

Audits Completed in Quarter 4 (January to March 2020)

Housing Rents – Reasonable Assurance

The Council has approximately 11,400 domestic properties available to rent, and the net amount due to be collected for 2019/20 was £50.4m.

This review included an examination of rent accounting key controls, including daily reconciliations, annual rent setting, as well as processes in place for both rent collection and recovery.

The audit concluded reasonable assurance. The keys finding underlying this opinion being:

- Satisfactory processes are in place to ensure the accurate calculation of annual rents. Revised rents have been properly notified to all tenants in accordance with statutory requirements;
- Rent collection is sufficiently monitored, recorded and reported against defined targets. We noted, however, that the collection rate for current tenant arrears dropped from 98.7% for 2017/18 to 97.8% for 2018/19;
- Sample testing showed that appropriate recovery action has been taken, or a payment arrangement made, in the majority of arrears cases checked. However, two of the ten cases reviewed were found to be unsatisfactory. These were both 'use and occupation' cases, and in each case the debt was allowed to accrue as result of appropriate action not being taken in a timely manner;
- Write-offs have been appropriately processed and authorised. However, due to capacity issues the regularity of submitting write-offs to Finance for approval has reduced over the last 12 months;
- Tenancy changes are accurately and promptly processed, and there is sufficient supporting evidence and authorisation. Some sample checking of work done by rent accounting officers in relation to inputting data from electronic tenancy forms would strengthen the control environment.

One high priority and three medium priority actions have been agreed with the service to address the areas for improvement identified above.

Adult Social Care Income (Follow-up) – Reasonable Assurance

The Council may charge for residential and nursing home provision under The Care Act (2014). These client contributions are assessed through a means test, undertaken by the Financial Assessment team. The outcome of this assessment is known as a client contribution.

The purpose of this review was to obtain assurance that:

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- Financial assessments are accurately and promptly undertaken with the outcome communicated to the service user;
- All income due for residential and nursing care is correctly recorded in the Council's systems;
- All income due is promptly collected and subject to robust monitoring to prevent build-up of arrears.

The audit concluded reasonable assurance and found that most controls are in place and are operating as expected. There has been considerable improvement to the backlog of cases requiring a financial assessment and this has also reduced the numbers of invoices being held up for providers (as invoices cannot be processed until an assessment is completed). The time taken to complete a financial assessment, once a referral had been received, was found to be adequate.

Areas where improvements to the control environment can be made were identified as follows:

- Some of the arrangements for the management of deferred property agreements (DPAs) require improvement. DPA's are where the Council pays the care home fees and provides a loan to a client via a registered charge on the client's property. It was found DPAs are not subject to regular review and the audit identified two high value cases where the property is valued at less than the outstanding liability;
- ASC debt collection performance statistics for 2019/20 have been below target all year. As at December 2019 the collection rate is 78.93% against a target of 96%;
- Following our last audit report, action has been targeted on clearing ASC debts in relation to deceased service users. A review of those cases with high levels of debt identified that they all had some degree of complexity around the debt, such appeals over deprivation of assets, awaiting probate etc. The majority of these cases have been passed to the Council's Legal Services team for further work. However, it remains that of the total debt outstanding (which excludes DPAs), 21% relates to deceased service users.

Four medium priority actions have been agreed with the service to address these issues.

Agency Staff Contract – Partial Assurance

Agency staff are provided to the Council via an external contractor who was awarded a four-year Council contract which started in October 2017. The 2019/20 forecast spend (as at the end of October 2019) for agency workers was £5.5m.

The purpose of this audit was to provide assurance that controls are in place to ensure all agency employee claims are legitimate, accurately paid, checked and appropriately authorised.

The audit was only able to provide Partial Assurance because:

- Our data analysis identified that a significant number of timesheets are not being authorised by BHCC staff;
- Where timesheets have not been authorised by BHCC officers, the contractors staff should authorise the timesheets as a backstop control but only be after the responsible BHCC employee has been contacted to obtain verbal authority for the timesheet to be processed. Our testing found that the operation of this control is not being effectively and consistently evidenced;
- When the contractor authorises timesheets on behalf of a Council service, reports sometimes display a generic user name. Consequently, it is difficult to identify which member of the contractors team has authorised each transaction;
- Detailed invoice checks are carried out but only *after* payments have been made. Duplicate payments have been identified during this check, however we found that credit notes have not been raised for all the duplicate payments identified;
- Issues were identified regarding agency workers not taking an uninterrupted rest break during their working day, if they work more than six hours a day.

Two high priority and six medium priority actions have been agreed with the service to address these control issues, one of which had already been implemented (as at the 31 March 2020). A formal follow review to ensure all appropriate action is taken by management will be undertaken in due course.

City Clean Control Report

Internal Audit began an investigation within City Clean in November 2018 following the receipt of information from service management and other sources.

