

Internal Audit and Counter Fraud Quarter 2 Progress Report 2020/21

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1. Summary of Completed Audits

Travel Expenses (2020/21)

- 1.1 Employees authorised by their manager to travel on Council business are entitled to claim reimbursement of the costs associated with their business journeys. The Council provides a range of options to pay for travel expenses, including reimbursement of work mileage outside of normal commuting mileage and associated costs; booking of public transport; booking of accommodation when required; and an essential user allowance.
- 1.2 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:
- There are clear and comprehensive policies and procedures in place, associated with all aspects of staff travel and travel expenses;
 - There are robust controls in place regarding the authorisation of staff travel and expenses;
 - Staff travel and expenses are claimed and paid in accordance with the Council's policies and procedures;
 - There are appropriate monitoring and reporting arrangements in place.
- 1.3 Overall, we found a range of weaknesses for administering staff travel claims and expenses. This included inconsistencies in relation to compliance with policies and procedures, and within the process itself, particularly in relation to staff mileage claims, where we identified overpayments and other errors. Therefore, we were only able to provide an opinion of **minimal assurance** over the controls in place.
- 1.4 In response to this, a number of improvements have been agreed with the Senior Leadership Team which are summarised as follows:
- The Council's Vehicle Allowance Policy and Procedure document will be reviewed and enhanced, incorporating guidance on other forms of transport and accommodation bookings, and additional policy requirements identified during the audit.
 - Guidance will be provided to managers outlining the checks that should be completed prior to mileage claims being signed off.
 - Controls will be introduced to help prevent the incidence of inaccurate claims, including duplicate submissions and excess mileage. More robust management checks will be introduced, and there is a new requirement for mileage claims to be submitted monthly.
 - Claimants will be expected to provide more information when describing their journeys, providing postcodes where possible. However, the Senior Leadership Team (SLT) will allow some departments flexibility in circumstances where officers travel to multiple sites on a daily basis. Such an arrangement, whilst improving efficiency, does carry a degree of risk. However, SLT has considered this, and on balance, this is something they are prepared to accept in the interests of efficiency.
 - The Chief Executive will send a reminder to all staff that journey details recorded on mileage claim forms must be complete, accurate, and in accordance with the Council's policy.
 - Managers have been reminded of the mandatory requirement to provide VAT receipts to evidence purchase card spend.

- Staff will be reminded that annual checks of driver and vehicle documentation are a mandatory requirement, and following management verification checks, documents will be stored in the Technology One system as evidence of approval.

1.5 As the overall opinion was “minimal assurance”, a follow up review will be undertaken in 2021/22 to ensure that the agreed actions have been implemented.

Cultural Compliance (Building Control) (2020/21)

1.6 The Building Control service at Horsham District Council aims to ensure that building work complies with the building regulations, by following a set of standards intended to protect people’s safety, health and welfare in and around built environments. The Building Control team check all aspects of construction including, but not limited to: foundations, damp-proofing, structure, insulation, ventilation, heating, sanitation, accessibility, fire protection, and means of escape in case of fire.

1.7 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- Management has put in place appropriate arrangements for monitoring delivery of the service and assessing it’s performance and effectiveness;
- All key activities undertaken by the team are conducted in accordance with the Council’s policies and procedures and comply with basic internal controls;
- Robust management arrangements are in place and all members of staff are subject to appropriate management and supervision;
- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process.

1.8 Overall, we were only able to provide an opinion of **partial assurance** over the controls operating in the area under review. This is because a number of areas of poor compliance with corporate policies and procedures were identified.

1.9 A management action plan has therefore been agreed with the Head of Building Control, this included measures to:

- Appoint a new risk champion who is responsible for ensuring the Building Control risk register is regularly updated to reflect the current risk profile and submitted to the Performance Team for quarterly reporting purposes.
- Improve data protection controls through the development of an Information Asset Register and Data Flow spreadsheet and ensuring all records that are currently kept by an external records management company, offsite, are returned, reviewed and stored at Parkside or destroyed in line with the Council’s records management policy.
- Return the periodic budget monitoring reports with comprehensive forecasts.
- Complete all mandatory e-learning training for all staff in the Building Control team. In addition, all probationary review forms and induction checklists will be completed for future new starters and retrospectively for those staff who started at the beginning of 2020.

