

Internal Audit and Counter-Fraud Progress Update – January 2022

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1 Introduction

- 1.1 This progress report provides stakeholders, including the Audit Committee, with a summary of Internal Audit and Counter Fraud activity undertaken for the period 15th October 2021 to 31 December 2021 to.
- 1.2 The Audit Plan was agreed in early May 2021 and approved at the June Committee meeting. Whilst there has been a concerted effort by the Team to complete the Q1 schedule of work and to start progressing other audits listed, the challenge remains of how best to get engagement from Client officers who are going through change within the new Authority and are focused on implementing and embedding new processes to ensure continuity of service.
- 1.3 **Annex A** provides the background and context for how Internal Audit operates including how governance is tested and evaluated and what the relevant Audit Opinions mean.

2 Summary

2.1 Plan Progress – Section 3 & 4 below and Annex B

As at 31st December 2021:

- 15 audits had been finalised/completed – report issued and recommendations accepted
- 3 audits were at draft report stage- report issued to management and comments and implementation dates to be agreed.
- 2 audits were at field work complete stage with the report undergoing Audit's quality review process.
- 19 audits were at various stages of fieldwork progression.
- 16 audits were to be started.
- 7 audits removed and 1 deferred.

The Audit teams continue to experience some difficulties in progressing individual audits. This is no criticism of officers or the Council as it is primarily due to the other pressures on those areas being audited. It is delaying the completion of audits and increasing the days required. It is the CIA opinion that engagement with IA is being prioritised but that auditees are (rightly) balancing IA's requests with other issues of similar or greater priority.

2.2 Implementation of Recommendations - Section 5 below and Annex C

The Action Tracker at Annex C shows a total of 82 recs outstanding and of these 73 were due to be followed up before the end of December 2021- 6 were categorised as Essential and 67 were categorised as Important.

2.3 Counter Fraud - Section 6 below

In relation to Housing tenancy referrals, up to the end of September 2021, the Counter- Fraud team have reviewed and assessed 80 cases. 10 other counter fraud referrals were also addressed during the period October to December 2021.

In addition, work has been undertaken in support of screening s17 applications and National Fraud Initiative data reviews.

2.4 Service Resources and Performance– Section 7 below

There has been notable progress albeit slower than expected. The interim arrangements agreed in June 2021 have been lifted and the Service is now working towards the closure of the shared service by 31st March 2022.

A resource analysis has been undertaken to identify the level of resource needed to deliver the current Plan or to adjust the Plan as necessary. The option to procure external resources to support the Audit team has been progressed and a marked improvement in progression of delivery of the plan is anticipated.

3 Progress against Audit Plan

3.1 In a normal year, the expected performance target is 95% of the Annual Plan to be completed to draft report stage by 31 March and 100% to draft report stage by 30 April of the following year. Given the significant changes with the Organisation, the late approval of the Audit Plan and the resourcing issues encountered, the target for completion of the Plan this year has had to be amended. It is anticipated that with the assistance of the external resources, 100% of the audit plan will be completed by the end of May 2022, with 75% completed in March 2022.

3.2 The table below summaries progress on the Audit Plan as at 31 December 2021, including assignments brought forward from the County Council and completed during Q1. This shows that 64% of the Plan was at draft report stage or in progress. As noted above, greater progress is expected in the next quarter, when the external resource is fully deployed to work on audits not yet started.

WNC AUDIT PLAN 2021-22	Number of Audits				Removed/ Deferred/c
	Plan	Draft / Final Report	In Progress	Not Started	
Q1(incl. Bfwd)	18	15	3	0	0
Q2	16	3	13	0	0
Q3	14	0	6	0	8
Q4	15	0	0	14	1
TOTAL Audits	63	18	22	14	9
	100%	29%	35%	22%	14%

3.3 A breakdown of these and the percentage completion for each audit is at **Annex B** and Committee to note that no limited assurance opinion has been issued for the audit areas reviewed to date, despite the on - going challenges within Service areas as a result of the aggregation of Services.

