

Internal Audit and Counter Fraud Quarter 3 Progress Report 2021/22

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1. Summary of Completed Audits

Procurement Compliance - Phase 2 – Minimal Assurance

- 1.1 This report follows on from, and is directly linked to, our previous Phase 1 report which concluded Minimal Assurance. This review involved testing a sample drawn from the suppliers that failed CSO17 in the Phase 1 review, as they were not on the Corporate Contracts Register. In all a cases the estimated contract value is over £75,000.
- 1.2 The objectives of the review were to ensure:
- The procurements were properly authorised and was in accordance with the needs of the service and the Council;
 - Competitive tenders were obtained in accordance with CSO requirements;
 - The contract awards were authorised in line with delegated authority;
 - Appropriate vetting checks were completed on the contractor before they were engaged;
 - Controls were in place to protect the Council from the risk of fraud or collusion in the procurement process;
 - Financial controls were in place to ensure delivery is in accordance with the agreed contract amount.
- 1.3 The second phase audit also concluded with an opinion of Minimal Assurance. This conclusion has been reached on the basis that we were only able to provide sufficient assurance that full procurement processes have been followed for slightly over 50% of the 30 procurements sampled in the review. Whilst this is the case, our testing does not necessarily indicate that the weaknesses identified are systemic across the entire organisation.
- 1.4 For three of the procurements tested, we did not receive a response to our request for information. For another two, although we received a response, officers were unable to answer how the contract had been procured.
- 1.5 Of the remaining nine we understand that contracts were directly awarded without an authorised waiver in place. We also found that there was not always evidence of appropriate approval for these procurements in accordance with the Council's Scheme of Delegation of expenditure with the supplier. Many of these procurements were not documented properly and records do not appear to have been retained. In our judgement some of these contracts may have been disaggregated by project and individual orders, in contravention of CSO8.
- 1.6 We also identified that spend with eight suppliers in the sample had exceeded the agreed contract value and a contract variation form was completed for only three of these. In addition, there were a further nine contractors where the contract value was not documented. We again note that there is no link in the financial system, Civica Financials, to contract numbers or

descriptions. This significantly reduces the Council's ability to monitor expenditure against a contract.

- 1.7 Where the contractor was on a framework or Dynamic Purchasing System (DPS), important financial, insurance and health and safety checks are completed as part of being accepted onto the framework or DPS. However, where suppliers had been used outside of these arrangements it was unclear whether those checks had been completed.
- 1.8 It was also unclear whether officers had always completed declarations of interest before procurement commenced.
- 1.9 Nine actions were agreed to address the control issues identified in this audit, five of which are high priority.
- 1.10 The actions agreed include providing officers with further training and communication on the procurement process. Additional procurement support is planned and will be provided by Orbis Sourcing Solutions (part of the procurement shared service partnership), for all procurements above £25k. The individual procurement shortfalls identified in this audit will also be followed up by the Procurement Team and actions implemented to minimise any ongoing risk. Targeted training will be provided to areas of the Council where compliance is lower. A formal follow-up review will take place to assess the extent to which the agreed actions have been implemented.

Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations – Partial Assurance

- 1.11 The Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018 came into force in September 2018. All public sector bodies are required to comply with these regulations and failure to do so would constitute a breach of the Equality Act 2010. These regulations mean that the Council has a legal duty to make sure all its websites and applications meet accessibility requirements. They state public sector bodies must make their websites and mobile applications more accessible by making them 'perceivable, operable, understandable and robust'. The people who need to use them are often the people who find them hardest to use.
- 1.12 The objectives of the review were to ensure:
 - Governance arrangements in place in relation to accessibility are robust;
 - There are adequate procurement and contract management arrangements in place to ensure that third party suppliers comply with accessibility legislation when handling information on behalf of the Council;
 - Officers are provided with appropriate and relevant guidance and training to aid compliance;
 - Roles and responsibilities in relation to accessibility are clearly defined to ensure sufficient oversight;
 - There is appropriate separation of duties in place to ensure that documents and web pages meet accessibility requirements prior to being published;

