential Care but excluded Home Care, which has been audited and reported on separately (see separate commentary above).
- 1.22 The purpose of the audit was to provide assurance that keys controls are in place, including approved care plans or care service agreements are in place and payments are subject to effective review and reconciliation before payment is made.
- 1.23 The audit concluded substantial assurance. Controls were operating to demonstrate that In-House Fostering arrangements include that an approved care plan is on file and that the rates paid are in accordance with the approved care allowances payment schedule. The process demonstrated an adequate separation of duties. This ensures both the approval of the care package, setting it up on the system and authorising the payments run is the responsibility of different teams.

- 1.24 We are also satisfied that the process for Independent Fostering payments has effective controls in place and these are working correctly. However, our sample testing identified one placement that did not have a signed independent placement agreement. The amount being paid had also been reported to panel, in January 2018, as being too high. Although this situation is being addressed by the service, no further action has been reported back to panel in over 21 months.
- 1.25 For Residential Home care payments (adults) our sample testing confirmed that controls are operating as expected to ensure payments are being made in accordance with an authorised care plan. The process demonstrated an appropriate separation of responsibilities was in place to mitigate the risk of incorrect payments being made.

EU Interreg Grant- PACE (Claim 6)

- 1.26 This is one of six EU Interreg projects that require grant certification at least once a year. 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).
- 1.27 No significant issues were identified in the grant certification.

EU Interreg Grant – SCAPE (Claim 6)

- 1.28 This is one of six EU Interreg projects that require grant certification at least once a year. 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).
- 1.29 No significant issues were identified in the grant certification.

EU Interreg Grant- SHINE (Claim 8)

- 1.30 This is an EU Interreg project that requires grant certification at least once a year. The full title of the project is Sustainable Housing Initiatives in Excluded Neighbourhoods. The total value of the project between 2016 and 2020 is approximately £367,000 (Grant expected £220,000).
- 1.31 No significant issues were identified in the grant certification.

School Audits

- 1.32 Our work in schools has continued in order to assess the adequacy of financial governance and to gauge the effectiveness of training to governors, headteachers and school business managers. In quarter 3, the following individual school review was completed:

School	Type	Budget	Opinion
Woodingdean	Primary	£1.8m	Reasonable Assurance

2. Proactive Counter Fraud Work

2.1 Internal Audit deliver both reactive and proactive counter fraud services across the Orbis partnership. Work to date has focussed on the following areas:

National Fraud Initiative Exercise

2.2 The results from this exercise were received on 31 January 2019 and have been prioritised for review during the year. Any savings generated from the exercise will be summarised in our annual report.

Counter Fraud Policies

2.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. This is included as a separate item on the agenda for today's meeting.

Fraud Risk Assessments

2.4 Fraud risk assessments have been consolidated and are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified.

Fraud Response Plans

2.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. These include an increased emphasis on data analytics. The Fraud Response Plans will be refreshed for 2020/21 and set out the proactive work plan for Internal Audit.

Fraud Awareness

2.6 The team has launched refreshed eLearning content to provide engaging and current material available to the whole organisation. This is now available through the Council's eLearning portal and is available in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures. An

awareness campaign was run in November 2019 to coincide with Internal Fraud Awareness Week in November and promote the fraud eLearning.

Reactive Counter Fraud Work - Summary of Completed Investigations

Payment Card Industry Compliance

2.7 Following receipt of concerns over card security expressed by a member of public, Internal Audit reviewed the processing and storage of card details at the City Clean Depot. The review did not identify any issues with the processing of card payments but did identify areas to improve compliance with payment card industry (PCI) standards. Appropriate remedial action has been agreed with management.

Adult Social Care

2.8 Internal Audit have provided advice and support to Adult Social Care on individual cases where concerns have been expressed over the potential deprivation of capital. This has also included recommendations to strengthen the assessment process.

Employee Misconduct

2.9 Internal Audit provided support to an HR investigation following concerns that an employee had been convicted of benefit fraud whilst being employed by the Council to provide welfare advice and assistance to those submitting benefit claims. Following a disciplinary hearing the individual was dismissed from their role with the Council.

