



Internal Audit & Counter Fraud Quarterly Report

**Quarter 3 2024/25
October to December**

1 Introduction

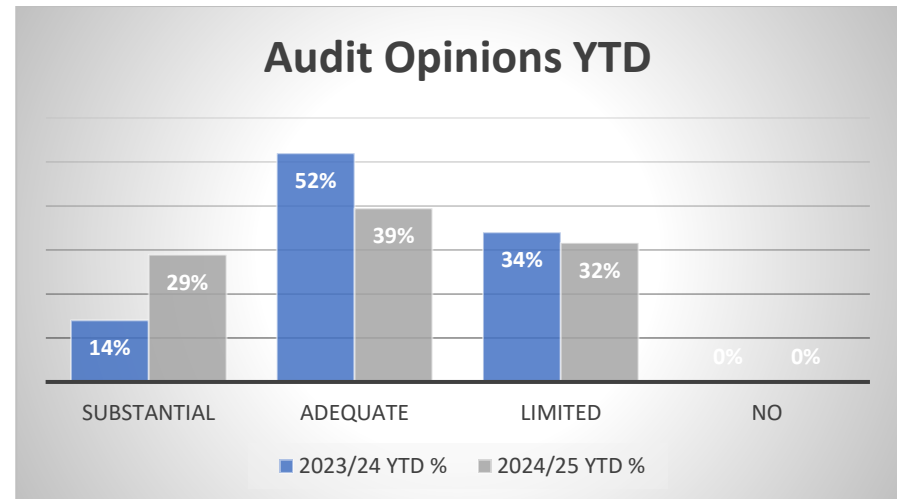
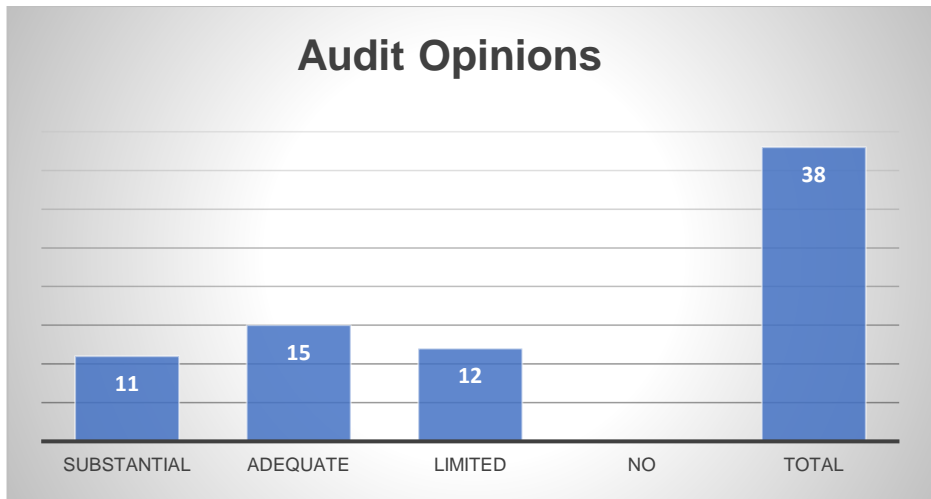
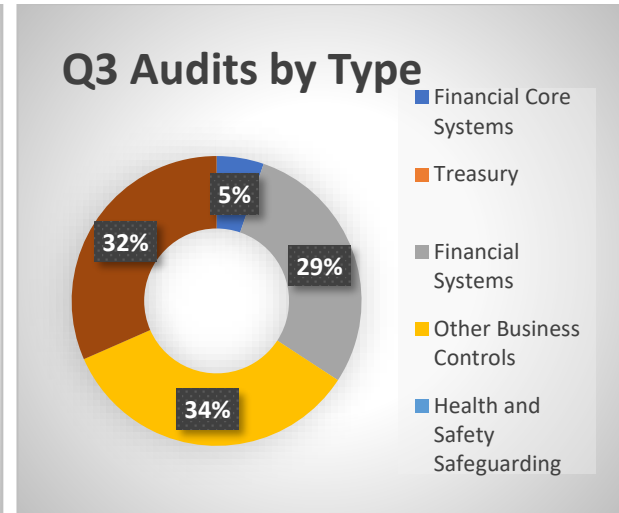
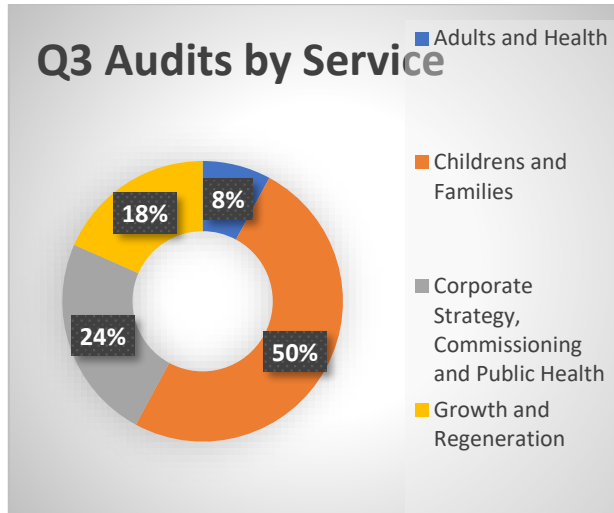
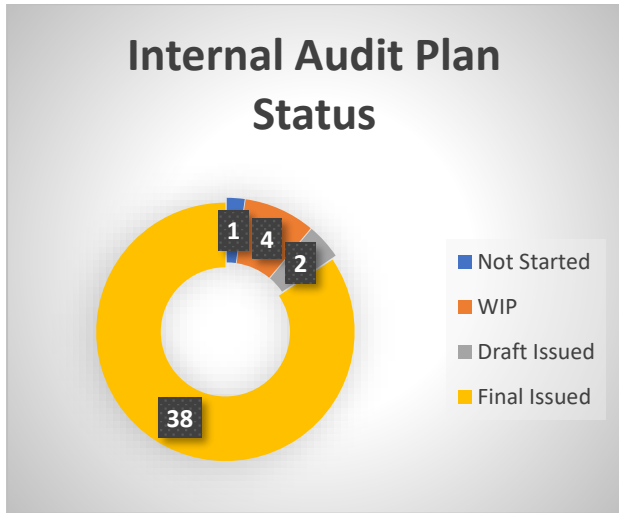
This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action 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