- Regular checks of published pages and documents are carried out to ensure that accessibility requirements continue to be met, including those that are managed centrally and those that are managed locally.
- 1.13 Overall, we provided an opinion of partial assurance due to weaknesses in the overall governance arrangements across the Council in relation to ensuring compliance with the new regulations.
- 1.14 We were unable to establish whether sufficient governance arrangements were in place and whether there was a senior officer with oversight of implementing the accessibility regulations. Without this oversight, there is a risk that accessibility will not be driven forward as a priority, ensuring sufficient resources are dedicated to this activity and that departments work together effectively.
- 1.15 The lack of appropriate resources to support the project was a further risk identified. The current officers supporting implementation have not been released from their 'business as usual' role to allow for dedicated resources to focus on achieving the Council deadline for complying with the regulations. Considering the resources that had been made available and the existing workloads, it was felt that achieving this deadline was optimistic.
- 1.16 Checks to ensure that new IT systems procured were compliant with accessibility regulations were also not in place.
- 1.17 Actions to address all the issues raised have been agreed with management as part of a comprehensive management action plan. A formal follow-up review will take place to assess the extent to which the these actions have been implemented.

Accounts Payable (Creditors) – Reasonable Assurance

- 1.18 The Accounts Payable process uses both the Authority Purchasing and Authority Financials (Creditors) modules of the Civica Financials application. Supporting documentation is scanned and retained using the IDOX system. Creditor transactions include supplier invoices, social care payments and periodic invoice payments. During the period 1 April 2021 to 31 August 2021 there were 161,586 creditor transactions totalling £203m.
- 1.19 The purpose of the audit was to provide assurance that:
- Orders are raised for goods, works and services for bona fide services;
 - All payments are subject to proper review and approval;
 - Payment runs are subject to appropriate review and authorisation;
 - Only creditors that meet the needs of the Council and that do not already exist in the creditors system are set up;

- Transactions in the creditors system are completely and accurately transferred to (or reflected in) the General Ledger.
- 1.20 The audit concluded reasonable assurance and found that the authorisation and payment run controls are operating correctly and that processes for setting up new creditors and maintaining existing creditor records were operating as expected. Reconciliations between the accounts payable system and the general ledger are undertaken on a daily basis and variances are investigated and escalated appropriately.
- 1.21 The audit noted several areas where further improvements to the control environment can be made. Specifically, purchase orders were not always being raised in advance of orders being placed with suppliers. This means that the authorisation process is being circumvented and commitments are not being recorded in the accounts. The Data Operations Team monitors this issue and reports performance.
- 1.22 Invoices are not always being paid within the corporate targets (payment within ten days for small/medium enterprises and 30 days for larger organisations). In September 2021, the team was processing invoices that were 10 days' old, however it is understood that they have been experiencing backlogs of up to three weeks earlier this year.
- 1.23 A bulk upload of invoices for water charges was found to have been made without evidence that it had been approved by an officer with delegated authority.
- 1.24 Actions have been agreed to address these issues and these will be followed up as part of future Accounts Payable audits.

Child Disability Agency Placements – Reasonable Assurance

- 1.25 In 2020/21, there was an unprecedented increase in the number of high-cost child disability placements. This was due, in part, to the Covid pandemic with additional pressures facing families with children of high, complex, and challenging needs.
- 1.26 The numbers of children placed are relatively small but costs are significant. For example, at the time of the audit, the average cost of placements in residential care for this client group was £5,000 per week.
- 1.27 Corporate pressure funding for 2021/22 was approved for an additional £1.2million across these three areas, however despite this, as at TBM05 2021/22, there was a forecast overspend of £745k.
- 1.28 The purpose of the audit was to provide assurance that:

- Budget setting within the service is undertaken in a robust manner with good quality forecasting of child numbers and that effective budget monitoring processes are in place;
- The commissioning of services, and individual placements, is subject to scrutiny and brokerage arrangements;
- Placements are monitored on a regular basis to ensure that they remain relevant and appropriate to the needs of the individual.

