

Internal Audit and Counter-Fraud Progress Update – September 2022

1 Introduction

- 1.1 This progress report provides a summary of Internal Audit and Counter Fraud activity undertaken for the period to 31 August 2022.

2 Summary

2.1 Internal Audit Plan Progress – Section 3 below and Annex A

Work is progressing to finalise 2021/22 audits alongside delivering 2022/23 audits.

2.2 Counter Fraud – Section 4 below

In relation to NPH Housing tenancy referrals between April 2022 and August 2022, the Counter Fraud team have reviewed and assessed 69 cases. The team support financial screening of s17 applications for the Children’s Trust and have dealt with 26 other counter fraud referrals. In addition, work has been undertaken on the National Fraud Initiative data submission requirements.

2.3 Service Resources and Performance – Section 6 below

The Head of Audit and Risk Management started on 1 August, and I am pleased to report that the service is now almost fully resourced, with one part time vacancy held to deliver financial savings.

3 Progress against Audit Plan

- 3.1 The table below summaries progress on the Audit Plan as of 31 August 2022. A breakdown of these and the percentage completion for each audit is at Annex A.

WNC AUDIT PLAN 2021-22	Original Plan	Completed	Draft report	In Progress	Planning	Not Started
Total Number of Audits	33	11	8	6	4	4
		33%	25%	18%	12%	12%

- 3.2 We are in the process of reviewing the 2022/23 Audit Plan to ensure that work undertaken provides adequate assurance to the Council and ensures effective mitigation of the risks the Council faces in achieving its objectives.
- 3.3 Of the 11 audits undertaken 3 received limited assurance for control environment and / or compliance.
- 3.4 The full reports for these three audits will be brought to the Audit and Governance Committee for further consideration.

	Control Environment	Compliance	Organisational Impact
IT Disaster Recovery	Limited	Limited	Moderate

Home to School Transport	Satisfactory	Limited	Major
IT Cyber Security	Limited	Limited	Major

- 3.5 Grant verification work continues to take place to enable certification of spend by the Chief Executive and Chief Internal Auditor and returns to be submitted to the relevant government office for 3 grants up to 31 August 2022.
- 3.6 The process for tracking recommendations from completed audits is under review. We continue to follow up recommendations, but will review and reclassify outstanding recommendations as follows:
 Not yet due (this would include recommendations where an extension has been agreed)
 Completed
 Transferred to follow up audit
 Overdue – management response received but not verified
 Overdue – no management response received

4 Counter Fraud Update

- 4.1 The counter fraud process involves work to identify situations where there is a fraud risk, ensure the processes in place prevent and reduce the opportunity for fraud to occur, and detect and investigate where fraud has occurred.
- 4.2 To support our fraud prevention work, we have updated the fraud online training module, which is available to all staff, and are reviewing the fraud reporting interface. Fraud referrals are risk assessed to decide whether detailed investigations are merited or whether alternative options are appropriate to progress matters.
- 4.3 A total of 55 housing tenancy referrals (NPH), have been received and addressed, with outcomes detailed in the table below.

Category by Outcome	No of cases	Outcome	Notional Savings / Debt Recovered
Housing applications	8	Applications withdrawn, refused or downgraded.	£262k
Housing properties	4	Properties recovered to be relet.	£372k
Recoverable Debt	2	Debt recovered	£6k
No action taken	41		
Total	55		Notional savings £634k Recoverable debt £6k

- 4.4 26 non-housing fraud investigations have been undertaken, with outcomes including referrals to the DWP and internal process improvements identified.

- 4.5 We continue to engage with the Cabinet Office National Fraud Initiative (NFI) data matching exercise. To date we have investigated 1,154 matches, with 53% completed; the Cabinet Office estimate of the value of these matches is £673k, with recoverable overpayments of £5k. Datasets are currently being prepared for submission for the next matching exercise.
- 4.6 We have also been selected to take part in an NFI Housing Tenancy Fraud pilot data matching exercise, which will involve over 11,000 properties being matched with national data to identify properties which are being sublet or misused.

5 Service Resource and Performance

5.1 Service Resource

I am pleased to report that the service is now fully resourced, other than a part time vacancy which is being held. We have had 3 new starters this year and have 2 more starting over the coming weeks. The team has an excellent range of knowledge and experience which we will be evaluating further over the coming months as part of an ongoing service review.

5.2 Plan completion and productivity

Work outstanding from the 2021/22 plan has been brought forward and incorporated into the 2022/23 plan. We continue to work on developing the plan to ensure that we offer a flexible, responsive service to the Council and can focus on emerging risks and challenges, alongside ensuring core governance and controls are robust.

5.3 IA Service Improvements

In addition to the above we will ensure that we have engagement standards that are communicated across the Council, to enable efficient and effective audit and counter fraud activities.

