



Internal Audit & Counter Fraud Quarterly Report

**Quarter 4 2024/25
January to March**

1 Introduction

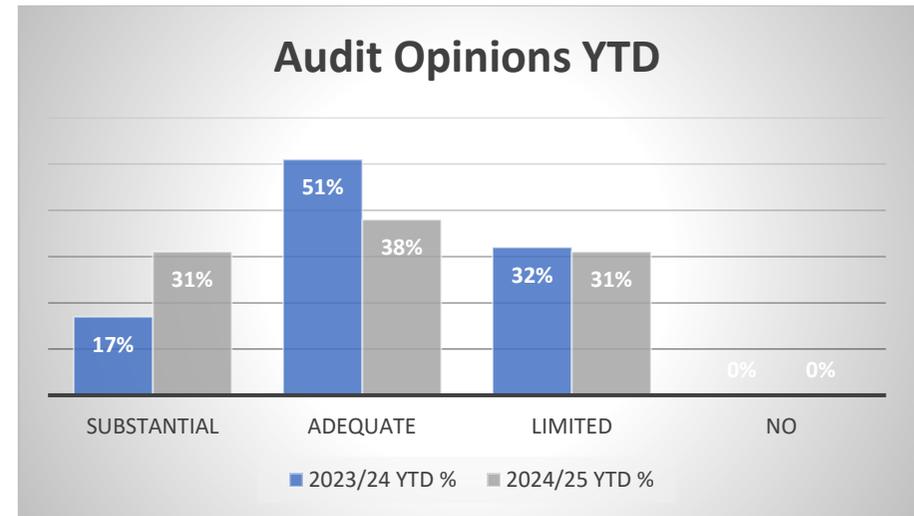
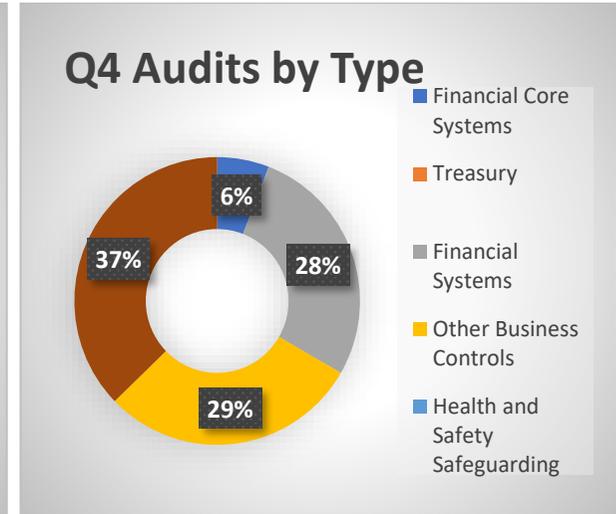
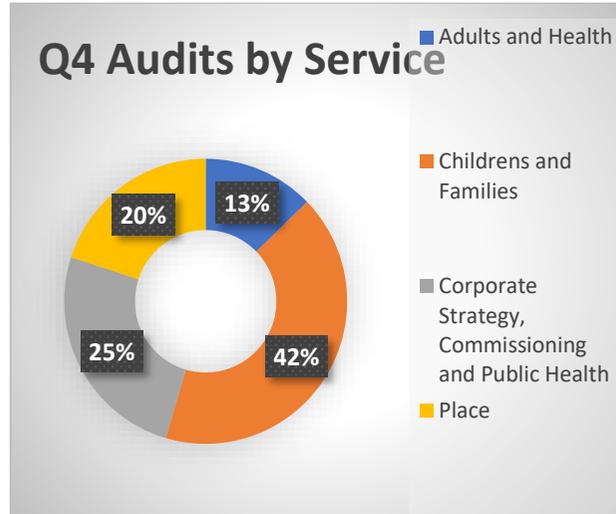
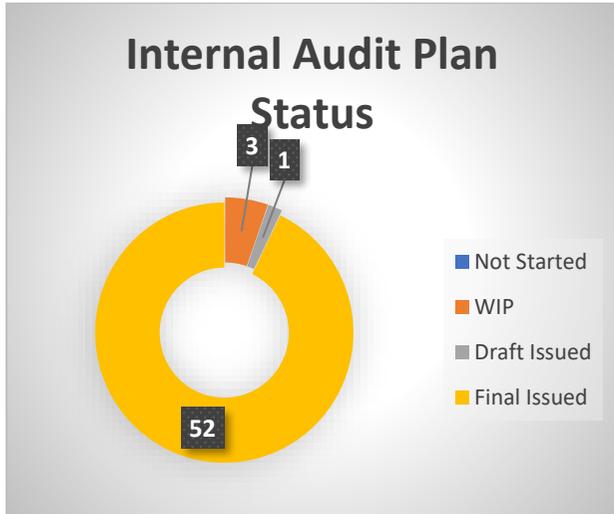
This report sets out the work of Internal Audit completed in the period shown above. All work included has reached a final, except if shown otherwise, management have accepted the findings and agreed to implement the recommendations, or, in the case of employee investigations, any disciplinary action 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
	<u>Core Financial Systems</u>				
	<u>Finance</u>				
039	External Grant Income	<p><u>Adequate Assurance</u></p> <p>The array of new grant providers and new grants has multiplied since the last audit, many of whom then require declarations from the Head of Internal Audit and /or S151 Officer as to the proper expenditure usage of their award, The overall proportion of income from the Government, non or quasi-governmental bodies and other organisations is very significant.</p> <p>Corporate oversight and horizon scanning of grants awarded and receivable by Services from a growing list of sponsors is provided by the External Funding and Resources Officer, in the Policy and Partnerships Team. Enhanced corporate records would help improve monitoring and planning processes.</p> <p>Finance staff continue to monitor grants when awarded and have the appropriate controls in place for oversight and for timely reconciliation particularly in relation to un-ringfenced grants. Sample testing established that all</p>	0	3	2