- 1.29 The audit found that as a corporate critical budget, this service has an added level of scrutiny both in the creation of the budget and the in-year monitoring and forecasting. These processes continue to operate correctly for 2021/22. Monthly meetings are held between Finance and the service to discuss cases, any potential new cases (identified as at-risk placements elsewhere) and where providers are asking for uplifts to current placements costs etc.
- 1.30 Our testing confirmed that the budget model reflects the actual fees being paid. There was evidence to show that placements are being reviewed by social workers to ensure that the child is well looked after, with progress towards their learning, social and emotional outcomes monitored. Additional scrutiny of external assessments such as Ofsted, Reg-44 Inspections and CQC is also in operation
- 1.31 Our testing confirmed that for the sampled cases, the approval of care packages is subject to scrutiny and appropriate approval. However, this approval is often only documented in emails, which are not subject to any structured filing or retention.
- 1.32 Placements can be referred via two different teams, with slightly different processes and commissioning procedures. This inconsistency has been recognised and a new brokerage team established in September 2021, to ensure that all placements are commissioned in a robust manner with adequate ongoing contract management/monitoring.
- 1.33 Testing confirmed that placement searches are being undertaken in line with the Dynamic Purchasing System (DPS) framework, with responses from providers subject to robust evaluation scoring to ensure each placement will meet the care, education, and social needs of the child.
- 1.34 The cost of individual placements continues to be a challenge. Despite there being a framework agreement, providers go “off list” in their response to a placement search, citing that they cannot meet the child’s needs at the set-rates within the DPS. This reduces the effectiveness of the budget planning.
- 1.35 Three medium priority actions were agreed with the service to address the issues identified.

Black Rock - Major Project – Reasonable Assurance

- 1.36 The Black Rock Project is a major capital project for the City. It involves a package of environmental, heritage and infrastructure improvements that will prepare the site for future development. It includes improving connectivity between the eastern seafront, Black Rock and Brighton Marina.
- 1.37 The site includes a Green Wall at both the Dukes Mound section and along Madeira Terrace. It is the longest and oldest example in Europe, dating back to 1830 and there has been public concern over the severity of the cutting back of the Green Wall at Dukes Mound in March 2021.
- 1.38 The construction budget for this project is funded by a grant award of £12.1m through the Coast to Capital's Local Growth Fund, with a further £600k of the budget being met by Section 106 contributions.
- 1.39 The scope of this audit included providing assurance that:
- There has been sufficient purpose, planning and preparation to support the project;
 - An appropriate governance structure is in place;
 - Effective quality and cost controls are in place;
 - Risk management is appropriately addressed;
 - Reporting and communication during the project is well managed;
 - Implementation of the project is effective;
 - A review of the decisions made in relation to the cutting back of the Green Wall.
- 1.40 The audit concluded reasonable assurance. Appropriate overall governance arrangements are in place for this project, with suitable project documentation and allocation of responsibilities. Expenditure is being regularly monitored by the programme manager and reported to senior management. However, at the time of our review, the forecast was for the project to have a significant overspend. The current cost is forecast at £15.05m against a budget of £12.7m.
- 1.41 A value engineering exercise has identified areas where costs can be reduced. If followed, this should bring the construction budget back on track. Key project risks are being monitored but some key areas of risk associated with the project are missing from the register, and responsibility for ownership of these risks has not been assigned to individuals.
- 1.42 A responsible programme manager is overseeing three major projects. As this complex and time-consuming work and as such, there is a risk that the programme manager may become overstretched.
- 1.43 There has been considerable public engagement from the outset of the project but an overarching communications plan would further strengthen this area.

