

# WEST NORTHAMPTONSHIRE COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

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**Report Title** Internal Audit Progress Report

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### Contributors/Checkers/Approvers

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### List of Appendices

Appendix 1 – Internal Audit 2023-24 Progress Update

Appendix 2 – Actions Tracker

#### **1. Purpose of Report**

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- 1.1 The purpose of this report is to provide an update on work delivered by the Internal Audit team up to 31 October 2023.

#### **2. Executive Summary**

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- 2.1 The Audit & Risk Management Service provides assurance that organisational controls are effective and adequately mitigating risk. We also provide counter fraud services, supporting the Council in preventing and investigating fraudulent activity.

#### **3. Recommendations**

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- 3.1 It is recommended that the Committee review and endorse the position.

#### **4. Reason for Recommendations**

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- 4.1 The Audit and Governance Committee is responsible for:

- Providing independent assurance as to the Council’s governance, risk management framework and associated control environment.
- Providing independent scrutiny of the Council’s financial and non-financial performance and oversee the Council’s financial reporting process.

## 5. Report Background

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5.1 We provide the Audit and Governance Committee with regular updates.

## 6. Issues and Choices

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### Internal audit and grant certification

6.1 A detailed progress report for audit activity and grant certifications is attached at Appendix 1 and summarised below.

<b>Audit stage</b>	
Not started	9
Planning stage	12
Fieldwork in progress	7
Draft report	1
Completed	6
<b>Total</b>	<b>35</b>

### Audit resources

6.2 Since the last progress report to the Audit and Governance Committee in July, the Internal Audit service has been subject to a period of long-term sickness absence amongst the team and a staff vacancy which has significantly impacted on its ability to deliver the planned work for the year, including its responsibilities for the internal audit of the Northants Children’s Trust. In response management have engaged two organisations’ (South West Audit Partnership (SWAP) and BDO LLP) to provide the additional support needed to mitigate the risk. For information, the Internal Audit service will soon be back to full capacity. The absent staff have returned and are getting back up to speed and a Senior Auditor is due to start with the Council in early December.

### Audit plan changes

6.3 The 2023-24 internal audit plan was approved at the 14 June 2023 Audit and Governance Committee and any changes to the plan will be reported and considered as part of our quarterly updates.

6.3.1 Audits added to planned work:

- Key financial system: Income processing (WNC/NNC/CCC)
- Key financial system: Debt recovery (WNC/NNC/CCC)
- Council owned properties - health and safety

- Section 106 developer contributions - formal follow up of 22/23 work.
- Community infrastructure levy - formal follow up of 22/23 work.

#### 6.3.2 Audits removed from planned work:

- Key financial system: Payroll (WNC/NNC/CCC/MKC)
- Key financial system: Pension fund administration (Northants and Cambs Funds)

6.3.3 To reflect a previous agreement of the Lead Authority Board for key financial systems audit work to be rotated between partner authority audit teams from 2023/24 onwards, this was formally agreed at a meeting of the Lead Authority Board on 25 October 2023. These changes are reflected above.

### **Limited assurance audits**

6.4 We proactively monitor all limited assurance audits, and we meet with operational managers to ensure that progress is being made to mitigate the control issues raised in the audit, and to ensure that the actions remain applicable and are being actioned. This approach enables us to determine the most appropriate follow up mechanism.

6.5 The full audit reports will be scheduled for consideration at future Audit and Governance Committees.

6.6 Updates are provided below for limited assurance audits with open management actions.

#### 6.6.1 **IT Related audits (restricted)**

Regular monthly meetings with the Head of IT Operations have been carried out to monitor the progress of the outstanding audit recommendations. A considered action plan has been developed by the team to break down the activity so progress can be monitored against the recommendations more easily. SWAP audit services have been engaged to conduct a follow up on the Disaster Recovery audit and a review of Cyber Security during November/December 2023. Most of the original audit findings for Cyber Security will be followed up as part of the work and any that are not covered will be followed up internally.

#### 6.6.2 **IT Carefirst (restricted)**

A meeting with the key personnel took place to obtain an update and gain assurance to close off the audit recommendations following review of evidence supplied. A further audit/follow up may be required in 2024/25 as a new system will be implemented in April 2024. A number of recommendations were in relation to documented processes and procedures which will be developed for the new system implementation.

#### 6.6.3 **Home to School Transport**

An audit meeting took place with the Home to School team to obtain outstanding evidence and perform a walkthrough of manual processes to allow the audit to be closed. All recommendations are satisfied, and a formal follow up report is in the process of being finalised.