		<p>grant income due had been received and accounted for correctly.</p> <p>A review of the systems and processes for the receipt of grants confirmed that these had been established over several years and were found to be generally satisfactory and adhered to including grant determination letters received and stored appropriately under the relevant finance team file structure.</p>			
	<u>Other Financial Systems and Processes</u>				
	<u>Finance</u>				
	West Yorkshire Pension Fund	<p><u>Substantial Assurance</u></p> <p>The Director of Finance asked for assurance to support his annual declaration to the Fund that the systems and procedures in SAP (payroll and ledger) were sufficiently robust to ensure contribution deductions and resultant payments of contributions are robust for employees in the Fund.</p> <p>Initial sample testing managed to reconcile SAP modules at a higher level.</p>	0	0	3
	<u>Highways & Streetscene</u>				
040	Waste Management Contract	<p><u>Adequate Assurance</u></p> <p>Expenditure for the 2023/24 financial year was £17.6m, with a budget for 2024/25 of £18.2m. The contract payment process is based on an annual fixed charge and a gate fee per tonne. The contract has a 30-year duration (25+5years of extensions) and is currently in year 27.</p>	0	4	4

		<p>The audit provided assurance that overall effective arrangements are in place, and contract payments in 2024/25 in terms of the volume and type of waste, as evidenced as per the pricing document, were valid.</p> <p>Areas to strengthen and improve were noted, as the three-year contract extension due to start in April 2025 had not yet been signed and it was noted that the latest version of the Risk Register did not reflect the need for a new procurement. Regular on-site monitoring was not taking place, diminishing assurance that the required contract standards are adhered to.</p>			
	Children and Families				
041	Youth Justice Service	<p>Limited Assurance</p> <p>A routine financial audit of the Council's Youth Justice Service was undertaken as part of the 2024/25 internal audit plan. The last audit review was carried out in November 2016 which received a "substantial assurance" audit opinion. The Youth Justice Service's Financial Administration arrangements were reviewed to ascertain an opinion on the controls and risks associated for:</p> <ul style="list-style-type: none"> • Cash & Security • Petty Cash • Ordering and Invoice Procedures (incl. Purchasing Cards) • Budget Monitoring/Financial Overview <p>The scope of the review was agreed to be extended to include a review of information sharing arrangements specifically in relation to a multi-agency decision making panel identified occasions of disproportionate information sharing. This was identified and raised by the Youth Justice Service Manager. There were concerns that the information being share was not always proportionate to the circumstances and occurred prior to receiving</p>	2	6	2