4 Changes to Audit Plan

4.1 Since the last Committee, the following changes to the Audit Plan are proposed for approval.

- Seven audits that were not considered to expose the Council's control environment to high risk are to be removed from the 2021/22 Audit Plan following resource and budget availability analysis by the organisation. The Executive Finance Director was consulted on these audits. These audits will be reconsidered for inclusion in the 2022/23 Audit Plan.

Audit title	
Customer Services/complaints monitoring	On going work to integrate the service
General Ledger transactions testing	work completed on Q1/Q2 -to be included in testing for 2022/23
IT applications Security – Adult Social care database	IT estate review project is in progress
Home Improvement Grants	Reviewed as part of grants certification work
GDPR – Record Retention Policy	
Land & Property Sales & Acquisitions	
Sundry Income Cashflow - Fees	
Quarterly Risk Register review & Testing	Assurance to be taken from work of Internal Controls Team

- One Audit is to be deferred to delivery as part of 2023 Audit Plan, to accommodate extra work on Payroll and the pensions fund, following discussions with management.
- The legacy Debt Review has been amended to allow Internal Audit to have a role in the project to migrate the data to WNC systems, from sovereign councils,
- A Home to School Transport review has been added to the plan, following concerns around the adequacy of checks on providers and drivers.
- Pensions Fund Audit and Payroll Transactions testing have been included within the Plan.

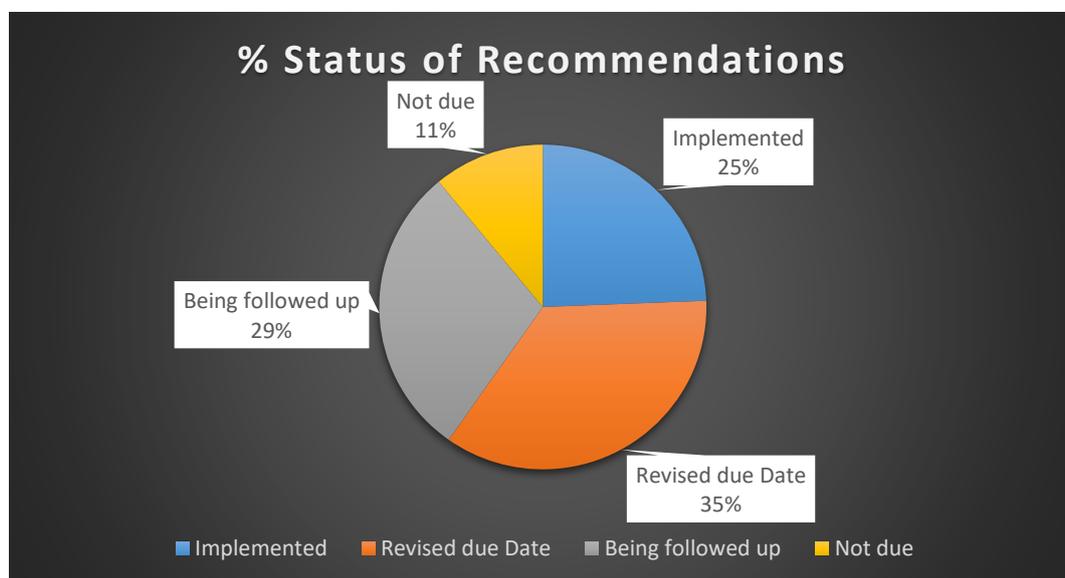
4.2 Grant verification work to enable certification of spend by the Chief Executive and Chief Internal Auditor has been completed and returns submitted to the relevant government office for the following Grants:

- Disable Facilities Grant
- Local Bus Subsidy (ring fence grant)

Work is ongoing on grants spent by the former County Council for which WNC has to verify the spend and submit signed declarations.

