Internal Audit and Counter Fraud Quarter 3 Progress Report 2024/25

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1. Summary of Completed Audits

Treasury Management

1.1   Treasury management is the management of the Council's cash inflows and outflows to ensure sufficient liquidity for daily operations whilst minimising idle cash balances through an investment and borrowing strategy. The Council's treasury management activities are conducted within the framework of the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.2   As a key financial system, this audit is conducted on a cyclical basis and was included on the 2024/25 audit plan.

1.3   The purpose of the audit was to provide assurance that:

- The Council has established an appropriate Treasury Management Policy & Investment Strategy;
- All borrowing decisions are based on robust cash flow forecasting over the short, medium and long term;
- Investments are made with approved counterparties within approved limits, are correctly paid, authorised and are repaid by counterparties with the correct amount of interest;
- Borrowings are made only from approved organisations, are correctly authorised and repaid to counterparties with the correct amount of interest;
- There is regular and independent reconciliation between the Treasury Management record, the Bank Account and the General Ledger; and
- Decision-making is effective in maximising income, whilst safeguarding the Council's assets.

1.4   Overall, we were able to provide an audit opinion of **Substantial Assurance**. We found that:

- The treasury management strategy is in place and approved for 2024/25;
- Progress and performance are monitored against the strategy and appropriately reported;
- Appropriately robust cash flow forecasting takes place;
- Investments are made in line with the strategy; and
- There is an updated list of counterparties with whom the Council can enter into borrowing decisions or place investments with.

1.5   Only two low risk findings were identified and actions to address these were agreed with management.

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Accounts Payable

1.6   Accounts Payable is the system by which the Council pays its creditors or suppliers. During the 2023/24 financial year there was a total of 290,107 creditor transactions totalling, approximately, £584 million.

1.7   As a key financial system, this audit is conducted on a cyclical basis and was included on the 2024/25 plan.

1.8   The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- Orders are only raised for goods, works and services that are needed by the Council;
- Invoices are only paid for goods, works and services that are needed by the Council;
- All payments are made to the correct vendors, for the correct amounts, at the right time and only for goods, works or services ordered and received satisfactorily by the Council;
- Only vendors that meet the needs of the Council, and that do not already exist in the accounting system, are set up and their details are maintained accurately; and
- Transactions in the Accounts Payable system are completely and accurately transferred to, and reflected in, the General Ledger.

1.9   In providing an opinion of **Reasonable Assurance**, we found controls over the payment of invoices and payment runs were in place and generally operating as expected, with appropriate segregation of duties, review, and authorisation controls. We also found that there are regular reconciliations between the Accounts Payable system and the General Ledger. Furthermore, the number of urgent payments being raised has reduced, thereby lowering the associated risk with processing these payments.

1.10   We did, however, identify some areas where improvement was required, including the need to ensure that:

- Compliance with raising purchase orders prior to an order for goods, works or services is improved to lower the number of retrospective purchase orders being received that circumvent authorisation controls;
- Evidence is retained where authorisation levels have been amended and approved, and additional authorisers are reviewed regularly to ensure these levels are still appropriate and required; and
- Invoices are received by the Payments Team in a timely manner in order for payments to suppliers and creditors to be paid within the defined payment timescales.

1.11   Actions to address these issues were agreed with management within a formal management action plan.

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Capital Programme – Budgetary Control

1.12   The Council has a variety (approximately 250) of new and ongoing capital projects/schemes aimed at improving the Council's infrastructure, long-term operations and service delivery. In February 2024, Members approved a capital budget of £211.5m to fund the capital programme during the financial year 2024/25.

1.13   53% (£111.5m) of the capital budget requirement for 2024/25 will be met by Council borrowing, 24% (£51.4m) from Government grants, and 10% (£21.6m) from capital receipts from the sale of Council properties. The remaining 13% will come from the Housing Revenue Account (HRA), General Fund, reserves, and external contributions.

1.14   As a key financial system, this audit is conducted on a cyclical basis and was included on the 2024/25 audit plan.