Classification of Recommendations

Fundamental	A recommendation, often requiring immediate action that is key to maintaining an appropriate control environment and thereby avoiding exposure to a significant risk to the achievement of the objectives of the system, process or location under review.
Significant	A recommendation requiring action that is necessary to improve the control environment and thereby avoid exposure to a risk to the achievement of the objectives of the system, process or location under review.
Merits Attention	A recommendation where action is advised to enhance control or improve operational efficiency.

3.1 Financial System and Service Audits

	<u>Audit</u>	<u>Opinion</u>	<u>Recommendations</u>		
			Fundamental	Significant	Merits Attention
	<u>Core Financial Systems</u>				
	<u>Finance</u>				
028	Bank Reconciliation	<p><u>Adequate Assurance</u></p> <p>Reconciliation the Councils 6 bank accounts is a fundamental part of the control assurance for the organisation as it links to the integrity and validity of all other financial information. It is very important that the identification and resolution of anomalies and errors between the bank balances and financial ledger (SAP) is maintained in a timely and complete fashion. Although Finance has overall responsibility, HD One staff input into four of the accounts relating to payments, income and direct debits.</p> <p>Whilst the opinion represented an improvement since the last audit, and overall reconciliation was up to date and complete, there was scope for improvement in</p>	0	4	3

		relation to the audit trail of work undertaken, clearing suspense accounts promptly and clarifying roles following staff turnover.			
	<u>Other Financial Systems and Processes</u>				
	<u>Adults and Health</u>				
029	Direct Payments	<p><u>Limited Assurance</u></p> <p>Direct payments (DP) occur when a person who requires a care package (or their representative/carer) opts to receive the payment directly so that they can organise the care arrangements personally as an alternative to receiving services organised by Kirklees. The current annual amount of total payment equates to £30m.</p> <p>The scope of the audit was to review the policies to determine effectiveness and appropriateness, and that controls are in place to ensure compliance with policy. The processes and controls were also reviewed at each stage of the DP from the point of assessment through to monitoring, to determine if there are adequate and effective controls in place for each Service and to ensure that DPs issued are spent in line with policy and care plan.</p> <p>A review was already underway at the time of the audit - the policy was given an adequate assurance opinion in its current form. The majority of the significant classified</p>	0	14	15