5 Implementation of Management Actions

- 5.1 Annex C - Action Track lists 82 recommendations, including 65 brought forward from Sovereign Councils. Of these
 20 recs have been fully implemented.
 29 recs show implementation is in progress with an update status comment provided as noted and a revised implementation date entered
 24 recs were still being followed up at the time of reporting, with responses awaited from officers.
 9 recs the implementation date has not been reached.



6 Counter Fraud Update

- 6.1 Fraud cases are risk assessed, to assess whether detailed investigations are merited or alternative options to progress matters are more appropriate. Similar to the above, the exercise continues to consolidate all live cases as at 1st April from within sovereign Councils.
- 6.2 A total of 110 housing tenancy referrals have been received and addressed by the Counter Fraud team up to the end of December 2021. The outcomes from the team's work is detailed below.

Category of Referrals	No of Referrals	Outcome	Notional Savings
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Housing applications	18	Applications withdrawn, refused or downgraded	£3240 each = £58320
Housing properties	11	Properties Recovered to be relet	£93000 each = £1,023,000
Right to Buy applications	3	Application refused	£66000 total
Debt Outstanding	5	Debt recovered or warning issued	£23261
General Housing referrals	73	Closed with advice given	
Total	110		£1,170,581

6.3 The table below sets out the other non-housing cases referred to the Counter Fraud team during the period 15 October 2021 – 31 December 2021 and the outcomes achieved.

Fraud Type	No of Referrals	Outcomes (01/09/21 - 31/12/21)
Blue Badge misuse / parking	5	Closed -Risk assessed and referred on to Parking Services.
Housing & Ctax Benefits	1	Closed -Referred on to Department for Work and Pensions via SPOC
HR staff matter- school HR Staff matter – staff conduct	2	Open -Matter logged but will be investigated by the school. Open -New case, under review with service and HR Business Partner.
Taxi Licensing	1	Closed -Investigated and briefing note issued. Police referral completed and Audit to be completed Q4.
Grants	1	Closed -Allegations have been addressed by the service. Briefing note to be completed.

6.4 In addition, the Counter fraud team has been progressing work on the National Fraud Initiative. This work has involved:

- **Single Person Discount data** has been extracted and uploaded to the NFI portal and has started work with Revenues & Benefits Team to review matches as they are identified
- **C19 second phase post payment assurance** – work has been ongoing to ensure the data will be extracted and uploaded on to the NFI portal by January 2022 deadline. Matches will be available for review in March 2022.

6.5 A Fraud Hub has been set up and discussions are being held with the Northampton Pensions fund and Daventry Housing Allocations to identify data for extraction and matching to identify potential frauds. To date, across the Northamptonshire Pension Fund, as well as identifying 25 instances where the pension paid was more than the pension due, the exercise highlighted that for these 25 and in a further 6 instances, pensions had continued to be paid when the individual had deceased, and the payments should have stopped. Over the period of a year, this amounted to £59673

which equates to a notional savings per the Cabinet Office of £363,434, if this amount had been invested.

- 6.6 The fraud resource from Oxford City Council covering South Northants area has focused on NFI data reviews for revenues and benefits data and during Q3, £1179 was identified as overpaid and to be reclaimed for housing benefit and student relief and £4414.66 was identified as overpaid for Council Tax relief.

7 Service Resource and Performance

7.1 Service Resource

A detailed analysis of the resource position and options for addressing the identified shortfall was considered by Management and a contract agreement has been put in place with an external provider, to ensure the Plan for 2021/22 will be delivered in line with the target and timeframe.

7.2 Plan completion and productivity:

An internal Audit Plan for the full 2021/22 year was submitted to the Audit & Governance Committee for approval at the 16th June meeting.

As detailed 3.1 above, performance targets have been amended to 75% completion at March 2022 and 100% at end of May 2022, to reflect the turbulence of the first year of the New authority

As at 31 December 2021 64% of the Plan was either complete to final/draft report stage or in progress.

