



# **Internal Audit & Counter Fraud Quarterly Report**

**Quarter 2 2024/25  
July to September**

## 1 Introduction

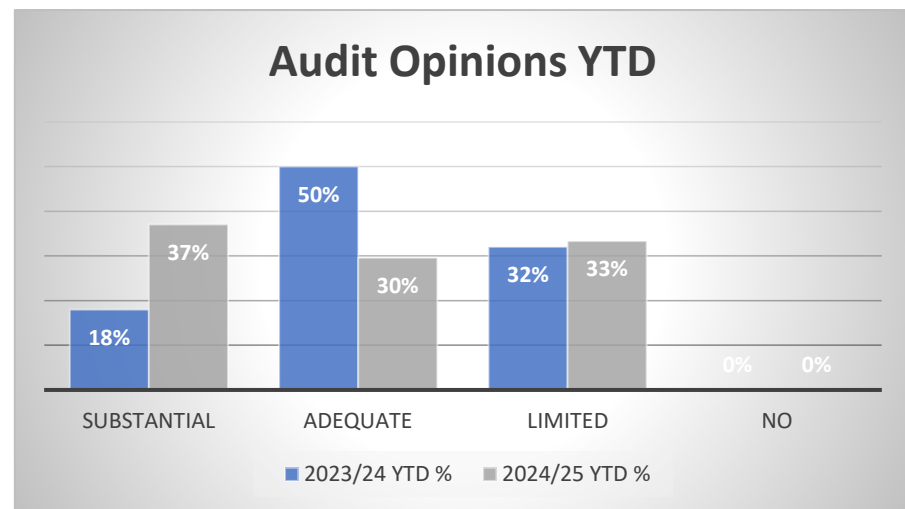
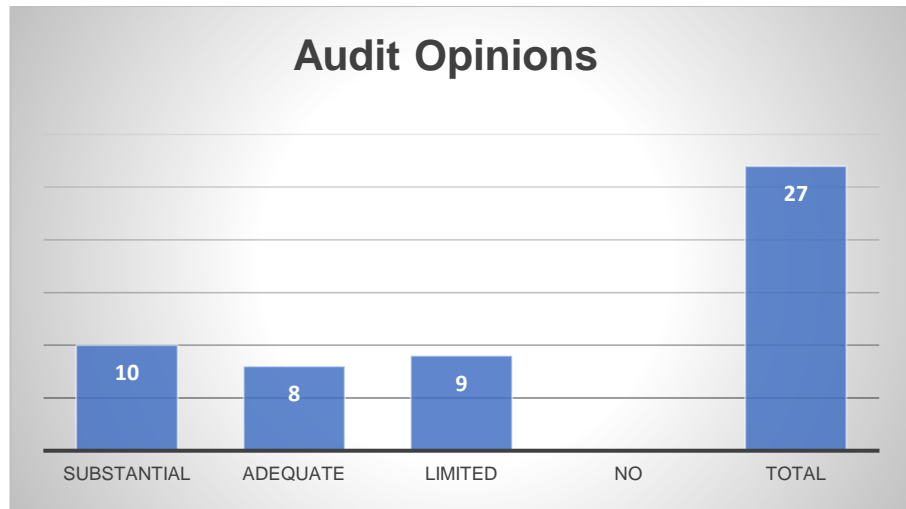
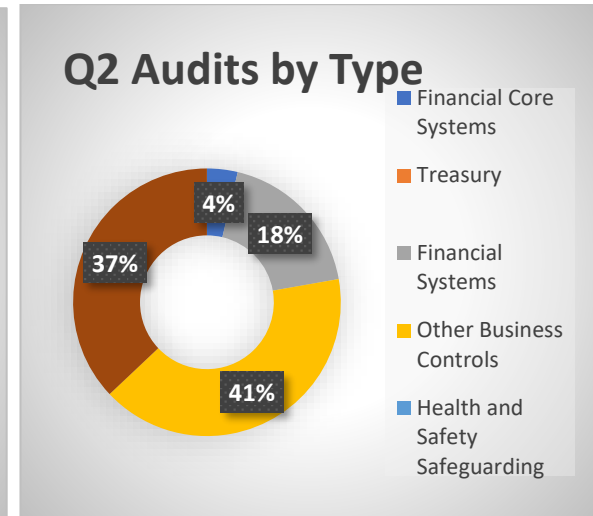
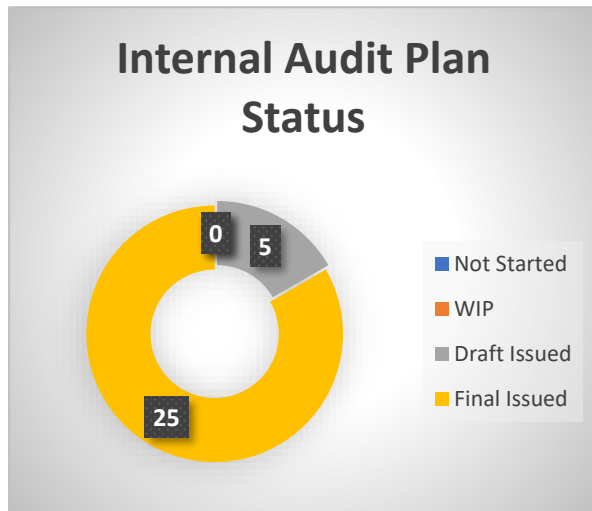
This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action has been through the required stages and any appeal time. A number of audits are awaiting finalisation and will be reported in the next quarter.