1.15   The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- The annual capital budget is based on capital project proposals that have been subject to adequate scrutiny (including options appraisal), challenge and approval;
- Accountable budget officers and/or delegated budget holders are assigned and are aware of their responsibilities;
- The capital budget has been designed to be flexible enough to accommodate to external factors (i.e. inflation, higher interest rates, new Government's policy decisions and changes in legislation etc) that may arise whilst being robust enough to enable the Council's core objectives to be achieved;
- Capital receipts and capital grant funding due are received in full and in a timely manner;
- Income and expenditure on revenue and capital activities are accounted for separately to ensure that the capital programme is accurately reflected in the accounting system; and
- There is adequate capital programme budget monitoring and reporting arrangement in place (including reprofiling, slippage and risk reporting) to help ensure that capital projects/programme are delivered within the allocated budget.

1.16   We were able to provide an audit opinion of **Reasonable Assurance** as we found that the capital programme budget is subject to appropriate review and approval, and Cabinet have the opportunity to scrutinise all capital project proposals. Assumptions around sources of funding were found to be realistic, with documented confirmation available for any external funding.

1.17   There were some opportunities to further improve the control environment, and actions have been agreed with management, including ensuring that:

- Monitoring of slippage takes place via the capital reporting process;
- Benchmarking of capital financing risk and resilience with comparable authorities takes place, to inform the Council's view;
- Robust review of business cases for new capital projects takes place; and

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- Budget holder training is reviewed and completed by relevant staff.

1.18   Actions to address these issues were agreed with management within a formal management action plan.

Employment Checks – Right to Work

1.19   Under the Immigration, Asylum and Nationality Act 2006, the Council must be satisfied that it does not employ illegal migrant workers, and as such there is a duty to establish the eligibility of all prospective and current employees to work in the UK. From January 2021, new arrivals to the UK from the EU (excluding the Republic of Ireland), no longer have an automatic right to work in the UK, and so a candidate may require a skilled worker visa in the same way as individuals from non-EU countries. To be awarded this visa the applicant must have a job offer from a Home Office licensed sponsor and meet specific requirements for which the candidate is scored. The Council will not confirm an offer of employment until the Home Office has approved that the candidate meets the requirements for the immigration scheme.

1.20   The Council is a Home Office licensed sponsor and a breach in compliance duties, either through the recruitment process or whilst the worker is employed by the Council, can lead to the licence being revoked, dismissal of all sponsored employees, an unlimited fine and a jail sentence of up to 5 years, if there was 'reasonable cause to believe' that the employee did not have the right to work in the U.K.

1.21   This audit was part of the agreed Internal Audit Plan for 2024/25 and was requested by the Acting Director of Human Resources and Organisational Development. It should be noted that whilst the numbers of sponsored workers employed by the Council are low, the impact and penalties for non-compliance with regulations are high.

1.22   The review focused on the processes and controls in place to verify the right to work status of prospective and current employees. The audit excluded staff employed in schools as the administration of this process is carried out within individual schools.

1.23   The purpose of the audit was to provide assurance that:

- Systems are in place to prevent the employment of individuals with no legal right to work, both at the recruitment stage and whilst employed by the Council;
- Relevant records are retained, and there is a system to notify the Home Office of changes in key information regarding sponsored workers; and
- Ongoing checks ensure that sponsored workers are employed in accordance with the Certificate of Sponsorship.

1.24   We were able to provide an audit opinion of **Reasonable Assurance** as we found that the Council has adequate processes in place to detect and prevent the employment of individuals with no legal right to work. Our testing showed that the right to work status is being

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checked before individuals start work at the Council, and where sponsorship is agreed, records are maintained, and expiry dates are tracked and followed up on.

1.25   Whilst we found that generally controls were in place and working as expected, there were some areas where there was an opportunity to further improve the process:

- Developing the HR system (PIER) to record sponsorship to further improve data accuracy;
- Providing alerts for managers to update records for sponsored employees to ensure all gaps in information are updated and records retained;
- Making sure managers of sponsored staff are aware of their responsibilities and provide periodic confirmation of accuracy of data held;
- Ensuring managers are aware and quickly notify HR of any changes so that the Home Office is notified promptly, and within the 10 working days requirement; and
- Updating guidance and procedure notes to reflect Home Office 2024 sponsorship changes.