Auditor productivity is measured with a target of 90% productivity (ie 90% of an Auditors time being allocated to auditing of client work as opposed to administrative tasks). As at 31st December 2021, productivity of the team was at 79%. This reflects ongoing issues with obtaining engagement with the audit process from client officers, as well as the resignation of a member of staff at the end of November.

7.3 Client satisfaction

During the year, customer surveys will be issued to Audit clients at the end of the audit assignments. The performance measure target in relation to customer surveys is 100% customers record satisfied or better. No client satisfaction surveys have been issued to date.

7.4 External Assessment

PSIAS requires that compliance with its provisions is externally assessed every 5 years. The last review was completed in 2016, and confirmed the service complied with requirements. Annual self-assessments, consistent with PSIAS have also confirmed ongoing compliance. The planned 2021 external assessment was deferred in the light of the decision to close the shared service. With the new target of closure being 31st March it is considered sensible to undertake the required

external assessment in summer 2022 within each individual Council after closure of the shared service.

Annex A

Internal Audit Context and Background

Development of Audit Plans

The changing public sector environment increasingly necessitates an ongoing re-evaluation of the type and level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

The Chief Internal Auditor must provide an annual internal audit opinion on the entire internal control environment based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.

To support this, internal audit must develop and deliver a risk-based plan which takes into account the organisation's risk management framework and includes an appropriate and comprehensive range of work, which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

The WNC Audit Plan is developed from an understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information, as is the Internal Audit risk assessment of the organisation. These are used to form the basis of the Internal Audit plan.

In developing the plan, Internal Audit (IA), consults services, Senior Managers, Management Team and the Audit Committee. The Audit Committee then approves the plan and for the 2021/22 plan, this occurred at the June 2021 meeting.

The Audit Plan remains under frequent review both in terms of completion and its scope. Modern auditing requires the plans remain flexible to accommodate changes in the risk profile of the Council throughout the year.

The 2021/22 plan is based on *assurance blocks* that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. For each *assurance block*, the most appropriate level of coverage necessary to provide the most effective annual assurance opinion and added value to the organisation has been developed. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and making every penny count.

How Controls are Audited and Evaluated

There are three elements to each internal audit review. Firstly, the CONTROL ENVIRONMENT is documented and assessed to determine how the governance is designed to deliver the service's objectives. IA then needs to test whether COMPLIANCE is evident in practice.

Finally, IA undertakes further substantive testing and/or evaluation to determine the ORGANISATIONAL IMPACT of weaknesses found.

The tables below outline the criteria for assessing the above definitions:

Control Environment Assurance	
Assessed Level	Definitions
Substantial	Substantial governance measures are in place that give confidence the control environment operates effectively.
Good	Governance measures are in place with only minor control weaknesses that present low risk to the control environment.
Satisfactory	Systems operate to a moderate level with some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance	
Assessed Level	Definitions
Substantial	Testing has proven that the control environment has operated as intended without exception.
Good	Testing has identified good compliance. Although some errors have been detected these were exceptional and acceptable.
Satisfactory	The control environment has mainly operated as intended although errors have been detected that should have been prevented / mitigated.
Limited	The control environment has not operated as intended. Significant errors have been detected and/or compliance levels unacceptable.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse. The system of control is essentially absent.

Organisational Impact	
Level	Definitions

Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Specifically for Grant certifications, definitions are used are as follows:

Opinion for Grant Certifications	
Level	Definitions
Assurance Given	The claim as certified was found to be in compliance with the grant conditions, subject to any observations reported.
No Assurance given	The claim was not certified as it was found to be not in compliance with the grant conditions.