- 1.44 While the main focus of this audit was the overall project governance we have also reviewed the cutting back of the green wall at the foot of Dukes Mound which occurred on 11th March 2021.
- 1.45 One area of focus was whether this section of green wall was protected by statutory designation.
- 1.46 We considered whether the cutting back was necessary and found that a Road Safety Audit highlighted a road safety problem and recommended that 'adequate inter-visibility should be provided which may require some cutting back or removal of vegetation'. Based on advice to us on the issue of the severity of cutting back it is inconclusive as to whether the pruning could have been less severe. It was found that the contractors acted in accordance with the general plans and design drawings.
- 1.47 Our review has found that there was no regular planned maintenance in place for this section of the Green Wall but there have been regular requests and complaints to the Council concerning the overhanging vegetation affecting visibility of pedestrians and road users.
- 1.48 Council officers have met with an ecologist and Building Green on site to discuss and agree plans for the short and longer-term management of the restoration. The passage of time has shown that substantial regrowth of the vegetation has already occurred.
- 1.49 Six actions were agreed to address the control issues identified above. One of these was a high priority action focused on managing and addressing the current forecast overspend on the project.

Agency Staff (Follow-up) – Reasonable Assurance

- 1.50 Agency staff are provided through an external contractor who were awarded a four-year contract, which started in October 2017, for the supply of agency workers. The option to extend the contract by a further year was invoked and so the contract will end in October 2022.
- 1.51 The Council paid £7.6m for agency staff during 2020/21, which is approximately 32% higher than the £5.8m spend in 2019/20. This significant increase is mainly attributed to Covid-19, and the need for additional resource during this period.
- 1.52 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- Claims are checked and appropriately authorised;
 - Claims are genuine and only paid once;
 - Controls operate to ensure that Agency Staff are correctly paid.

- 1.53 The audit concluded reasonable assurance and noted that improvements have been made to the management of the agency staff contract since the last audit which was completed in March 2020. Our review found that the majority of the expected key controls are in place and working effectively.
- 1.54 There is now a documented system in place which details how the quarterly quality control checks should be undertaken. A record is also kept to evidence that credit notes have been received and there is improved monitoring of compliance with the Working Time Directive on a quarterly basis.
- 1.55 Some areas for further improvement were identified in relation to removing the use of generic usernames for contractors within the system, introducing checks to ensuring the real living wage is paid and ensuring that all workers are granted their legal rights to uninterrupted breaks during the working day.
- 1.56 Three actions have been agreed with management to address these areas for improvement.

Property and Design (Corporate Landlord) – Reasonable Assurance

- 1.57 The Property & Design Team manage the Council's property and land portfolios and has overall responsibility for the Corporate Property Strategy and Asset Management Plan and the Corporate Landlord function. The service maintains the Council's non-housing property assets including schools, social care, environment and civic buildings, as well as managing the urban and agricultural commercial portfolios.
- 1.58 The Corporate Landlord model is designed to improve the utilisation, efficiency and effectiveness of Council owned land and buildings through three key principles:
- A single property asset strategy;
 - Maximise value through centralisation of budgets and a robust approach to procurement;
 - Minimise corporate risks (finance and health and safety).
- 1.59 At the time of the audit, 490 building assets were being managed through the Corporate Landlord model with a revenue budget of £3.6m. This excludes Council housing, highways and educational establishments that have their own budget provisions.
- 1.60 The purpose of the audit was to provide assurance that controls were in place to meet the following objectives:
- Governance arrangements are robust and ensure that the Council is discharging its legislative responsibilities;
 - Service level agreements are developed to meet the needs of clients and services are priced appropriately to recover costs;

- Procurements and contract management deliver value for money;
- Effective budgetary control arrangements are in place.

1.61 The service ensures that building condition surveys, legionella, fire risk assessments, and other surveys are completed on a cyclical basis. These documents inform staff of any defects and help them prioritise maintenance works. Planned maintenance works and major projects are clearly documented and managed.