1.26   A formal action plan has been agreed with management to address the improvements identified in this review.

Budget Management – Effectiveness of Savings Targets (follow up)

1.27   An audit of Budget Management - Effectiveness of Savings Targets was completed in October 2023 where we provided an audit opinion of Partial Assurance. This previous audit sought to provide assurance that the effects of savings targets within services had been properly assessed in terms of their deliverability, associated risks, impact on the control environment and that, where this had happened, informed decisions were taken.

1.28   As part of our planned work for 2024/25 we agreed with management to undertake a follow up review of this audit.

1.29   For 2024/25 the Council has agreed a balanced budget of £924.2mil, with proposed savings of 23.7mil.

1.30   This follow up review assessed and provided assurance on the progress made in implementing the agreed actions from the October 2023 audit report for the 2024/25 budget setting process.

1.31   We were able to provide an audit opinion of **Reasonable Assurance** as seven of the ten actions previously agreed had been fully implemented. These included actions in response to two high risk findings.

1.32   There were some opportunities to further improve the control environment, and actions have been agreed with management, including ensuring that:

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- Recorded RAG ratings are accompanied by a narrative explanation of the delivery risk; and
- The role and responsibilities of business partners in the budget setting process are clearly defined with regards to ensuring that plans and resources are in place for the delivery of significant savings and assessing information requirements and gaps.

CareLink (follow up)

1.33   Carelink is the Council's telecare alarm service. During 2023/24 we completed an audit of Carelink, where we sought to provide assurance on the arrangements and controls in place for the management of the service. Our work identified that there were weaknesses in the system of control exposing the service to potential risks and putting the achievement of the service objectives at risk. Therefore, we were only able to provide a partial assurance opinion.

1.34   As a result, we completed a follow up review to assess the extent to which the agreed actions had been implemented. In completing this review, we were able to provide an improved opinion of **Reasonable Assurance.**

1.35   Whilst the direction of travel in many areas was positive, with the majority of actions having been implemented in full, there were some areas where further improvement was still required. This included the need to ensure that targets for Key Performance Indicators (KPI) are developed and all KPI data is captured and completed.

1.36   Actions to address these outstanding areas were agreed with management within a formal management action plan.

Prepayment Vouchers - Huggg

1.37   Prepaid vouchers are loaded with funds in advance, or at a set time, as purchases are made with the card/voucher, or money is withdrawn. Huggg is one such system, in use in a number of areas of the Council, including School Meals, Household Support and Homes for Ukraine.

1.38   The system functions as an alternative to physical vouchers or cash, with the Council paying into the Huggg account, then using the system to distribute electronic vouchers to recipients, to the full value of the amount paid in. In 2023/24, this totalled over £2.6mil. The nature of this arrangement is notably less complex than many other high-value Council contracts as no payment is made to the company administering the scheme beyond what is distributed as vouchers, which also represents good value for money.

1.39   However, prepaid vouchers carry an amount of risk, if there are not appropriate controls in place for their management, as money could be misappropriated or the provider may go into insolvency, which could result in financial loss to the Council.

1.40   The Chief Finance Officer requested a review of the use of prepayment cards and vouchers, and this was included in the agreed Internal Audit Plan for 2024/25.

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1.41   The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Governance arrangements are robust to manage the administration of Huggg vouchers effectively;
- Procedures are in place to ensure that all payments are made correctly, and payments are made in accordance with Financial Regulations;
- Change control processes ensure all requests for any amendments are accurately assessed, authorised, and documented; and
- A proportionate contingency plan/business continuity plan is in place in the event of failure by the contractor.

1.42   We have only been able to provide an opinion of **Partial Assurance** as there is a lack of governance and cohesive oversight of use of the Huggg system across the Council, with multiple teams using the system entirely separately from each other. In addition, current processes increase the risk that funds may be subject to misappropriation, through weak approval processes for transactions.