The findings from this initial investigation resulted in the suspension of two officers, and the referral of potential criminal offences to Sussex Police. Additional allegations were subsequently identified involving multiple other staff.

Findings from these investigations and other work by Internal Audit and Counter Fraud have been consolidated in an audit report containing 34 control issues. Actions have been agreed with management to address these control issues and it is considered that it is now appropriate for these issues to be reported to the Audit and Standards Committee. In parallel investigations by the Council and Sussex Police are ongoing.

Many of the control improvement actions have already been implemented or are in progress. Service management and majority of staff in the service have responded in a very positive way working with Internal Audit identify and to address the shortfalls in the control environment identified. Further work is ongoing and Internal Audit has allocated time to follow up on the actions agreed in 2020/21.

The control shortfalls identified are likely to have had an impact on the service budget in both 2018/19 and 2019/20 but the quantification of this impact has proved to be difficult.

Overall City Environmental Management budget overspent by £1.8m in 18/19, and a forecast £1.3m overspend in 19/20 (as at the time of preparing our report).

The most significant issues from our work are highlighted the following paragraphs. In some cases, the underlying cause of the control weakness was the absence of appropriate controls. However, in many cases the most significant contributor to the control failures was collusion between staff (or staff and contractors) which rendered the controls ineffective. The main areas of concern and actions agreed were:

Contracts and procurements. Significant weaknesses in purchasing controls within City Clean fleet and workshop services were identified. These weaknesses allowed some employees to obtain financial gain through fraud and collusion. As a result, improvements to procurement arrangements including compliance with corporate procurement rules are being implemented. These include additional training for key staff and reminders about the requirements of the Officer Code of Conduct and strengthening arrangements for declarations of interest. Also, that processes are in place to ensure contracts are in place with all suppliers and that there is enhanced monitoring of spend in the service. Stock control and inventory arrangements to protect the stock of parts, consumables and council owned tools and machinery are also being improved. The council has stopped using a number of suppliers.

Recruitment. Shortfalls in the operation of recruitment processes within City Clean were identified. To address these shortfalls enhancements to controls have been agreed to ensure that two valid references are always taken up and other recruitment procedures cannot be circumvented. Enhancements to corporate HR arrangements have been agreed to detect non-compliance with these processes. New arrangements for the appointment of agency staff have been implemented. In addition, assurance has been provided that health and safety related inductions will be undertaken for all new members of staff;

Pay and allowances. Controls which should have ensured that staff were correctly paid were not effective. Controls have been agreed to refine and enhance existing processes so that overtime is always approved in advance and is effectively documented with a robust audit trail. Some allowances have been removed where there was no genuine business need;

Removal of materials from the workplace. Controls which should have prevented employees from removing items or materials from the workplace, for personal financial gain, were not in place, or were ignored. Action has now been taken to include clear instructions to all staff that materials cannot be removed from site as well as improved inventory control over both council assets and materials;

Hired vehicles. Controls were not in place or were not consistently applied to ensure that vehicles were only procured and used for legitimate business purposes. Enhanced controls have been agreed to provide additional authorisation and monitoring so that hired, and demonstration fleet vehicles are only procured and used for legitimate business purposes;

Vehicle control and management. Controls were not operated to ensure that adequate records were maintained of the vehicles use. In addition, security controls were not

sufficient to prevent intentional damage to vehicles while stored at the depot. Improvements to the security arrangements for the storage of vehicles are now being implemented. Additional controls over the use of fuel and fuel cards have also been introduced;

Sharing of personal sensitive information. In the course of the investigation it was identified that personal and sensitive information had been shared when it should not have been. Internal Audit have been assured that all managers and team leaders have been trained on GDPR and confidentiality to avoid a reoccurrence of this;

Allegations of bullying and harassment. During our work Internal Audit were made aware of a series of allegations of bullying and harassment at City Clean. On two separate occasions whistleblowing allegations were received by Internal Audit detailing further allegations of bullying and intimidation in the service. We understand there is one ongoing investigation into bullying and harassment allegations, and some other matters will be resolved through local mediation processes designed to improve working relationships and industrial relations at a local level. It is also understood that standards around behaviour are being set through a learning and development programme, the use of the council's behaviour framework in PDP's and the implementation of clear standards of behaviour. The City Clean management team are leading a culture change programme with support from HR and OD consultants.

EU Grant – URBACT

This is an EU Interreg project that requires grant certification at least once a year. The full title of the project is Promoting Integrated Sustainable Urban Development Knowledge through Active NGO's. The total value of the project between 2014 and 2020 is approximately €72,000 (grant expected €50,000). This was the first claim on this project.

No significant issues were identified during this grant certification.

School Audits

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 4, the following individual school reviews were completed:

School	Type	Budget	Opinion
Westdene	Primary	£2.4m	Reasonable Assurance
Homewood College	Special School	£1.1m	Partial Assurance
West Hove	Infants	£2.4m	Reasonable Assurance