* Audit progress is measured within several stages

- Unstarted
- Planning ToR
- Fieldwork in Progress
- Fieldwork complete
- Draft Report
- Final Report

Progress is assessed as a percentage of the whole audit



ANNEX B

Progress as at 31st December 2021

	Assignment	Audit Status	Completion %	Assurance System/ compliance
Plan 2020/21 brought forward				
20/21 bfwd	Pensions Review	Final Report Issued	100%	Substantial Good
20/21 bfwd	General Ledger	Final Report Issued	100%	Good Satisfactory
20/21 bfwd	Bank Reconciliation	Final Report Issued	100%	Good Good
Plan 2021/22 -Q1				
	Government Procurement Card	Final Report issued	100%	Satisfactory N/A
	Key Policies and Procedures	Final Report issued	100%	Satisfactory N/A
	Consolidation of key records	Final Report issued	100%	Satisfactory N/A
	Establishment checks	Final Report Issued	100%	Satisfactory Satisfactory
	Legacy Bank Accounts	Final Report Issued	100%	Satisfactory Satisfactory
	ERP IT users access controls	Final Report Issued	100%	Good Good
	Payroll	Final Report Issued	100%	Good Satisfactory
	General Ledger	Final Report Issued	100%	Satisfactory
	Bank Reconciliations	Final Report Issued	100%	Satisfactory Satisfactory
	Treasury Management	Final Report Issued	100	Satisfactory Satisfactory
	Business Grants (post payment review)	Draft Note Issued	90%	N/A
	Accounts Payable	Draft Report Issued	90%	Good/Good
	Year end Accruals	Fieldwork Complete	80%	
	Accounts Receivable – Debt management (Legacy Debt)	Fieldwork Complete	80%	
	Income (including wrong bank account payments)	Fieldwork in Progress – testing is on going	70%	
Plan 2021/22 -Q2				
	Financial Decisions (scheme of delegations)	Final Report	100%	Good
	Planning Applications Process	Draft Report	90%	
	Grant Verification – Disable Facility Grants	Complete	100%	N/A



	Assignment	Audit Status	Completion %	Assurance System/ compliance
	Grant verification -Additional Home to School and College Transport	Fieldwork in progress	30%	
	Grant verification -Local Transport Capital Block Funding	Fieldwork in progress	30%	
	Grant Verification -Travel Demand Management	Fieldwork in progress	30%	
	Safeguarding vulnerable Adults	Planning	10%	
	Housing - Social Lettings	Planning	10%	
	NPH Contract Monitoring	Planning	10%	
	Council Tax	Planning	10%	
	NNDR	Planning	10%	
	Grant verification-Covid-19 Bus Service Support Grant Restart	In progress	50%	
	Grant Verification -Local Authority Bus Subsidy Grant	In Progress	40%	
	Information Governance	In progress	50%	
	Legacy Debt	Migration project in progress	0%	
	Health and Safety	Planning	20%	
Plan 2021/22 -Q3				
	IT Disaster Recovery	Fieldwork in progress	40%	
	Financial Management - Budget Monitoring	Planning - Tor	10%	
	Schools SFVS/questionnaire	In progress	50%	
	Taxi Licensing	Planning - Tor	5%	
	Home to School Transport	Planning -Tor	5%	
	WNC/NNC Partnership Liaising/monitoring	Planning -Tor	5%	
	Contract Management - Residential Placements	Postponed		
Plan 2021/22 -Q4				
	Contract Management - Highways	Allocated		
	Performance Management Framework	Allocated		
	Adult Social Care Need Assessments	Allocated		
	Financial Management - MTFP	Allocated		
	Transformation from Safe and Legal to BAU	Allocated		
	Housing and Council Tax Benefit	Allocated		



	Assignment	Audit Status	Completion %	Assurance System/ compliance
	Procurement contract management	Allocated		
	Contract Management - Parking	Allocated		
	Leisure Services Establishment management	Allocated		
	Children's Trust Service Delivery Contract Monitoring	Allocated		
	IT Systems security – access rights and password configuration management	Allocated		
	Emergency Planning	Allocated		
	Asset/Property Management (incl inventories)	Allocated		
	Pension Fund Review	Allocated		
	Payroll Transactional Testing	Allocated		