		<p>consent. These instances occurred at a weekly 'out of court disposal panel' (O OCD) partnership meeting.</p> <p>Although most areas were given a substantial assurance opinion, a fundamental recommendation was made relating to GDPR arrangement requiring external disclosure to be proportionate to the cases presented and that correct parental consent should be sought. Testing from a sample of 10 cases showed that 70% were regarded as disproportionate.</p> <p>The audit opinion for cash and security arrangements petty cash system, process and reconciliation lacked assurance due to a fundamental absence of controls to prevent fraud and error. The amount of cash handling is limited to below £1,000 per annum therefore is deemed as low risk but this contributed to the overall limited assurance opinion for this particular audit.</p> <p>It should be noted that cash handling has been found to be an issue in other areas of the council with similar findings and recommendations.</p>			
	<u>Other Business Controls</u>				
	<u>Legal, Governance & Commissioning</u>				
<u>042</u>	Local Code of Corporate Governance	<p><u>Substantial Assurance</u></p> <p>Under the 2016 Governance Framework, CIPFA / SOLACE recommends that all local government bodies develop a local code of governance. The local code should set out how the authority's governance arrangements work towards meeting the seven principles of good governance, as set out in the Framework. The aim of the code is to enable the three most senior</p>	0	0	0

		<p>statutory officers to work together effectively to best advise their authority, implement its decisions, and help achieve good outcomes.”</p> <p>The audit coincided with a review as an action from the Annual Governance Statement and it was confirmed that the proposals that subsequently were reported to this Committee represented a strengthening of already sound arrangements.</p>			

3.2 Recommendation Follow - Up Audit Work Completed in the Period

	<u>Audit</u>	<u>Opinion</u>	<u>Recommendations</u>		
			Fundamental	Significant	Merits Attention
	<u>Children and Families</u>				
043	EHCP Team	<p><u>Limited Assurance</u></p> <p>For the reasons outlined in the report the audit opinion remains at Limited Assurance however, given the level of scrutiny already afforded to this area by the council, it is proposed that this team is not audited for at least 18 months to allow for further sustained progress to be made so that the new control environment can be suitably tested.</p> <p>There has been much progress made since the last audit however this has been slower than anticipated in the original action plan. This should not take away from the immense amount of work that is being carried out by the team under difficult conditions. The primary challenges are staff turnover and increase and complexity of demand. A new structure is in place, but some staff have left, and vacancies persist at both management and</p>	1	4	1

		<p>practitioner level. It will be a challenge to fill these and reduce staff turnover as things currently stand which is creating a perpetual time-consuming cycle where challenging fundamental change is difficult. New strategies on recruitment and retention have been recommended and are being established along with realistic timeframes for further progress.</p> <p>There has been a change in the system used for case management which provides a much better framework for control. This only took place in the last few months and there is still some reliance on spread sheets however this should be phased out once the system is further embedded. The system change has created some unintended reporting issues with data for the team and the wider council. Data analysis should shape work undertaken and without this management are reliant on anecdotal evidence that could be misleading. External additional specialised resource has just been approved address data quality, management and reporting issues but costs, and increase in risk have been created that could possibly have been avoided if the migration was completed more cohesively with all relevant parties.</p> <p>The team are primarily concentrating on new case compliance. There has been an increase of over 25% of statutory compliance since the last audit on new referrals however, annual reviews and other fundamentals such as communication, complaints and data analysis are not being fully prioritised because of resource pressure creating an element of backlog.</p> <p>Proactive communication is a fundamental problem, largely down to resource restraint. There is still a large volume of queries that come to the EHCP team that are not intended for the service that need to be filtered out. New email addresses have been set up to address this in part and a new local offer has been put into place. It is recommended that overall communication strategy</p>			
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		needs analysing to ensure that Kirklees is being presented as one entity rather than separate teams and key messages on strategy, policy and process are clear for those using SEND services. Although elements of this are outside the scope of the EHCP team's remit, the consequences of not doing this impacts greatly on an already overrun team and may also be creating inefficiencies in other teams across the council.			