1.62 However, our review identified a number of areas for improvement. Some of these relate to the way budgets were initially set up for the Corporate Landlord service and some relate to process improvement. These were:

- There are limited resources to ensure that buildings are properly maintained and officers have had to prioritise works according to the available budget.
- Because the central budget is insufficient to meet the demand and requirement to maintain and improve the buildings, the level of recharging to budget holders has increased.
- Fees are added to the Corporate Landlord Services that are recharged. In the past this has sometimes resulted in a surplus, especially where staff have worked on larger, more expensive projects. However, the Head of Service has now identified a £800k budget pressure.
- Key property compliance information is held on a central spreadsheet. This spreadsheet is maintained and routinely updated by one member of staff, but other team members have access to it.
- During the audit we found that officers were unable to easily produce a report for jobs raised, showing any backlogs and progress of jobs.
- There are only three Area Premises Officers that cover 490 building assets, and as a result it is not possible for them to regularly visit all the buildings.
- Quarterly stage 2 Fire Risk Assessments previously completed by the building occupiers before Covid are now not always completed.

1.63 Nine medium priority and one high priority improvement action have been agreed to address these risks.

Capital Programme – Reasonable Assurance

- 1.64 The Capital Programme sets out the Council's investment plans to support its core services in the delivery of priority outcomes. It includes provision for essential school places, investments in roads and transport infrastructure, enhancing the life of existing assets and supporting invest to save schemes. It is also used by the Council to acquire, upgrade, and maintain assets such as property, buildings, technology, or equipment.
- 1.65 The approved Capital Investment Programme for 2021/22 is £228.2m. The current programme runs to 2025/26 and is financed through a range of funding streams, including £60.2m from Grants and £108.9m from Council borrowing.
- 1.66 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- The Capital Programme, strategy and plan have been formally documented, approved by Members and meets the priorities of the Council;
 - The Capital Programme monitoring arrangements are effective and timely in delivering stated outcomes;
 - All funding due from the third parties and capital grant providers is drawn down in a timely manner and the conditions of the grant provider are met;
 - Capital receipts are received in a timely manner;
 - The Council critically assesses its capital borrowing requirements;
 - Capital activity is accurately reflected in the financial accounts.
- 1.67 We have provided reasonable assurance over the controls operating within these processes.
- 1.68 The Capital Programme is produced and formally approved in accordance with the Scheme of Delegation and all capital funding sources are clearly understood and documented. A robust capital monitoring process is in place which provides timely and accurate.
- 1.69 Clear governance arrangement exists for formally approving and critically assessing the need for borrowing, considering affordability and any other sources of capital funding. A robust review of all capital expenditure and receipts is undertaken to ensure correctly accounted for as capital.
- 1.70 However, we identified the following areas for improvement as part of our review:
- Increasing the opportunity for the content of the Capital Programme, Strategy and Plan to be challenged;

- Better defining the link between the Capital Programme and the Council's priorities;
- Strengthening the officer and Member oversight of the whole capital investment programme and Capital Strategy; Improving the guidance on the Council's intranet site in relation to the capital programme.

1.71 Appropriate actions have been agreed with management in response to all of the above issues.

Home Care (Follow-up) – Reasonable Assurance

- 1.72 The Council has a statutory obligation for the provision of home-based care support services. Under the 2014 Care Act, the focus is on a person's wellbeing through supporting them to live as independently as possible for as long as possible. The service's aim is to encourage independence for service users who choose to live in their own homes.
- 1.73 Expenditure for independent homecare is forecast to be £12.4m against a budget of £13.6m for 2021/22 and supports 1,541 clients (November 2021).
- 1.74 Our previous audit report, from January 2021, gave a Partial Assurance opinion, with five actions agreed with the service.
- 1.75 The objectives of this follow up audit were to ensure:
- Effective control over payments to third party providers with a reconciliation of payments made to services provided;
 - Home care visits are timely and effectively monitored;
 - The IT software (recently implemented) is fit for purpose.
- 1.76 Overall, we were able to provide a revised opinion of Reasonable Assurance.
- 1.77 A new in-house system, the Homecare Interactive Payment Portal (HIPPO), went live in November 2020 and has improved the control environment compared to that provided by the previous system. We found the new system and processes address the previous risk of paying against unauthorised agreements and an inability to capture and monitor KPI's.
- 1.78 Since the introduction of the new system, Council officers have been proactive in ensuring providers were only claiming a reasonable number of actual hours rather than planned. In addition, the information to allow the monitoring and escalation of non-compliance with weekly servicing submissions to the Council is now in place.