Where an assurance opinion was appropriate these reflected the standard framework below

| Opinion               | Definition - Control Adequacy  | Definition - Control Application   |
|-----------------------|--|--|
| Substantial Assurance | A robust framework of all key controls exists that is likely to ensure that objectives will be achieved.   | Controls are applied continuously or with only minor lapses.                       |
| Adequate Assurance    | A sufficient framework of key controls exists that is likely to result in objectives being achieved but the overall control framework could be stronger. | Controls are applied but with some lapses.   |
| Limited Assurance     | Risk exists of objectives not being achieved due to the absence of a number of key controls in the system.   | Significant breakdown in the application of a number of key and/or other controls. |
| No Assurance          | Significant risk exists of objectives not being achieved due to the absence of key controls in the system.   | Serious breakdown in the application of key controls.                              |

All audit work attracts recommendations intended to achieve at least an adequate level of control. All audits resulting in a negative - "limited assurance" or "no assurance" - opinion are followed up as a matter of course, whereas confirmation of progress in implementing agreed recommendations in other reports is sought periodically.

## 2 Internal Audit Assurance Map and Quarterly Dashboard



### **3 Planned Audit Work Completed in the Period**

#### **3.1 Financial System and Service Audits**

|     | <u>Audit</u>  | <u>Opinion</u>   | <u>Recommendations</u> |             |                  |
|-----|---|--|------------------------|-------------|------------------|
|     |   |  | Fundamental            | Significant | Merits Attention |
|     | <b><u>Core Financial Systems</u></b>                |  |                        |             |                  |
|     | <b><u>People Services</u></b>                       |  |                        |             |                  |
| 015 | Accounts Payable (creditors)                        | <b><u>Adequate Assurance</u></b>   | 0                      | 3           | 0                |
|     | <b><u>Other Financial Systems and Processes</u></b> |  |                        |             |                  |
|     | <b><u>Children and Families</u></b>                 |  |                        |             |                  |
| 016 | Direct Payments                                     | <p><b><u>Limited Assurance</u></b></p> <p>This attracts 'limited assurance' as there are gaps and confusion in policy and process. With key findings and recommendations in the following areas:</p> <ul style="list-style-type: none"> <li>• Clarity of policy</li> <li>• Monitoring of direct payment accounts</li> <li>• Evaluation of whether the care plans and amounts of monies spent are achieving the desired level of outcomes.</li> </ul> | 0                      | 19          | 4                |