1.43   Actions have been agreed with management to address identified risks from the review and improve the control environment. They include the following:

- Corporate best practice and processes in relation to Huggg will be explored and determined, including in relation to facilitating second officer approval and limiting access to the system from shared email accounts. This guidance will then be communicated via an intranet page; and
- Liaison with Orbis Procurement Team will take place to establish a compliant re-procurement of all services provided to the Council by Huggg.

1.44   Due to the Partial Assurance opinion, we will complete a follow-up review during 2025/26 to assess the extent to which these actions have been implemented.

Housing Planned and Major Works

1.45   The Housing Revenue Account (HRA) contains the income and expenditure relating to the Council's social landlord duties covering, approximately, 11,900 rented properties and in the region of, 2,300 leasehold properties. The HRA Capital Programme provides investment in the Council's housing stock and the implementation of the long-term asset management approach, planned and major works programme. Since 2020, this programme has been managed in-house and the total budgets for 2024/25 are:

- Major works, approximately £19.4 million; and
- Planned works, approximately £10.5 million.

1.46   Alongside our own risk assessment, this review was requested by the Director of Homes and Investment and was deferred from the previous year due to problems with the supply chain leading to re-procurement that were delaying delivery of the programme of work.

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1.47   This review focussed on the governance frameworks, contract management, budget and project monitoring and reporting, risk identification and management, change control, and communication with stakeholders of the programme.

1.48   It should be noted that following the C3 judgement from the Regulator of Social Housing, we agreed that the ongoing health and safety works were out of scope for this review. Instead, we have provided management with separate advice in this area through a position statement, and this is summarised below in the non-opinion section of the report.

1.49   In completing this audit, we found weaknesses in the control environment with regards to documentation in place outlining the strategic direction, prioritisation, planning and operational delivery of this programme of works, in addition to the reporting and monitoring of budget, risks, project progress. We were, therefore, only able to provide an opinion of **Partial Assurance**, finding that improvements were necessary in ensuring that:

- A comprehensive and robust Housing Asset Management Strategy is developed and approved;
- A project management framework is developed to map out methods, processes, tasks, resources and tools needed to deliver the programme. This will include the development of supporting procedures and guidance to provide consistency of approach;
- Information captured in a project/programme initiation document, including, goals, scope, organisation, business case, constraints, stakeholders, risks, project controls, reporting frameworks and sign off, is incorporated in the developed project management framework;
- Programme planning is robust to inform budget setting, and a transparent prioritisation criterion is in place to inform planning;
- Housing condition surveys are completed and input onto the housing management system, in order for these to inform planning;
- Project risks, as well as site risks, are identified, documented, reviewed and monitored for each project;
- Highlight reports for each project will be produced and presented to the governance board on a quarterly basis to review and monitor progress and escalate any potential issues;
- Contract frameworks and contractor performance are reviewed to ensure processes and procedures required to achieve value for money are in place, and all contracts are signed;
- Segregation of duties are in place and conflicts of interest and mitigations are documented;
- Consistency over variations and change control processes in projects would make the current system more robust, including the recording of payment variations to reduce the risk of overpayments; and
- A communication plan is developed around early engagement and to provide consistency of approach for engagement with stakeholders.

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1.50   Due to the partial assurance opinion, we will complete a follow-up review in 2025/26 to assess the extent to which the agreed improvement actions have been implemented.

Grant Certifications and Non-Opinion Work

Housing Health and Safety Regulations

1.51   Housing regulations have changed nationally, and three new areas within these regulations have been introduced. The Council received their assessment from the Regulator of Social Housing of C3, which means that urgent action is required to address the failings identified. We agreed with management, at their request, and as an addition to the 2024/25 Internal Audit plan, to undertake some advisory work from a risk and control perspective to review the governance arrangements in place to address the improvement areas identified. This included how the action plan for this has been developed and prioritised, and the reporting, and escalation, of this work, to address the compliance with regulations regarding the Council's housing stock.