- 1.79 We found that the previously agreed action for the Contract & Commissioning Team to be responsible for monitoring performance has not been implemented and that the currently split in responsibilities with Business Operations sometimes causes problems. As a result, a new action for improvement has been agreed as part of this audit.

Email Communication (personal and sensitive encryption) (2021/22) – Reasonable Assurance

- 1.80 Email encryption is used to secure confidential data shared by email and can prevent email hijacking, as well as stop authorised recipients taking unintended actions with sensitive information. It is important for organisations to maintain email protection to support management of the risk of cyber threats like social attacks that target organisations via email. Further, securely encrypted emails help to prevent data breaches.
- 1.81 The aim of this audit was to provide assurance that controls are in place to meet the following objectives:
- Clear policy and training is available to Council officers in relation to the communication of personal and/or sensitive information;
 - A system is in place to allow for the sharing of personal and/or sensitive information via email;
 - Personal and/or sensitive information is only sent to appropriate and validated recipients;
 - Support is provided to service users to enable them to access the secure email protocols made available.
- 1.82 As part of this review, an end-user questionnaire was completed by a section of key users within the organisation to establish the level of ‘user compliance and understanding’ when sending personal and sensitive information. Email system rules were also reviewed to ensure controls are in place to prevent incorrect outbound emails being sent.
- 1.83 In providing an opinion of reasonable assurance, we found there to be clear and comprehensive policies for data handling, data protection and user guidance available to officers in relation to the communication of personal and/or sensitive information, including how to send an encrypted email.
- 1.84 A robust training programme is also in place for all Brighton and Hove City Council staff, including existing and new starters covering Information Governance risks. All staff are required to undertake mandatory annual Information Governance training. Staff who are unable to access e-learning due to not using a computer are provided with an alternative method via briefing.
- 1.85 Despite the framework of controls being in place, including appropriate technical controls, an end user questionnaire completed during our review did highlight that there is evidence of non-compliance and/or lack of awareness of the training and expectations placed on end-users when sending personal or sensitive information via email. Actions were agreed to improve the awareness and expectations on end-users when sending emails that contain personal or

sensitive information. Further actions were agreed with management as part of an action plan with the aim of improving the levels of non-compliance across of the Council.

Information Governance (Remote Working) – Reasonable Assurance

- 1.86 Information Governance sets out the way the Authority processes information. It covers personal information (e.g. relating to service users and employees) and corporate information (e.g. financial records). The Information Commissioner's Office can issue fines of up to 4% of a company's annual turnover, or £20 million (whichever is greater) for the worst data offences.
- 1.87 Working arrangements at the Authority have changed dramatically due to the Covid-19 pandemic, therefore, more staff are working remotely and in more unfamiliar ways. Because of this, there is an increased need for effective controls to ensure information governance compliance.
- 1.88 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- Staff are aware of policy/procedure changes related to remote working;
 - Service Directors/Managers are confident in their team's knowledge in the reporting processes for data breaches and staff comply with information governance policies and processes in place;
 - Processes are in place to ensure data breaches are investigated and reported;
 - New software/processes work smoothly with minimal information governance issues;
 - Authority equipment is used for official Council business only;
 - Digitised data is only accessible to authorised personnel and held securely.
- 1.89 In completing this review, we were able to provide reasonable assurance over the controls in place, with easily accessible policy and guidance documents available in relation to remote working, as well regular update emails sent to staff during including guidance on working confidentially in a remote environment. We also found evidence of the Information Governance Team proactively engaging on key emerging risks and issues.
- 1.90 However, our work did identify several medium priority risks where there is scope for improvement in control, including:
- Improving co-ordination of information on the Council reporting portal in relation to information governance incidents (breaches);
 - Updating relevant information governance policies across the organisation.
- 1.91 Appropriate actions to address all of the areas of improvement have been agreed with management.