#### 6.6.4 Taxi Licensing

Of 13 audit actions, 2 were marked as 'Essential' and the due date is marked as September 2023. A meeting was held in October to start reviewing the evidence relating to manual checks however, there has been a delay in approving the new policy at the Taxi and General Licensing Committee on the 3<sup>rd</sup> October. The next meeting where the policy will be presented is the end of November. A revisit has been agreed in January with a view to seeing how they are progressing with aligning their processes as per the new policy. Ultimately the implementation dates are now the end of March 2024 for most recommendations.

#### Audit actions

6.7 Upon audit sign off agreed actions are transferred to the action's tracker (attached as appendix 2) and these actions are followed up with operational teams. We have been successful in reducing the number of overdue actions and are now at 23%. We will continue to work with operational teams to proactively manage actions.

6.8 We currently have 220 actions on the tracker which fall into the following categories:

Classification		Essential	Important		Standard
Not yet due (this would include recommendations where an extension has been agreed)	55	9	38		8
Completed	126	25	84		17
Transferred to follow up audit (all limited assurance audits to have a follow up planned, usually within 12 months)	5	2	3		0
Overdue - management response received but not verified	0	0	0		0
Overdue - no management response received	34	6	26		2
Total	220	42	151		27
% Not due	21%				
% Completed	53%				
% Transferred	3%				
% Overdue	23%				

#### Work of the Internal Controls team

6.9 The Internal Controls team aids management with ensuring that robust internal control and risk management frameworks are in place by undertaking informal reviews to identify areas where improvements to the internal control framework are required. A member of the team will work with service areas to agree the scope of the review and work with them to produce action plans for any areas where improvements are required. The team will then continue to work with the service area to ensure that these improvements are implemented.

6.10 The team also deal with ad-hoc queries on business process and have been undertaking compliance monitoring on behalf of service areas for example, retrospective purchase orders.

Service areas the team have worked with during 23/24 so far include: Finance, payroll, DTI, NCT, Transport, Legal and Licensing

## Counter Fraud Update

- 6.11 The Counter Fraud team provide service specific engagement, tailored to management and service requirements to promote the awareness of fraud risk and good practice. During 2023/24 the following events have been conducted:
- In May a “National Blue Badge Day of Action” was conducted to promote awareness and support the parking scheme. The exercise focussed on the Northampton Town centre with the Counter Fraud team working with the parking enforcement officers checking badges and giving advice. Over a hundred blue badges were checked throughout the day making sure the badges were valid and not reported lost or stolen. Several drivers were spoken to during the day of action and the reception from genuine badge holders was exceptionally supportive. Four parking tickets were issued, and one badge was confiscated due to being used without the badge holder being present.
  - During August, an all staff briefing and email was issued by the Chief Executive to highlight the misuse of blue badges.
  - In September, new starters within the Revenue & Benefits Service were provided with an overview of fraud.
  - In October, a fraud overview was provided to management of Customer Services and followed up by an all-staff team meeting in November.
- 6.12 During the year, the team has dealt with several referrals. Some of the key themes arising are summarised below:
- **Grant fraud** – the Council administers many different grant schemes which have developed in sophistication in recent years with the implementation of web applications and portals. Grant fraud falls into two main areas:
    - where false information is given at the application stage to falsify eligibility, or
    - failure to declare relevant changes in circumstances affecting entitlement, whilst still receiving ongoing grant payments.
  - **Overlapping contracts** – the team have investigated two cases whereby the individuals were working full time for the Council and full time for another organisation. With more hybrid working this provides a greater opportunity to enable false representation of working in more than one workplace or role. The positives gained by these cases, besides addressing the wrongdoing, is that the incidents have led to a closer collaborative working with HR colleagues to enable rapid and robust engagement to complete this type of investigation in the future.
  - **Money Laundering** – involves disguising financial assets so they can be used without detection of the illegal activity that produced them. The process enables the criminal to transform proceeds of crime into what appears to be legitimate funds. The Council has a duty to refer suspicions of money laundering to the National Crime Agency to investigate. To date, two incidents have been referred as suspected money laundering.