1.52   In reviewing the current arrangements, we found that a root cause analysis had been undertaken, and controls are planned to be introduced to mitigate potential risks. This included a governance reporting structure and reporting of work being undertaken. However, as part of our review we identified areas of consideration for management, which would further strengthen the control environment and mitigate the potential risks posed. In summary, these include:

- The development of escalation procedures and processes, including the definition of tolerance and levels where decisions can be made, who needs to be informed, when, and the evidence provided to support decision making;
- Further detail and consistency of information provided that should be included within the newly introduced highlight reports;
- Defining roles and responsibilities, to ensure accountability is clear and known to ensure tasks are undertaken in a timely manner;
- Development of a detailed project and programme plan setting out all tasks, actions and milestones for this recovery work. Ultimately, feeding into strategies, policies, procedures and business as usual;
- Developing risk identification, assessment and associated documentation, and regular review of these being undertaken for this work as a whole; and
- All information and documentation for this work being held in a central location, accessible by all those who need it, to aide collaboration and cross team working.

1.53   Following our feedback management agreed to produce an action plan incorporating our areas for consideration to further enhance the control environment.

Digital Cityclean Programme

1.54   The City Environment Improvement Programme has been delivering improvements to the Cityclean service since 2018 in the context of reducing Council budgets and increasing

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customer demand. The programme has a total of 17 projects, including a Digital Cityclean project to implement new integrated waste management software.

1.55   The Digital Cityclean project is a programme of 5 phases/projects to digitise data and automate processes within Cityclean services such as: customer invoicing and payments, providing real-time information to residents, route planning software and implementing mobile technology devices for street cleansing teams. The 5 phases relate to Trade Waste, Garden Waste, Bulky Collection, Domestic Collections, and Street Cleansing. This programme feeds into the Council Plan outcome of an accessible, clean and sustainable city.

1.56   The objective of this piece of work was to provide support and advice and to examine the project governance arrangements in place, and to identify what lessons can be learned from the project to date to increase the likelihood of success.

1.57   We found that a new waste management system (Bartec) has been procured and the first of 5 phases of the Digital Cityclean project moving from a paper-based system to automated processes for trade waste customers has been completed.

1.58   In reviewing the current arrangements, we found that there were several areas where we could advise further improvements that could be helpful in controlling and ensuring delivery of the remainder of the project. In summary these include;

- The development of a detailed project plan setting out the anticipated tasks and actions for each of the remaining phases to help ensure that the right people are available when needed and improve management's ability to track progress and meet key timelines;
- Improve monitoring and scrutiny of the project's financial position on a regular (i.e. quarterly) basis by the Programme Board;
- A regular update of performance and progress of the City Environment Improvement Programme (which includes the Digital Cityclean project) to Members should be resumed to provide transparency and accountability;
- Establish a clear timeline for the go-live decision in respect of the Bulky Collection, Domestic Collections, and Street Cleansing phases;
- Risk identification and assessment should be carried in respect of the Bulky Collection, Domestic Collections, and Street Cleansing phases to allow management to develop mitigating and contingency plans where appropriate to reduce the impact of risks on the project;
- Reviewing the composition of the Programme Board prior to the start of each phase to ensure that the Board membership can continue to provide adequate scrutiny and challenge;
- Review the programme's communications and engagement plan prior to the start of each phase, to ensure that the appropriate key stakeholders at each phase of the project are kept informed and updated; and
- Measurable outcomes should be defined from the outset in order to provide the basis for assessing benefits realisation and value for money of the new waste management system.

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1.59   Following our feedback management agreed to produce an action plan incorporating our areas for consideration to further enhance the control environment.

Local Transport Capital Block Funding

1.60   This is capital funding provided by the Department of Transport towards local transport from the Integrated Transport Block and Highways Maintenance Block, Network North funding and the Pothole Action Fund. The amount of £7.3m was provided to the Council for 2023/24. The grant expenditure requires certification by Internal Audit.

1.61   No significant issues were identified in the grant certification.

Traffic Signals Obsolescence Grant

1.62   This is an additional capital grant available on top of the Local Transport Capital Block to local authorities from the Department of Transport to support reducing the backlog of traffic signals maintenance and upgrades. The amount of £118,547 was provided to the Council for 2023-24. The grant expenditure requires certification by Internal Audit.