Schools

1.92 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls within the control environment in place:

- Governance structures were in place and operated to ensure there was independent oversight and challenge by the Governing Body;
- Decision making was transparent, well documented and free from bias;
- The school was able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people did not have access to pupils, systems or the site;
- Staff were paid in accordance with the schools pay policy;
- Expenditure was controlled and funds used for an educational purpose;
- Value for money was achieved on contracts and for larger purchases;
- All unofficial funds were held securely and used in accordance with their agreed purpose; and
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

1.93 At the time of writing, school audits are being undertaken under remote working arrangements.

1.94 Three school audits were delivered in this quarter. The table below shows a summary of these, together with the audit opinion. One the schools was given a Reasonable Assurance opinion and two Partial Assurance. The key areas for improvement identified at the schools where we gave Partial Assurance are identified in more detail at the end of the table.

Name of School	Audit Opinion
Our Lady of Lourdes Primary School	Reasonable Assurance

Name of School	Audit Opinion and Commentary
<p>Middle Street Primary School</p>	<p><u>Partial Assurance</u></p> <p>The school needs to ensure that:</p> <ul style="list-style-type: none"> • The structure of the Governing Body is clearly defined, and that Terms of Reference are in place for any committees implemented. • A scheme of delegation should be implemented and agreed to cover the financial control limits for approving orders and the payment of invoices; • An action plan is in place to address the issues identified within the Schools Financial Value Standard Return; • That details relating to Governors are accurately published on the school website, including declarations of interest and attendance records; and • That there is independent oversight of the monthly payroll reconciliation from the Head Teacher or a Deputy.
<p>Patcham Infant School</p>	<p><u>Partial Assurance</u></p> <p>The school needs to ensure that:</p> <ul style="list-style-type: none"> • Staff declarations include appropriate mitigations which have been agreed by the Chair of Governors; • Procurement practices are robust and transparent, and that three quotations are obtained when procuring goods and services, especially where suppliers are known by or related to school staff; • IR35 checks are completed for all contractors and consultants to confirm their employment status; • Sufficient levels of Public Liability Insurance is in place for contractors working at or for the school; and • Purchase orders are raised prior to orders being made with suppliers, and that a record is kept to confirm receipt.

- 1.95 We aim to undertake follow-up audits at all schools with Partial and most schools with Minimal Assurance opinions.
- 1.96 At the end of quarter three, a further two school audits were either booked or underway.

EU Grant – Urbact – Active NGOs (Non-Governmental Organisations) - Claim 2 and 3

- 1.97 This is an EU project focussing on the improvement in cooperation with non-governmental organisations in cities. The total value of the project is £72,000, with £50,000 being funded by the European Union.
- 1.98 No significant issues were identified in these two grant certifications.

EU Interreg Grant – SCAPE – Claim 10 (Final Claim)

- 1.99 This is an EU Interreg project that requires 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 is approximately £488,000 (grant expected £293,000). This was the final project claim.
- 1.100 No significant issues were identified in the grant certification.

2. Proactive Counter Fraud Work

Counter Fraud Activities

- 2.1 During the quarter, the team have been working to develop a Fraud Manual that documents the processes for progressing investigations and joint working with other services. Alongside this, we have been developing a fraud awareness training session for Adult Social Care and the Corporate Debt Team, likely to be delivered to staff during quarter four.
- 2.2 In addition, advice was provided to a school following the receipt of an unsolicited email requesting the school bank details in order to make a donation. The school was advised to treat all unsolicited requests with caution and decline the invitation.
- 2.3 Throughout the year, we are continuing to liaise with the services to ensure that matches from the National Fraud Initiative are being reviewed and processed and we continue to monitor intel alerts and share information with relevant services when appropriate.

Summary of Completed Investigations

Grant Funded Third Sector Organisation

- 2.4 During quarter 3, Internal Audit were approached to provide support to the Communities, Equality & Third Sector Team regarding a local charity which has a grant funding relationship with Council. Specifically, we were asked to review the response by the charity to allegations on internal fraud and corruption. This work was completed, and advice provided on what further action we believed should be carried to ensure the matter was dealt with appropriately. In addition, the Equality & Third Sector Team have put in place a number of conditions to assure that the charity has sufficient governance processes prior to the Council providing further grant funding.