- Strengthen purchase card (P-Card) controls by ensuring all P-Card transactions are supported by evidence, the assigned P-Card owner is the only officer to use the P-Card and the card details are not shared with, or retained by, other members of staff in the team.
- Engage agency staff from the approved framework arrangement, in the first instance, in order to secure value for money.
- Improve the mileage claim process to ensure sufficient journey descriptions are completed and 'home to work' mileage has not been claimed, to aid verification and approval by an independent person.

1.10 As we have given an opinion of partial assurance, we will carry-out a follow up review to ascertain progress made in implementing the agreed actions.

Cultural Compliance (The Capitol) Follow-up (2020/21)

1.11 The Capitol is an arts and cultural venue located in Horsham, owned and operated by the Council. The venue consists of a theatre, two cinema screens, studio theatre, meeting room and gallery space, as well as a café and bar.

1.12 This follow up review has focussed specifically on the implementation of actions agreed in the audit report of May 2019. It should be noted that, where areas tested in the previous audit were well controlled and were mitigating the potential risks, these have not been re-tested during this review, as it is assumed these controls are continuing to operate.

1.13 The purpose of the audit was to provide assurance that:

- Management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;
- There is an adequate budget setting and monitoring process in place and that appropriate measures are taken in a timely manner to address budget pressures;
- Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process;
- Where chargeable services are delivered, appropriate prices are set and regularly reviewed and all income attributable to the work undertaken by the service is invoiced correctly;
- There is effective staff supervision and performance management, including administration of staff development and well-being in accordance with the Council's procedures;
- Assets purchased for the Council are held securely and are appropriately managed.

1.14 As a result of this work, we were only able to provide **partial assurance** over the controls operating within the area under review.

1.15 There were 14 findings in our previous 2019 audit, and we found that 3 of these had only been partly implemented. The audit opinion was also informed by additional testing that was undertaken following a review and enquiry into an employee's declaration of interest that was not available previously, where a potential conflict of interest may exist. Additional testing particularly focussed on: additional hours worked by permanent staff; casual worker claims; and compliance with the working time directive.

- 1.16 A number of improvements have been agreed with the Head of Leisure and Culture and the Capitol Operations Manager which are summarised below:
- All staff at The Capitol have now submitted a completed declaration of interest for approval. In the event of a potential conflict of interests, management checks will be undertaken to ensure that private work is being undertaken outside of normal working hours, and the working time directive is not being breached.
 - The use of casual workers will be reduced, and proper supervisory checks of casual worker timesheets will be undertaken to ensure that claims are accurate; not duplicated; and there is no breach of the working time directive.
 - All overtime claimed will be recorded accurately for hours worked on specific days and it will not be approved unless the claim is appropriate. Any training attended by a part-time member of staff will be undertaken as part of their contracted working hours and not claimed as overtime hours.
 - Internal records maintained to support TMA (Theatre Management Association) payments will include the name of the individual; the date; their start and end hours; and total hours, in order for this information to be reconciled with other claim forms submitted.
- 1.17 A robust action plan to strengthen controls was agreed with management and an additional follow up review will be completed in 2021/22 to assess the implementation of the agreed actions.

Cultural Compliance (Property & Facilities) Follow-up (2020/21)

- 1.18 The Property & Facilities team deliver a property and facilities management service across the Council; lead on property development and investment activity; and manage assets and property within the Council's investment and operational portfolios.
- 1.19 This follow up review has focussed specifically on the implementation of actions agreed in the audit report of August 2019. It should be noted that, where areas tested in the previous audit were well controlled and were mitigating the potential risks, these have not been re-tested during this review, as it is assumed these controls are continuing to operate.
- 1.20 The purpose of this review was to provide assurance that controls are in place to meet the following objectives:
- Management has put in place appropriate arrangements for monitoring delivery of the service and assessing its performance and effectiveness;
 - There is an adequate budget setting and monitoring process in place and that appropriate measures are taken in a timely manner to address budget pressures;
 - Expenditure is only incurred for legitimate Council business and is in line with the relevant procurement process;
 - Where chargeable services are delivered, appropriate prices are set and regularly reviewed and that all income attributable to the work undertaken by the service is invoiced correctly;
 - There is effective staff supervision and performance management including administration of staff development and well-being in accordance with the Council's procedures;

- Assets purchased for the Council are held securely and are appropriately managed.