		<p>recommendations relate to the compliance with the policy. The audit did identify instances where there were gaps in controls in ensuring that expenditure was in line with the corresponding care plan. However, the key theme across the findings was a need for a 'joined-up' process for all stakeholders to help resolution of any issues identified when monitoring DPs. It was recommended that there would be benefit from an end-to-end review of this process involving all stakeholders, (including the payroll management companies), which captures each of the issues and recommendations raised to ensure a cohesive approach to DP management with the purpose of setting out clear responsibilities and closing the loop between monitoring and any subsequent action.</p> <p>Testing of individual cases predominantly identified recommendations that were classified as merits attention.</p>			
	<u>People Services</u>				
030	Agency Labour	<p><u>Adequate Assurance</u></p> <p>Agency staff are needed for a variety of reasons, including to maintain minimum staffing levels, to cover for absence e.g. sickness/maternity, to deal with temporary peaks in demand/specific projects, and where there are recruitment and retention difficulties. Agency appointments follow the same corporate route and restrictions as direct recruitment.</p> <p>A contract is in place managed by People Services for the provision of additional labour in various skills and</p>	0	4	2

		<p>Service areas across the Council, with a budget this year of £750k.</p> <p>Payments to the supplier were found to be correct and in accordance with the contract for the bookings made.</p> <p>A significant amount of agency labour is also procured outside of the corporate contact, sometimes for legitimate reasons e.g. inability to provide the quantity of education psychologists needed, and sometimes historical ones where original arrangements due to market shortfall in professional skills have been extended as custom and practice, becoming ongoing rather than short term eg building surveyors and highways engineers. Service Directors with support from Corporate Procurement need to satisfy themselves that these arrangements represent value for money.</p>			
031	BACS Bureau Accreditation	<p><u>Adequate Assurance</u></p> <p>The Council operates a “payment bureau” because it manages payment on behalf of third parties- such as WY Fire Service and this requires accreditation to manage payments which includes a triennial internal audit of controls.</p> <p>Business continuity arrangements arising from a dependence and point of vulnerability on one software product continue to be the main issue precluding a Substantial Assurance opinion and one raised previously by the (independent) inspector. Options are currently being discussed at the Technology Board.</p>	0	2	3

032	Election Payments	<p><u>Adequate Assurance</u></p> <p>The scope of the audit was to assess process and testing of payments made to temporary and permanent employees specifically for the purpose of administrating election day duties. This is a low risk to the council.</p> <p>The significant findings relate to improvement in the process due to manual interventions that are currently in place, which is inefficient and increase the risk of error and fraud. However, only minor errors were found through the testing of payroll data mitigating any areas of concern. The Elections Manager has agreed the recommendations</p>	1	3	0
	<u>Finance</u>				
033	Council Tax Support Scheme	<p><u>Adequate Assurance</u></p> <p>The Scheme supports over 32,000 households of pensioners and working age to the extent of over £30m per annum providing assistance to their council tax liability.</p> <p>The controls in place are adequate and effective and are compliant with best practice for transaction activity with the exception of claim review. Here, where claims are reassessed, a large proportion of the reassessments result in a reduction in entitlement. However, despite this evidence, the number of reviews undertaken remains small. It would be cost effective to increase the</p>	0	1	2

		rate of reassessment, and appropriate to consider a future review of aspects of the scheme to ensure it targets limited support most appropriately			
	<u>Highways & Streetscene</u>				
034	Fuel Procurement, Control & Issue	<p><u>Adequate Assurance</u></p> <p>The vehicle fleet mainly uses diesel oil, which is purchased as part of a wider liquid fuel contract from one supplier following a competitive exercise by the YPO and stored in tanks at Vine Street, George Street, Honley and The Reins Depots prior to issue. Pumps are operated by the use of two keys, a vehicle related one and a driver one.</p> <p>Overall, there are appropriate systems and controls in place within the Transport Service to ensure accurate purchasing, storing and issuing of fuel. Although inventory levels are continuously monitored, transactional data samples obtained from the fuel management system indicates there is a large volume of incorrect mileage input from drivers operating the pumps. This issue was also raised by the service manager during the audit. Sample testing provided enough evidence to suggest that fuel is, overall, issued correctly but the audit was unable to determine definitively if there had been any smaller scale misuse.</p>	0	2	2
	<u>Other Business Controls</u>				
	<u>Highways & Streetscene</u>				

