

Name of meeting: CORPORATE GOVERNANCE & AUDIT COMMITTEE
Date: 10 MARCH 2023
Title of report: QUARTERLY REPORT OF INTERNAL AUDIT Q3 2022/23
 OCTOBER 2022 TO DECEMBER 2022

Purpose of report.

To provide information about internal audit work in quarter 3 of 2022/23

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	not applicable
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	not applicable
The Decision - Is it eligible for call in by Scrutiny?	not applicable
Date signed off by Strategic Director & name	not applicable
Is it also signed off by the Service Director for Finance IT and Transactional Services?	not applicable
Is it also signed off by the Service Director for Legal Governance and Commissioning Support?	not applicable
Cabinet member portfolio	not applicable

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public with a private appendix

The appendix to this report is recommended for consideration in private because the information contained in it is exempt information within part 1 of Schedule 12A of the Local Government Act 1972 namely that the report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information and providing greater openness in the Council's decision making.

Have you considered GDPR? Yes

1. Summary

1.1 This report sets out the activities of Internal Audit in the third quarter of 2022/23.

- 1.2 The report contains information about two investigations and nineteen audits completed during the period.
- 1.3 The investigations related to two direct payments frauds. One was by an employee who had temporarily taken funds recovered from a direct payments bank account into her own bank account, and then transferred this back to the Council. The second involved false claims submitted by a carer to the direct payment account, which were then remitted to the client being cared for. Both the client (now deceased) and the carer (to a lesser extent) benefited personally from this arrangement.
- 1.4 There were routine audits at 11 schools, all substantial (7) or adequate (4) assurance. The work in respect of other financial systems and business processes were less satisfactory. Only two of these had adequate assurance (Adults-Deferred Charges and Homes & Neighbourhoods Assets database); the others, relating to catering income at a residential facility, school exclusions, employee attendance management and lone working were all rated as having limited assurance. The two follow up audits- Plant Hire by Homes & Neighbourhoods Property Services, and Adults Emergency Duty team both also still have only limited assurance, although in both areas some progress has been made.
- 1.5 Internal Audit also continued with its activity to support several governance areas and has reviewed certain grants and payment regimes, Work has also been done to review IT access controls on core systems, as raised by the external auditor (and as featured elsewhere on this agenda).
- 1.6 The proportion of activity that was reviewed in the period and found to offer only limited assurance was 32%, and cumulatively in the year 27%. However, if schools are excluded (all attracted positive assurance), the in-quarter result finds 75% offer limited assurance (year cumulative 55%). This is a somewhat unsatisfactory position. It may reflect many general business processes being included and found to have unsatisfactory features so far this year, a number of which were subject to audit because it was known that they include likely areas for improvement, There are a number of follow up audits that have failed to fully improve.
- 1.7 This does not mean that the financial control environment is seriously compromised but does suggest a potential need to address business processes to bring broader assurance about the delivery of council objectives.
- 1.8 Executive Team have considered this matter and recognise the importance of having a strongly assured control environment and have agreed to take steps through directorate leadership teams and other forums to ensure that there is activity to improve systems and processes, and to address matters identified through internal audit work.
- 1.9 The Council's Fraud Investigation Team has been party to denying 7 Right to Buy applications with 1 property recovered. A further 16 Right to Buy investigations are ongoing. 10 investigations are also ongoing related to other aspects of tenancy fraud. 15 cases of Blue Badge Misuse have led to prosecution, and 22 to warning letters.
- 1.10 The Committee has previously noted the prosecution of two individuals who together defrauded £60,000 of Covid Business grants. They pleaded guilty and were sentenced in November 2022, receiving sentences of 2 years and 18 months, suspended for 2 years, and banned from being company directors for 10 years and required to pay costs of £70,000. A further investigation, which relates to Covid business grants in Kirklees and Lincolnshire, is being pursued by Lincolnshire Police.
- 1.11 The Council's Cabinet have now approved a new Counter Fraud Strategy, which restates the expectation that everyone acts with integrity when dealing with the Council, but the arrangements and systems will look to prevent and detect fraud, with actions always being taken against offenders. This now requires development across

the Council to achieve a more corporate approach, it being every employee's responsibility to prevent fraud.

1.12 Progress on the audit plan during the autumn improved somewhat. It is hoped that the audit plan, or near substitute work will be completed by the end of the financial year.

1.13 It was agreed at March 2018 Council that this Committee consider any surveillance activities under the Regulation of Investigatory Powers Act 2000. There are none this quarter. The annual RIPA returns to IPCO has been made and it is currently being processed.

2. **Information required to take a decision**

2.1 The detail of the audit work performed this quarter is contained within the private Appendix.

3. **Implications for the Council**

3.1 **Working with People** – None directly

3.2 **Working with Partners** – None directly

3.3 **Place Based Working** – None directly

3.4 **Improving outcomes for children**– None directly

3.5 **Climate change and air quality**- None directly

3.6 **Impact on the finances of local residents**- None directly

3.7 **Other (e.g., Legal/Financial or Human Resources)**- Although each of the sub categorisations above suggest no direct implications, the work of internal audit covers all aspects of the Council's operations, including elements of the above, either specifically, indirectly or on a commissioned basis. The main issues relate to those areas highlighted above- where there are risks associated with basic processing arrangements and delivering sound governance and control.

4. **Consultees and their opinions**

There are no consultees to this report although heads of service/directors participate in and respond to individual pieces of work

5. **Next steps and timelines**

5.1 To consider if any additional activity is sought. (Limited assurance audit outcomes are routinely followed up)

6. **Officer recommendations and reasons**

6.1 Members of the Committee ask to see proposals from the Executive Team intended to strengthen the general control environment.

6.2 Members are asked to note the Internal Audit Quarterly Report and determine if any further action is sought on any matter identified.

6.3 Members are also asked to note that there has been no Regulation of Investigatory Powers Act activity during the period quarter 3 2022/23.

7. **Cabinet portfolio holder's recommendations**

Not applicable

8. **Contact officer**

Martin Dearnley, Head of Risk & Internal Audit (01484 221000 x73672)

9. **Background Papers and History of Decisions**
Previous Quarterly Reports, Audit Plan, and confidential appendix.
10. **Service Director responsible**
Not applicable