Housing Tenancy & Local Taxation

2.10 In addition to the above, a key focus area remains housing tenancy fraud and Local Taxation, and the team has made good progress with work to date, including:

- 10 properties returned so far this year;
- 4 people removed from the Housing Waiting List following investigation;
- £15,400 in Housing Benefit overpayment has been identified as a result of investigation;
- £800 in Council Tax Reduction overpayment identified;

- SPD to the value of £3,200 has been removed from council tax account following investigation;
- An individual has been charged £28,000 in Business Rates following an investigation that found the individual had been renting a property out as holiday lets when the property had been listed as residential.

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 3, 94% of high priority actions due had been implemented.
- 3.2 As at the end of December 2019, there were three high priority actions which are overdue. Details of these are provided below, together with a revised deadline for implementation (the information for these three actions was previously reported to this Committee in January 2020).

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
<p><u>Residential and Nursing Care</u></p> <p><u>Contract Rates and Fees.</u> A shortage of residential nursing care vacancies in the city meant prices were significantly higher than the set rates the Council pays. To secure appropriate care for individual nursing care clients, rates were agreed above the BHCC set fee, following the approval of a waiver.</p> <p>There were insufficient resources in the Care Matching Team to effectively manage this issue.</p> <p>An action was agreed that the function and process of the Care Matching Team will be reviewed to include negotiation (brokerage) and waivers. Residential and</p>	HASC	31/7/19	To be reviewed during the 2020/21 audit.	<p>Over the past year to 18 months HASC has identified that to continue meeting its statutory responsibilities and ensuring vulnerable adults are supported with high quality services required significant changes to the way they worked. This has impacted on the implementation of this action (and the two other ASC actions below).</p> <p>A new Operating Model for the directorate has been adopted and Residential and Nursing Care is incorporated into this programme of work.</p> <p>If this issue is not addressed there is an ongoing budget risk. Residential and Nursing Care will be included in</p>

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
Nursing Care				the Internal Audit Plan for 2020/21.
<p><u>Residential and Nursing Care</u></p> <p><u>Resident Care Needs Assessments.</u> It is a requirement for care plans to be regularly reviewed. The audit found that this is not always happening.</p> <p>There is a risk client's care needs are not being met and/or that the Council may be paying for nursing care that is no longer required by the client.</p> <p>The service agreed an action to improve performance with a revised target set of 60% per annum but which prioritises clients in nursing care settings.</p>	HASC	31/7/19	To be reviewed during the 2020/21 audit.	<p>The service has stated that historically performance regarding reviews has not always been to the standard that would be wanted (in terms of numbers completed) but there is still a desire to improve this performance in line with the requirement of the Care Act and the quality/ impact of these reviews.</p> <p>In 2019/20 efforts 'targeting' review activity were focussed on the most vulnerable and those presenting as benefiting most from a review. The 'Better Lives, Stronger Communities' (BLSC) programme, we will focus on continued improvement.</p>
<p>Housing Local Delivery Vehicle (Follow-up)</p> <p><u>Funding Gap.</u> The terms of the original funding agreement with Seaside Homes included a guaranteed rent payment which is no longer affordable over the last five years the Local Housing Allowance rate (which is the maximum rent the council can charge its tenants to match the housing benefit) has remained static.</p> <p>This has meant a growing and</p>	NCH	30/9/19	Not yet agreed.	<p>This is a complex issue which has not yet been resolved. The Executive Director (F&R) and the former and Acting Director (NCH) have held meetings during 2019 and options are being considered to manage the financial gap.</p> <p>If this issue is not addressed, it will result in a substantial cumulative deficit which cannot be funded from future rents.</p>

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
<p>significant financial gap between what the council receives in rent and what it pays to Seaside Homes.</p> <p>The Executive Director agreed to work with Seaside Homes to discuss and agree a constructive way forward.</p>				<p>A follow-up audit will be scheduled for 2020/21.</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 areas based on an assessment of risk. The following additions to the audit plan have been made since the last meeting of the Audit and Standards Committee:

- Internal Control Report – City Clean;
- Waivers to Contract Standing Orders;
- Adult Social Care Income (Follow-up);
- Surveillance Cameras.

4.2 Through the same process, audits could either be removed or deferred from the audit plan and, where appropriate, considered for inclusion in the 2020/21 plan as part of the overall risk assessment completed during the annual audit planning process. No audits have been removed or deferred in quarter 3.

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 12 March 2019
	Annual Audit Report and Opinion	By end July	G	2019/20 Annual Report and Opinion approved by Audit Committee on 23 July 2019
	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. 84% of the plan complete as at the end of quarter 3.
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
	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	94% at end of quarter 3.
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.