035	Structures (collapse)	<p><u>Adequate Assurance</u></p> <p>The Council is responsible for the condition of a range of structures of which bridges and walls are the highest in number and risk. This audit focussed on the former, of which there are over 200. Of a total budget of £1.2m for maintaining Structures, £270k relates to bridge strengthening schemes. The Highways Agency and Network Railway have responsibility for the most significant bridges in the Borough.</p> <p>Bridge collapse is common worldwide with fatal and economic consequences, including those from the Ponte Morandi in Genoa 2018.</p> <p>Generally, an inspection programme is in place to manage this risk with results captured and controlled in the asset management system (AMX). Delays have been experienced in processing outsourced Inspection reports between 2022 and 2024. This should be improved with the restructured contract that has just been awarded for the period 2024/26. The audit highlighted several opportunities for controls and oversight to be introduced (or reintroduced) around the monitoring of inspections and their completion. All defects are logged onto AMX and therefore there is a record of all maintenance and repairs required to keep an asset in its current condition. However, this is not used to inform a works programme or repairs, which is instead based on safety critical outcomes from inspections, notifications of defects, and the assessment programme. Therefore, although the Service is complying with the legal obligation to keep users of the highways safe, the lack of funds and capacity prevent any work on preventative</p>	0	3	7
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		maintenance with a risk of 'managed decline'. This is recognised in the Service risk register as an issue faced across the whole of Highways.			
	<u>Communities</u>				
036	Domestic Abuse	<p><u>Limited Assurance</u></p> <p>The Domestic Abuse Team arrangements were reviewed to ascertain an opinion on the controls and risks associated with:</p> <ul style="list-style-type: none"> • Governance to deliver the 2022-27 Kirklees Domestic Abuse Strategy, which is owned by the Domestic Abuse Strategic Partnership • Service Controls • Contract Review and Management • Budget Monitoring • Annual Returns <p>Although the service is meeting its statutory duties, recent adoption of a new strategy and various competing work pressures led to limited assurance opinions in all areas except budget monitoring and annual returns. Insufficient progress has been made on the arrangement for contract performance measurement of a new large contract. Fundamental recommendations relate to contract management and data processing, with other recommendations largely related to internal service processes and control and contract review and management.</p>	2	14	7

3.2 Recommendation Follow - Up Audit Work Completed in the Period

None this period, but see 3.4

3.3 School Audits

037	Substantial Assurance	1
	Adequate Assurance	0
038	Limited Assurance	1
	No Assurance	0

3.4 Significant and Fundamental Recommendation Themes

<u>Fundamental/Significant Recommendation Theme</u>	<u>No. of audits 23/24 & 24/25</u>
Information management - GDPR	2
Information management – data protection-DPIA	5
Contract Management	6

4 Investigations and other Audit Activity

4.1 Corporate

National Fraud Initiative 2024/25 – Exception Reports

The Council is obliged to participate in the government controlled national fraud initiative, which compares various data sets supplied by local authorities with other data sets sourced from government departments. Exception reports for the majority of datasets became available immediately before Christmas 2024 and work has commenced to review and investigate as appropriate based on areas of highest risk. The outcome of the Initiative will be reported in due course.

4.2 Family Support & Child Protection

Stronger Families Programme

The DfE announced in October 2024 that payments by results process will be stopping at the end of this financial year for the Stronger Families Programme, so Kirklees will no longer need to process data and evidence outcomes in the current way. It was also announced that all local authorities will get their full allocated funding for 2024/25 regardless of how many claims they submit. We therefore reduced the scrutiny that we had been applying over the last 15 months due to the data integrity issue but still audited a sample of cases to fulfil the current requirements of the programme.

4.3 Culture & Visitor Economy

Arts Council Grant – Kirklees Year of Music

Verification of a financial statement including the use of £800k funding from the Arts Council.

4.4 Highways & Streetscene – WYCA Grants

Further verification work relating to schemes and projects funded by WYCA.

5. Counter Fraud Work

5.1 Housing and Blue Badge Fraud

Investigation Type	Cases Brought Forward	New Referrals	Ongoing	Closed Prosecutions	Closed: No Fraud Proven or Warning Issued	Applications Cancelled	Properties Returned and Application Cancelled
Right To Buy	16	5	21				
Tenancy Fraud	12	5	17				
Multi-Agency/Service Cases	1	1	2				
Blue Badge	31	52	40	11	32		

There has been a large increase in Right to Buy applications in general since June 2024. The increase was then very significant after the proposed changes to the legislation was announced. This has presented a knock-on effect to the fraud team who process the associated credit checks.

The fraud we are encountering is becoming more complex, and cases are becoming longer. Often searches suggest fraud is being committed in other aspects of the suspects lives and we are making increasing referrals to the Police and other government agencies.

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	4		4			
Business Rate	5		4			1
COVID Grants	2		2			

5.3 HD-One Payment Fraud

Investigation Type	Q2	YTD	Ongoing	YTD Fraud Attempted	YTD Fraud Successful	YTD Monies Reclaimed
Payment Fraud	2	9	1	7	1	1

The fraud cases for the quarter relate to attempts to obtain and change payroll information. One was internal to Kirklees the other was aimed at schools. Both were intercepted and stopped with no further action required other than disseminating the information to other parties that may be targeted by the same or similar attempts.

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 Cases	3

6. Regulation of Investigatory Powers Act investigations

None this period.