1.63   No significant issues were identified in the grant certification.

Supporting Families Programme

1.64   The Department for Education require Internal Audit to verify a proportion (5-10%) of outcome submissions made by the Local Authority for Supporting Families (SF) Programme, using the updated national Outcomes Framework (October 2023 – March 2025).

1.65   We reviewed 5 of the 24 submissions made under the new Outcomes Framework in quarter 2 of 2024/25 (July to September 2024) and confirmed that these have been subject to appropriate quality assurance checks and no issues were identified.

1.66   No significant issues were identified in the grant certification.

2   Proactive Counter Fraud Work

Counter Fraud Activity

2.1.   The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2.   In addition, the team are currently reviewing recent matches released as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

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Summary of Completed Investigations

Collusion in a Procurement Process

2.3   An investigation was conducted following an anonymous referral that a member of staff was receiving a 'cash in hand' payment to work in collusion with a contractor to inflate the cost of work conducted. In addition, the referrer alleged that the member of staff was using Council vehicles for personal journeys. The investigation did not find any evidence to substantiate the allegation of collusion. However, it did identify that the member of staff had hired vehicles from a corporate car club account for personal journeys and charged the rental to the Council. The total cost charged to the Council was £5,853.38. No further action was taken, and the member of staff is now arranging to pay this charge directly to the car club.

Use of Corporate Car Club

2.4   Internal Audit conducted an investigation following a concern being raised regarding the use of the car club by staff working for the Council. The car club had contacted the Council to recover a debt totalling £23,792.00 that was stated as owed by the Council for the hiring of vehicles by Council staff. The investigation found evidence that there was a lack of oversight, responsibility, and accountability with regards to the car club and, as a result, the Council was at risk of financial loss due to fraud and error. Following the investigation, senior management issued a broadcast to all management and staff providing clear instructions on the Council's travel policy and ceasing use of the car club.

Failure to Follow the Complaints Procedure

2.5   Internal Audit received a request from the Council's Chief Executive to undertake an independent review of the concerns raised by two residents under the Council's Whistleblowing Policy. The residents stated that the Council had knowingly failed to respond to their complaints and information requests and believed that they had received a differential service in comparison to other residents. No evidence was found to substantiate the concerns. The investigation found that a consistent and corporate approach to identifying and recording complaints is in place and due process had been followed.

Theft from a Care Home

2.6   Advice was provided to a service regarding money handling and safe procedures following a theft of £500. Due to poor control, it was not possible to identify how the loss occurred. The theft was reported to the police for investigation.

Misuse of a Residents Parking Permit

2.7   A joint investigation was conducted with officers in parking following an allegation that two residents had destroyed their residents' parking permits, requested a refund of the cost of the permit, and then taped the permits back together and continued to use them to obtain free parking

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in the city. The investigation proved the allegation and advised the residents that the actions had breached the permit terms and conditions. No further action was taken other than collection of penalty charges (PCN's) issued due to cancelled permits being used.

Housing Tenancy Fraud

2.8   The Tenancy Fraud Team continue to investigate allegations of potential sublet. They work closely with Housing Managers and other officers for a joined-up approach to allegations of abandonment, with an increasing emphasis on visits and communication with tenants to increase awareness and reiterate a tenant's responsibility under their tenancy agreements.

2.9   The Tenancy Fraud Team have successfully recovered two properties that were being misused during the quarter. In addition, they have prevented a false application for a Right to Buy (discount valued at £102,400) and had twelve individuals removed from the Housing Application Waiting List resulting in an estimated saving of £51,396 for the Council.

Council Tax Fraud

2.10   The Team continues to investigate allegations of false claims for Single Person Discount (SPD) and Council Tax Reduction Support (CTRS).

2.11   The table below shows the estimated financial value saved by fraudulent activity from the tenancy fraud team identified, investigated and stopped.