5.4 External Assessment

PSIAS requires that compliance with its provisions is externally assessed every 5 years. As we are a new service we will carry out an internal self-assessment and put in place a quality improvement programme. We will consider the most appropriate time for an external review, in liaison with the Executive Director - Finance and the Chair of the Audit & Governance Committee.

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. In developing the plan, we consult services, Senior Managers, Management Team and the Audit Committee.

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

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	
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	
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 of Findings	
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 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
 - o Not started (0%)

- Planning stage / issue of Terms of Reference (5 to 10%)
- Fieldwork in progress (10% to 85%)
- Fieldwork complete / draft report being prepared or reviewed (85%)
- Draft Report issued / considering or awaiting management responses (90%)
- Final Report issued (100%)

Progress is assessed as a percentage of the whole audit as indicated above.

Rating of Audit Recommendations

When assessing findings, reference is made to the Council's Risk Management matrix which scores the impact and likelihood of identified risks arising from the control weakness found.

Likelihood	H	S	I	E
	M	S	I	E
	L	S	I	
		L	M	H
		Impact		

For ease of reference, we have used a high/medium/low system to prioritise our recommendations, as follows:

Category	Definitions
Essential	Action is imperative to ensure that the objectives for the area
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Standard	Action recommended to enhance control or improve

Annex B
Progress as at 31 August 2022

Assignment	Audit Status *	Completion # %	Assurance +		
			Control Environment	Compliance	Org Impact
Completion of 2021/22 Audits - outstanding at Annual Audit Report					
Information Governance	Completed	100%	Satisfactory	Satisfactory	Moderate
IT Disaster Recovery	Completed	100%	Limited	Limited	Moderate
Financial Management - Budget Monitoring	Completed	100%	Good	N/A	Minor
Schools: Governance & Finance Procedures	Completed	100%	Good	Satisfactory	Minor
IT Cyber Security	Completed	100%	Limited	Limited	Major
Leisure Services - Establishment management	Completed	100%	Satisfactory	Satisfactory	Moderate
Financial Management - MTFP	Completed	100%	Substantial	Substantial	Minor
Housing Benefit and Council Tax Reduction	Completed	100%	Satisfactory	Satisfactory	Moderate
Transformation from Safe and Legal to BAU	Completed	100%	Satisfactory	Satisfactory	Moderate
Home to School Transport	Completed	100%	Satisfactory	Limited	Major
Northants Pension Fund	Completed	100%	Substantial	Satisfactory	Minor
Taxi Licensing	Draft report response being considered	95%			
Corporate Procurement (Adherence to Contract Procedure Rules)	Draft report response being considered	95%			
Emergency Planning	Draft report response being considered	95%			
Contract Management - Parking	Draft report response being considered	95%			
WNC / NNC Partnership Liaising Arrangement	Draft report issued	90%			
IT Systems Security - Carefirst System	Draft report issued	90%			
Council Tax	Draft report being prepared	85%			
NNDR Business Rates	Draft report being prepared	85%			
Planning Applications Process	Fieldwork in Progress	60%			



Assignment	Audit Status *	Completion # %	Assurance +		
			Control Environment	Compliance	Org Impact
Corporate Health and Safety	Fieldwork in progress	25%			
Payroll Transactional Testing	Fieldwork in Progress	80%			
Plan 2022/23 - planned or in progress					
Safeguarding Vulnerable Adults	Fieldwork in progress	40%			
Adults - Independent Care Payments	Fieldwork in progress	40%			
Community Infrastructure Levy (NEW)	Fieldwork in progress	10%			
Section 106 Income Collection & Monitoring	Planning - ToR issued	10%			
Performance Management	Planning - ToR issued	5%			
Homelessness Prevention	Planning	5%			
Highways - Road Adoptions and Section 38	Planning	5%			
Legacy Debt Migration	Not started	0%			
Customer Services - Complaints System	Not started	0%			
ERP Gold IT User Access Controls	Not started	0%			
Recruitment & Retention	Not started	0%			

Grant	Audit Status *	Completion # %	Assurance
Grant Verification Work			
Protect & Vaccinate Grant 2020/21	Completed	100%	Assurance given
LA Covid-19 Test & Trace Contain Outbreak Management Fund (COMF) 2021/22	Completed	100%	Assurance given
Former D&Bs + WNC - LA Test & Trace Support Payment Scheme Fund 2020/21 + 2021/22	Completed	100%	Assurance given
Bus Recovery Grant 2021/22 + Extension 2022/23	Planning	10%	
Disabled Facilities Grant 2021/22	Planning	5%	
LA Bus Subsidy (Revenue) Grant 2021/22	Planning	5%	
LA Covid-19 Test & Trace Contain Outbreak Management Fund (COMF) 2022/23	Planning	5%	
Social Housing Decarbonisation Fund Wave 1 2022/23	Planning	5%	



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