### 6.13 Investigation outcomes / closed investigations

Housing investigations are a combination of both reactive investigation work referred from the service or from the public. Right to Buy (RTB) reviews and housing application investigations are mainly a proactive response to the high-risk areas and circumstances presented by the applicants. The table below shows the completed housing investigations between April and October:

Case type	Cases closed	Advice given or no further action	Year to date outcomes
Housing tenancy referrals that have been investigated and closed	70	59	<ul style="list-style-type: none"> <li>• 5 Properties have been recovered following 4 sublet investigations and 1 succession matter. These properties will be relet to families in genuine need.</li> <li>• 4 Right to Buy sales due to be completed, however following investigation the tenant withdrew their application or cancelled.</li> <li>• 1 recoverable debt identified during the investigation (£13,926.51 Housing Benefit (HB)).</li> <li>• Debt recovered on a RTB application review prior to completion established; £15,347.49 HB overpayment and £3,356.23 Council Tax Reduction overpayments.</li> </ul>
Housing & Homeless Applications investigated and closed	40	25	<ul style="list-style-type: none"> <li>• 15 Housing or Homeless applications have been cancelled or downgraded.</li> <li>• 2 of which were in temporary accommodation properties which were recovered as they had vacated / not been used for purpose intended.</li> </ul>
<b>Total</b>	<b>110</b>	<b>84</b>	<b>26</b>

Note:

- 5 properties have been recovered in total, (plus a further two temporary accommodation lets), which will be re let to those in genuine need from the waiting list. Each recovered property has a Cabinet Office estimated value saving of £93,000 x 5 recovered properties = £465,000, Cabinet Office estimated value saving.
- 15 housing applications cancelled (£3,240 x 21) = £48,600 Cabinet Office estimated value saving.

### 6.14 Other service referrals / investigations (between April and October)

Case type / service	Cases Closed	Summary
Revenues & Benefits	37	7 outcomes have been recorded summarised below:

		4 discounts cancelled, 3 of which resulted in the identification of recoverable overpayments.
Blue badge / parking matters	12	1 had a warning letter issued, 4 were given advice, 1 no further action taken and 6 referred to the parking team and/or DWP.
HR / staff matters	7	All matters are investigated in conjunction with HR colleagues. In summary: <ul style="list-style-type: none"> <li>• 4 staff resigned following investigation and prior to disciplinary hearings,</li> <li>• 1 was dismissed following investigation and disciplinary hearing.</li> <li>• 2 - no further action was taken following the investigations, however one of these has since resigned.</li> </ul>
Finance	2	Both cases were reviewed but no further action was taken (1 case no issues found following contractor investigation, the other a debt recovery issue / advice given).
Grants	3	HFI grants; 1 case was interviewed under caution and the applicant admitted failing to report changes that would affect their entitlement, causing an overpayment of £2,900, which has been recovered in full. 1 case was reviewed, advice given, and no further action taken. Adaptations – 1 case advice was given to the service.
Adults - NASS	2	Both cases were referred to the service and no further investigation action was taken.
Children’s Trust	16	All cases are referred to counter fraud by the “No Recourse” team to assist with their assessments for financial support. Credit checks and bank statements are reviewed for income and expenditure screening.
<b>Total</b>	<b>79</b>	

Note: Relevant staff, managers and external partners are advised of the outcomes and findings.

6.15 These statistics demonstrate our investigation activity in delivering effective outcomes, highlighting the value of fraud and error being disrupted and appropriate further action taken including recovery and/or prosecution as deemed appropriate. The counter fraud resource is targeted to drive future outcomes by way of improvements and raising of awareness in understanding of fraud risk to support a stronger preventative approach to saving money at the outset, but also to address concerns and be able to react to incidents more efficiently and effectively.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

7.1.1 There are no resources or financial implications arising from the proposals.

### **7.2 Legal implications**

7.2.1 Internal Audit support the Council to meet its obligations under the Accounts and Audit Regulations 2015

### **7.3 Risk**

7.3.1 There are no risks directly related to the service.

### **7.4 Consultation**

7.4.1 No consultation is required.

### **7.5 Consideration by Overview and Scrutiny**

7.5.1 No overview and scrutiny comments

### **7.6 Climate Impact**

7.6.1 There are not direct climate or environmental implications

### **7.7 Community Impact**

7.7.1 There is no community impact.

### **7.8 Communications**

7.8.1 There are no recommended communications.

## **8. Background Papers**

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8.1 Previous Internal Audit reports to Committee.