|            |   |   |   |   |   |
|------------|---|---|---|---|---|
|            |   | <p>All aspects of children direct payments management and administration have now been brought under children and families. Bringing this in-house, is an opportunity for 'joined-up' processes and improved collaboration and communication between all the teams that are involved.</p> <p>The audit findings can be used to inform policy and processes, and if these can be implemented across the relatively small and manageable number of Children's Direct Payments clients, it should be possible to create a more cohesive, seamless, value for money service.</p> <p>A separate audit was carried out at the same time on the larger number of direct payment clients within Adults and Health. This report is at the draft stage and will appear in the quarter 3 audit report.</p> <p>Both services have accepted all of the recommendations and whilst Childrens Services have promised to implement the recommendations in the next few months, a number of Adult activities form part of a wider practice and policy change, these may not be implemented until October 2025.</p> |   |   |   |
|            |   |   |   |   |   |
|            | <b><u>Legal, Governance &amp; Commissioning / Strategy &amp; Innovation</u></b> |   |   |   |   |
|            |   |   |   |   |   |
| <b>017</b> | Members' Code of Conduct & Allowances   | <b><u>Adequate Assurance</u></b>  | 0 | 3 | 4 |

|            |  |  |   |    |    |
|------------|--|--|---|----|----|
|            |  |  |   |    |    |
|            | <b><u>Other Business Controls</u></b>    |  |   |    |    |
|            |  |  |   |    |    |
|            | <b><u>Homes &amp; Neighbourhoods</u></b> |  |   |    |    |
| <b>018</b> | Tenancy Allocation                       | <p><b><u>Limited Assurance</u></b></p> <p>Overall compliance with the Allocations Policy was found to be generally robust but with amendments suggested relating to management lets and decants. A review of choose 'n' move choice-based lettings system found this to be operating effectively with no irregularities identified.</p> <p>Issues were identified in relation to process and procedural inefficiencies, limited controls and application of management discretionary, as follows:</p> <ul style="list-style-type: none"> <li>• A lack of detailed standard operating procedure guides to establish best practice.</li> <li>• Inconsistent and incomplete audit trails on Contact Manager.</li> <li>• Lack of cross-service data sharing to facilitate regular reviews and prioritisation of workloads.</li> <li>• No quality assurance process to strengthen lapses in controls for management authorisations and supervision.</li> <li>• Too many staff attending panels for management lets and decant applications.</li> <li>• Unrestricted access rights enabling users to make retrospective changes. (a fraud risk)</li> </ul> <p>These issues undermined assurance concerning tenancy successions with potential queue jumping regarding securing a property ahead of other applicants with a greater housing need:</p> | 1 | 11 | 11 |

|            |   |  |   |   |   |
|------------|---|--|---|---|---|
|            |   | <p>These are tenants<br/>+with (previously) accumulated arrears<br/>+becoming secure after 12 months despite anti-social behaviour reports or rent arrears</p> <p>Caused by a lack of engagement and regular review by housing officers and management oversight. Different teams and activities within the Service often operate independently of one another (silos).</p> <p>The service has accepted all the recommendations, and these are to be actioned largely by March 2025. Those that involve system changes will be implemented as a part of the CX implementation during 2025/26</p> |   |   |   |
|            | <b><u>Development</u></b>               |  |   |   |   |
| <b>019</b> | Asbestos Management (Corporate estate)  | <b><u>Substantial Assurance</u></b>  | 0 | 0 | 0 |
| <b>020</b> | Fire Risk Management (Corporate estate) | <b><u>Adequate Assurance</u></b>   | 0 | 4 | 2 |
|            | <b><u>Children and Families</u></b>     |  |   |   |   |
| <b>021</b> | Independent Foster Agencies             | <b><u>Adequate Assurance</u></b>   | 0 | 4 | 3 |
|            | <b><u>Communities and Access</u></b>    |  |   |   |   |
| <b>022</b> | Prevent                                 | <b><u>Adequate Assurance</u></b>   | 0 | 3 | 9 |

### **3.2 Follow - Up Audit Work Completed in the Period**

|     | <u>Follow Up Audit</u>              | <u>Opinion</u>                      | <u>Outstanding Recommendations</u> |             |                  |
|-----|-------------------------------------|-------------------------------------|------------------------------------|-------------|------------------|
|     |                                     |                                     | Fundamental                        | Significant | Merits Attention |
|     | <b><u>Children and Families</u></b> |                                     |                                    |             |                  |
| 023 | Regional Adoption Agency            | <b><u>Substantial Assurance</u></b> | 0                                  | 1           | 0                |
| 024 | School Exclusions                   | <b><u>Adequate Assurance</u></b>    | 0                                  | 4           | 1                |