Fraud Area	(£) Year to Date	(£) 2023/24	(£) 2022/23	(£) 2021/22
Properties Recovered	465,000	558,000	186,000	279,000
Housing Application Withdrawn	102,792	-	-	-
Homeless Application Withdrawn		-	-	-
Right-To-Buy Withdrawn	102,400	-	-	-
SPD Removed	4,585	8,625	511	9,746
Revenues Exemption Removed	2,230			
CTRS		440	406	-
Housing Benefit		3,853	3,658	-
Business Rates		-	-	-
Total	**677,007**	**570,918**	**190,575**	**288,746**

3   Action Tracking

3.1   All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from service management that actions have been implemented. At the end of quarter 3, we can

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report that 84% of high priority actions due, have been confirmed as implemented by management.

3.2   There were 4 high priority actions which were overdue at the end of Q3, details of which are provided below.

Details of Audit Issue	Due date	Revised date	Agreed Action
Housing Rents – Managing Arrears in the NEC System	01/04/24	31/08/24	The Escalation Policy function in NEC will be re-introduced, as part of the overall project being delivered by BHCC. *Action confirmed as implemented March 2025*
Housing Rents – Managing Arrears	01/04/24	31/08/24	The implementation of the Escalation Policies and the introduction of 'pending actions' to identify casework will replace the need to work off spreadsheets and allow officers to authorise system-generated recommended actions. It is anticipated that some actions will be fully automated. Contact methods are also being extended to include automated text messaging to target accounts in arrears. These actions are underpinned by a recovery plan which has been developed to identify key areas for improvement. *Action confirmed as implemented March 2025*
Payroll Irregularity – Protocols for Reporting Fraudulent Activity	30/09/24	31/12/24	The Data Controller at each school is responsible for reporting incidents of fraudulent activity Therefore, a Data Processing Agreement will be compiled and circulated to schools for agreement. Additionally, a 'what to do in the event of' guidance document will be created

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Details of Audit Issue	Due date	Revised date	Agreed Action
			and circulated to schools and the payroll team.
Hove Park School - Governors Register of Interests	01/08/24	01/11/24	The school should update their website to include a current Register of Interests for Governors. An opportunity should be given to Governors to declare an interest in an agenda item at all Governing Body meetings, and this should be recorded in the minutes. *Action confirmed as implemented March 2025*

3.3   A follow up review of Housing Rents is in progress, where we will seek to assess the level of progress made against the actions agreed.

3.4   A number of high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit, Standards and General Purposes 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. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for Addition
New England House	Request from the Chief Executive to provide a lessons learnt review following the decision to temporarily close New England House, a Council owned property hosting business tenants, due to concerns regarding fire safety.
Temporary Accommodation – Block Booked and Spot Purchase Payments	Following a whistleblowing allegation the objective of this focussed review is to provide assurance that the controls for payments,

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	reconciliations and overpayments for suppliers of interim accommodation are in place and are operating as expected.
Transition of Local Enterprise Partnership	To provide assurance that the transition of the Local Enterprise Partnership has robust governance arrangements in place during and following the transfer of responsibilities and assets to Local Authorities.

4.2   In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis or risk prioritisation and/or as a result of developments within the service areas concerning requiring a schedule of audits.

Planned Audit	Rationale for Removal
Complex Care Placements for Children – Health SEN & Disability	Removed from the plan for 2024/25. Will be considered as part of a wider review of commissioning for future audit plans.
Procurement Regulatory Changes	With the deferral of implementation of new contract standing order regulations this review will be included in the 2025/26 audit plan.
Employment Checks – Disclosure and Barring Service	This audit has been deferred to the 2025/26 audit plan.

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**	2024/25 Internal Audit Strategy and Annual Audit Plan formally approved by Audit and Standards Committee 16th April 2024.
	Annual Audit Report and Opinion	By end July	**G**	2023/24 Annual Report and Opinion presented to Audit, Standards & General Purposes Committee 25th June 2024

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Customer Satisfaction Levels	90% satisfied.	G	97.6%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	67.5%	G	72.4%
	Percentage of audit plan days delivered	67.5%	G	75.5%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place. November 2023 - Quality Review exercise completed; no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified, this will be addressed at the auditor

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
			G	development days during 2024/25.
	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	84% for high priority agreed actions (see above)
Our staff	Professionally Qualified/Accredited (Includes part-qualified staff and those undertaking professional training)	80%	G	90%

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.

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