3.3 School Audits

044-046	Substantial Assurance	3
047-048	Adequate Assurance	2
049-050	Limited Assurance	2
	No Assurance	0

3.4 Significant and Fundamental Recommendation Themes

<u>Fundamental/Significant Recommendation Themes</u>	<u>No. of audits identified</u>
Information management - GDPR	3
Information management – data protection-DPIA	5
Contract Management	6
Cash Handling (note this is now a very small part overall income)	4

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.

Data for the annual Council Tax Single Person Discount (SPD) Electoral Register Review was provided to Exchequer Services of 2+ adults registered to vote at properties with a SPD in force, plus details of those becoming 18 this year also with an SPD claim at the same address to incorporate into their account validation processes.

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. Therefore, the scrutiny that had been applied over the last 15 months due to the data integrity issue, was reduced, but a sample of cases were reviewed to fulfil the current requirements of the programme with no errors found.

4.3 People Services

BACS Bureau Accreditation Submission

Having audited the system controls as reported in Quarter 3, the final submission document was reviewed this quarter to ensure it reflected wider IT and business continuity arrangements and was presented in the context of the current position of the Council. Advice and a small number of amendments were made accordingly. The submission was successful, and the accreditation has been retained.

4.4 Adults & Health

Mosaic (IT System) Post Implementation Review

Mosaic allows case management in adult services and carries out the relevant customer charging and replaces the previous Carefirst system. In its current state, it is a basic version without many of the anticipated efficiencies or advantages that were set out at the beginning of the project. The project management board and team have conducted a well-managed exercise throughout the implementation phase, including a really strong training strategy and delivery; capturing any lessons learned to take forward to the next project but it was found that a lack of specialist Mosaic resource from the outset of the project led to delays and unforeseen issues during the implementation phase which in turn led to vastly increased project costs. Capital and revenue costs were £452k and £169k higher than the original business case which had a budget of £2m and £347k.

The system was delivered 2 years behind the original schedule. It took 4 years to deliver the system from the point of inception to go-live, other local authorities have taken a similar amount of time to complete such a system change which could suggest that the original planned timeframes were overly ambitious, and it was found that some of the delays were outside the control of the council. However, there are lesson learned to be taken forward to the wider council and subsequent system project teams.

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	21	3	17			6	1
Tenancy Fraud	17	5	15		7		
Multi-Agency/Service Cases	2		1		1		
Blue Badge	40	44	31	21	32		

There has been a large increase in Right to Buy applications in general since June 2024. The amount of RTB applications has reduced this quarter however there is currently a 11-week backlog in checks. This has presented a knock-on effect to the fraud team who process the associated credit checks.

The frauds being encountered are becoming more complex, and cases are becoming longer. Often searches suggest fraud is being committed in other aspects of the suspects lives, resulting in 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 Other Government Agency
Council Tax	4	1	2			3
Business Rate	4		4			
COVID Grants	2		1			1

5.3 HD-One Payment Fraud

Investigation Type	Q4	YTD	Ongoing	YTD Fraud Attempted	YTD Fraud Successful	YTD Monies Reclaimed
Payment Fraud	0	9	1	7	1	1

No fraud reported this quarter. There is an issue with the chargeback process being abused by some individuals to avoid certain payments and debt collecting mechanisms. A new policy and process are currently being produced to help combat this issue.

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

WYFEAT – Adult Social Care (April – March 2025)

Referrals Received	Investigations	Pre-Investigations	Safeguarding Only	Yet to be designated	Closed	Value (£): YTD
13	1	1	1	1	9	6040

5.5 Other Investigative Work

Investigation Type	YTD
Money Laundering Cases	4
HR Investigations	2

6. Regulation of Investigatory Powers Act investigations

None this period. Officer training planned for Q1/Q2 2025/26.