### **3.3 School Audits**

|     |                       |   |
|-----|-----------------------|---|
| 025 | Substantial Assurance | 1 |
| 026 | Adequate Assurance    | 1 |
| 027 | Limited Assurance     | 1 |
|     | No Assurance          |   |

## **4 Investigations and other Audit Activity**

### **4.1 Corporate**

#### **National Fraud Initiative 2024/25 – Data Validation & Submission**

This task relates to about a dozen datasets including payroll, accounts payable, housing tenants, right to buy properties, council tax reduction recipients, licensed taxi drivers, residential parking permit holders and those on the Housing Waiting List. Other data is obtained by the Government directly including housing benefit claimants, student loan recipients and blue badge holders.

Service data owners have provided the required information for secure upload which has been sense tested for completeness, verified to ensure it is in the format prescribed by the Cabinet Office and does not include any data relating to third parties for which the Council processes or manages, such as other landlords or other organisations. Errors and omissions have been flagged to data owners and corrected accordingly.



## **4.2 Family Support & Child Protection**

### **Stronger Families Programme**

As reported in previous quarters, there has been a change in qualifying criteria for this claim and it was found that data integrity was not adequate and on this basis most of the claim could not be submitted as eligible for SFP support. Concerns were raised by the Government that claim amounts in the last three quarters of 23/24 were exceptionally small. Development of a new process to ensure data integrity has been carried out working closely with Somerset Council who are recognised government data champions. This has rectified the issues, and the most recent quarter claim was more in line with the expected forecasts though there is still a shortfall. Further work is continuing between the data team and Children Services to embed the new process including “stop the clock days” so that the focus is on these types of cases. Audit have agreed to carry out an extended piece of work in quarter 4 to provide further assurance that such initiatives are successful.

## **5. Counter Fraud Work**

### **5.1 Housing and Blue Badge Fraud**

| <b>Investigation Type</b>  | <b>Cases Brought Forward</b> | <b>New Referrals</b> | <b>Ongoing</b> | <b>Closed Prosecutions</b> | <b>Closed: No Fraud Proven or Warning Issued</b> | <b>Applications Cancelled</b> | <b>Properties Returned and Application Cancelled</b> |
|----------------------------|------------------------------|----------------------|----------------|----------------------------|--|-------------------------------|--|
| Right To Buy               | 21                           | 15                   | 16             |                            | 11   | 6                             | 3  |
| Tenancy Fraud              | 13                           | 3                    | 12             |                            | 3  |                               | 1  |
| Multi-Agency/Service Cases | 2                            |                      | 1              |                            |  |                               | 2  |
| Blue Badge                 | 42                           | 34                   | 31             | 24                         | 21   |                               |  |

## **5.2 Council Tax and Business Rate Fraud**

| Investigation Type | Cases Brought Forward | New Referrals | Ongoing | Closed Prosecutions | Closed: No Fraud Proven | Closed: Referred to Government Agency |
|--------------------|-----------------------|---------------|---------|---------------------|-------------------------|---------------------------------------|
| Council Tax        | 15                    |               | 4       |                     | 11                      |                                       |
| Business Rate      | 5                     |               | 5       |                     |                         |                                       |
| COVID Grants       | 37                    | 1             | 2       |                     |                         | 34                                    |

## **5.3 HD-One Payment Fraud**

| Investigation Type | Q2 | YTD | Ongoing | Fraud Attempted | Fraud Successful | Monies Reclaimed |
|--------------------|----|-----|---------|-----------------|------------------|------------------|
| Payment Fraud      | 5  | 7   | 1       | 3               | 1                | 1                |

## **5.4 Adult Social Care – West Yorkshire Financial Exploitation and Financial Abuse Team**

### **WYFEAT – Adult Social Care (April – August 2024)**

| Referrals Received | Investigations | Pre-Investigations | Safeguarding Only | Yet to be designated | Closed | Value (£): YTD |
|--------------------|----------------|--------------------|-------------------|----------------------|--------|----------------|
| 3                  | 3              | 1                  |                   | 1                    |        | 0              |

### **5.5 Other Investigative Work**

|                           |   |
|---------------------------|---|
| Investigation Type        |   |
| Money Laundering<br>Cases | 2 |

### **6. Regulation of Investigatory Powers Act investigations**

None this period.