Cash Theft in a Nursery Setting

- 2.5 Internal Audit were contacted by the Early Years & Childcare Strategy Manager in December 2021, advising that some cash payments from parents had been reported missing from a nursery safe. Significant control weaknesses meant that it was not viable to determine the specific circumstances of the suspected theft. Instead, our work focussed on reviewing financial controls in place at the setting relating to cash and banking with a subsequent Internal Control Report being issued. This included management actions required to mitigate the risk of future losses. The nursery was also advised to report the loss to the police.

Adult Social Care

- 2.6 The team continue to support the Adult Social Care team with investigating a number of allegations of deprivation of capital and potential false statements to obtain direct payments.

Housing Tenancy & Local Taxation

- 2.7 In addition to the above, a key focus area remains housing tenancy fraud and Local Taxation. The pandemic continues to impact the team's ability to conduct interviews and visits, but cases are progressing as far as restrictions allow. The first interview under caution since COVID19 has been conducted and three properties have been returned to stock.

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, 95% of high priority actions due had been implemented.

3.2 There were two high priority actions which were overdue. Details of these are provided below, together with a revised deadline for implementation.

Details of Audit Issue and Action	Dir.	Due date	Revised date	Progress and comments
<p><u>Housing Repairs Service: Backlog of Repairs (Final Report, October 2020)</u></p> <p>Since the transfer of the Mears repairs service to an in-house service in April 2020, the service has been operating within the restrictions imposed due to COVID-19. As a result there has been a significant increase in the backlog of repairs and the number of void properties at any point in time.</p> <p>The service agreed to develop a documented action plan to address the backlog of repairs. This included;</p> <ul style="list-style-type: none"> • The sign off a framework contract to cover the medium-term pressures; • Recruitment more staff; • Development of a suitable procurement route; • Putting in place a longer term framework contract by April 2022 	HNC	Revised 31/12/21	Complete	Management have confirmed that the action is complete. The service is continuing to work through the backlog of housing repairs to properties. Contractors are in place to undertake void works and recruitment to supervisors' roles is complete.
<p><u>Housing Repairs Service : Use of Waivers (Final Report, October 2020)</u></p> <p>In order to get this service up and running by the 1st of April 2020,</p>	HNC	Revised 31/12/21	Complete	Management have confirmed that the action is complete. The contractor procurement framework is in place and new contractors are being tendered. There have been extensions to three waivers for the housing

Details of Audit Issue and Action	Dir.	Due date	Revised date	Progress and comments
<p>the Council relied heavily on the use of contract waivers to procure a works management system, a fleet and a supply chain for materials and subcontractors. The value of waivers agreed were estimated to be worth £9.36m.</p> <p>The service agreed that any additional procurements are planned in such a way to avoid the use of waivers and procurements would be scheduled to replace the existing waiver arrangements as soon as existing contracts allowed.</p>				<p>repairs management system, material supply chain and the out of hours call handling service to March 2023. We understand that the supply chain and out of hours service are interrelated with the housing repairs management system. The requirements for this critical system have been mapped. Options for the replacement of the housing repairs management system are now being explored.</p>

3.3 In addition to the above, a number of high priority actions have had their implementation deadlines extended, for various reasons. If these revised deadlines are not met, these actions will be reported to the next meeting of the Audit & Standards Committee.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the Internal Audit plan for the year has been kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk.

4.2 No new audits were added or deleted in this quarter.

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 of 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 & Standards Committee on 9 March 2021.
	Annual Audit Report and Opinion	By end July	G	2020/21 Annual Report and Opinion approved by Audit Committee on 29 June 2021
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	71%
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 July 2021 - Internal Self-Assessment completed, no major areas of non-compliance with PSIAS identified.
	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	G	97.8% for high priority agreed actions
Our staff	Professionally Qualified/Accredited (Includes part-qualified staff and those undertaking professional training)	80%	G	91%

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.