- 1.21 We found that the majority of actions had been implemented and were, therefore, able to give an improved opinion of **reasonable assurance**.
- 1.22 Two actions from the previous review had only been partly implemented, relating to the timeliness of budget monitoring returns and addressing contractual arrangements with a specific supplier, neither of which are considered of a high risk nature.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

- 2.1 The Orbis Internal Audit structure came into effect from 1st April 2018. The integrated structure was designed to deliver resilience, flexibility and quality, along with specific specialisms. A key strand of the structure was the formation of a counter fraud team that would deliver both reactive and proactive fraud services across the partnership.

National Fraud Initiative (NFI)

- 2.2 The organisation is currently in the process of uploading the required data sets, and this exercise is due to be completed by 1st December 2020. Data matches will then be made available by the Cabinet Office on 28th January 2021, and will be subsequently investigated.

Fraud Risk Assessments

- 2.3 A Fraud risk assessment has been undertaken to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. The outcomes from the assessment help to inform the annual internal audit plan

Counter-Fraud Strategy and Framework

- 2.4 The Orbis Counter Fraud team has developed a Counter-Fraud Strategy and Framework for Horsham. This has been approved by the Council's Senior Leadership Team and is published on the Council's Intranet.

3. Action Tracking

- 3.1 All high and medium priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 2, 98% of high and medium priority actions due had been implemented within agreed timescales.
- 3.2 The implementation of high and medium priority agreed audit actions (based on a 12 month rolling period) is summarised in the following table:

Period to:	High & Medium Priority Agreed Actions Due	Not implemented	Implemented	% Implemented
30/09/20	61	1	60	98%

3.3 Internal Audit will continue to work with senior management to ensure that sufficient attention is given to actions that remain overdue and an update on progress will continue to be reported to this committee.

3.4 Details of outstanding priority agreed action:

Audit / Agreed Action	Directorate	Due Date	Revised Date	Progress to date
<p>Medium Priority</p> <p><u>Purchase Orders (P.Os):</u></p> <p>To review the take up of purchase orders and encourage usage, with the expectation that the use of P.Os (as measured by P.Os raised as a percentage of invoices received) will increase.</p>	Corporate Resources	31/12/17	31/03/21	<p><u>November 2020 Management Update:</u></p> <p>The impact of Covid-19 has set back plans to roll out purchase order training. Other day to day activities have been prioritised such as payments of business grants, and remote year end closedown.</p> <p>Plans for the roll out of training have also now been put on hold due to social distancing and remote working. It is felt that remote training in a technical area will not be efficient. This will be revisited as necessary. A few officers have been provided with some adhoc training in the Parkside office.</p>

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan during the year:

- Review of the Community Hubs – Covid-19 Red Response; and
- Purchase Cards, including areas of spend.

4.2 Through the same process, audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in the 2021/22 plan as part of the overall risk assessment completed during the annual audit planning process:

- Capitol Bar and Catering Facility;
- Volunteers;
- Hop Oast (Cultural Compliance) follow-up; and
- Capital Grant Funding / External Funding

5. Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set up agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA KPI	Target	RAG score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by the Audit Committee on 1 st April 2020.
	Annual Audit Report and Opinion	By end July	G	2019/20 report presented to the Audit Committee on 15 th July 2020.
	Customer Satisfaction levels	90% satisfied	G	100%
Productivity and process efficiency	Audit Plan – completion to draft report stage	90%	A	44% completed to draft report stage at the end of Quarter 2, against a target of 45%.
Compliance with professional standards	Public Sector Internal Audit Standards complied with	Conforms	G	<p>January 2018 - External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings.</p> <p>June 2020 - Internal Self-Assessment completed. There were no major areas of non-compliance with PSIAS identified.</p> <p>June 2020 - Internal Quality Review completed, no major areas of non-compliance with our own processes identified.</p>

	Relevant legislation such as the Police And Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high & Medium priority agreed actions	G	98%
Our staff	Professionally qualified / accredited	80%	G	90% ¹

¹ Includes part-qualified staff

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.