**APPENDIX 1**

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
<b>Carried Forward (from 22/23) i.e. incomplete at issue of Annual Audit Report 22/23 (July 2023)</b>							
Corporate health & safety	Draft report stage	Limited	Limited				Note: Where the draft report has been issued the opinion is classified as provisional until the final report has been issued.
Performance management	Completed	Good	Satisfactory	2	0	0	<ul style="list-style-type: none"> <li>Performance framework be made more prominent on intranet.</li> <li>Greater communications to embed the process for producing service plans at directorate and service level.</li> <li>More effective monitoring of service plan development.</li> </ul>
Lease car arrangements	In progress						Management request. Audit fieldwork nearing completion.
Corporate complaints management	Completed	Briefing Note Report		0	4	0	<ul style="list-style-type: none"> <li>Compliance with policy continues to be embedded throughout services.</li> </ul>
Adults – commissioning framework	Completed	Briefing Note Report		0	1	0	<ul style="list-style-type: none"> <li>To develop and maintain a WNC Adult Social Care fees and charges policy.</li> </ul>
<b>WNC partner audit</b>							
Payroll 22/23 (incl. payroll control account reconciliations)	Completed	Satisfactory	Satisfactory	0 (2)	3 (2)	1 (0)	<ul style="list-style-type: none"> <li>Documented operational procedures be produced to ensure roles and responsibilities are clearly communicated and consistently applied.</li> <li>Inclusion of performance reporting for the recovery of payroll overpayments in respect of ex-employees to the Lead Authority Board.</li> <li>Payroll IT access role conflicts to be addressed and measures put in place for prompt review.</li> <li>Implementation of various recommendations to improve the monitoring and reporting in respect of payroll control account reconciliations.</li> </ul>
Northamptonshire Pension fund administration 22/23	Completed	Substantial	Substantial	0	0	0	Reported separately to the Pensions Fund Committee and Local Pension Board.

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
ERP Gold IT user access controls 22/23	Completed	Good	Good	0	2	0	<ul style="list-style-type: none"> <li>• A more robust system for recording and retaining evidence of review and approval for superuser access.</li> <li>• Escalation of potential user access conflicts.</li> </ul>
<b>Plan 2023/24</b>							
IT disaster recovery (limited assurance 22/23 formal follow up)	In progress						
IT cyber security (limited assurance 22 /23 formal follow up)	In progress						
Temporary staff: non-Opus / long placements	In progress						
IT systems: Carefirst (limited assurance 22/23 formal follow up)	In progress						
Home to school transport (limited assurance 22/23 formal follow up)	In progress						
Contract management: parking (limited assurance 22/23 formal follow up)	In progress						
Net zero strategy	Planning						
Homelessness prevention	Planning						
Schools – individual school audits	Planning						
Medium term financial plan	Planning						
Transformation delivery	Planning						
Council owned properties - health and safety	Planning						
Taxi licensing (limited assurance 22/23 formal follow up)	Planning (moved to Q4)						
Section 106 developer contributions 22/23 formal follow up	Planning (moved to Q4)						
Community infrastructure levy 22/23 formal follow up	Planning (moved to Q4)						

Audit	Plan Status*	Assurance		Actions Classification			Summary of matters raised
		System Design	Compliance	Essential	Important	Standard	
Key financial systems: Income processing (WNC/NNC/CCC)	Not started (Q3)						
Key financial systems: Debt recovery (WNC/NNC/CCC)	Not started (Q3)						
Corporate health and safety 22/23 (limited assurance formal follow up)	Not started (Q3)						
Wider strategy sustainability review	Not started (Q4)						
Local area partnerships	Not started (Q4)						
Contract management: leisure services	Not started (Q4)						
Schools – thematic audit	Not started (Q4)						
Rural bus services	Not started (Q4)						
Property management (Concerto - new asset management system)	Not started (Q4)						
<b>Shared service audits – Cambridgeshire County Council</b>							
Northamptonshire pension fund administration	Planning						
Payroll	Planning						
<b>Shared service audits – North Northamptonshire Council</b>							
Accounts Payable	Planning						

Plan 2023/24 - Cancelled / removed / covered by other audits (as reported in progress update reports)	Committee Reported	*Plan Status - audit progress is measured within several stages:
DTI Telephony procurement - review	July 2023	<ul style="list-style-type: none"> <li>○ Not started</li> <li>○ Planning</li> <li>○ Fieldwork in progress</li> <li>○ Fieldwork complete / draft report being prepared.</li> <li>○ Draft Report issued / considering or awaiting management response.</li> <li>○ Completed - Final Report issued.</li> </ul>
Key financial system: Payroll (WNC/NNC/CCC/MKC)	November 2023	
Key financial system: Pension fund administration (Northants and Cambs Funds)	November 2023	

Grant	Audit Status *	Assurance
<b>Grant Verification Work</b>		
WNC - LA Covid-19 Test & Trace Contain Outbreak Management Fund (COMF) 2022/23	Completed	Certification provided
WNC - Disabled Facilities Grant 2022/23 (+ 2021/22 Follow Up)	Completed	Certification provided; follow up in progress.
WNC - Bus Recovery Grant 2021/22	Draft report	
WNC - LA Bus Subsidy (Revenue) Grant 2021/22	In progress	
WNC - Local Transport Capital Block Funding 2022/23	In progress	
WNC - LA Bus Subsidy (Revenue) Grant 2022/23	In progress	
WNC - Bus Recovery Grant - Extension 2022/23	Planning	

