

# Internal Audit and Counter Fraud Quarter 1 Progress Report 2021/22

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## 1. Summary of Completed Audits

### Cultural Compliance (Parks & Countryside) (2020/21)

- 1.1 The Parks and Countryside service is responsible for the maintenance of parks and open spaces across the Horsham District. The service also provides allotments and sports facilities to its residents. In 2019/20, total spend across the Parks and Countryside service was approximately £1.8m.
- 1.2 The purpose of this audit was to ensure that the Parks and Countryside service is delivered effectively and in compliance with appropriate Council policies and procedures, and to provide assurance that controls are in place to meet the following objectives:
- To ensure management has put in place appropriate arrangements for monitoring delivery of the service and assessing its 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.
- 1.3 Our work identified a number of areas where improvement was required and, as a result, we were only able to provide an opinion of **Partial Assurance**. A number of areas of weakness were identified as part of our work, and in response to this audit, an action plan was agreed with management that included the following:
- A lone working process will be documented and the weekend lone working arrangements/processes will be reviewed to ensure they are robust. In addition, all risk assessments across the Parks and Countryside team will be reviewed and rationalised to ensure they are comprehensive. Following this the risk assessments will be reviewed annually.
  - A review of all processes where personal and sensitive data is collected has now been undertaken, to ensure the team are aware of all personal and sensitive data they may hold, and gain consent of any information held that pre-dates the General Data Protection Regulation (GDPR). Discussions will be held with the Information Governance Officer to confirm appropriate action for the storage and retention of this data to comply with relevant legislation.
  - Objectives will be created for each team in the Parks and Countryside service, and performance indicators will then be developed in order to measure the implementation of these objectives.
  - Business cases for each capital project, in the service, will continue to be submitted. Once a capital project has been agreed, a formal project initiation document will be drafted and approved by the Head of Leisure and Culture, prior to the project commencing. In addition, flowcharts/processes for project management governance in the Parks and Countryside Team will be completed.
  - Declarations of interest training will be completed with Parks and Countryside managers and incomplete returns will be followed up with officers.

- Probationary reviews for all new starters will be reviewed and signed off by the Parks and Countryside Manager to ensure these are complete and are submitted at the correct time intervals.
- Management training for the approval and completion of mileage claims will be undertaken to ensure claims are comprehensive, accurate, and journey details can be verified by an independent third party.
- Purchase cards that are not in use will be returned to Finance, and training will be provided to card holders to ensure transaction narrative is comprehensive; VAT treatment is correctly applied; and to stop the practice of sharing of cards.
- Discussions will be held with Finance to help ensure that works orders used, for the grounds maintenance contract, are compliant with Financial Regulations.
- Spend with suppliers will be monitored to ensure the Council is compliant with the Council's Procurement Code.
- A follow up audit will take place in 2022/23 to ensure that the agreed actions have been implemented.

#### Emergency Planning (follow up) (2020/21)

- 1.4 As part of the Civil Contingencies Act 2004, all local authorities have a responsibility to implement emergency planning. This is the process of assessing risks, creating plans for identified risks and implementing mitigating measures to better prepare a community for an incident.
- 1.5 The Council, under the Civil Contingencies Act 2004, is a Category One responder and has several duties under this Act:
- Assess the risk of emergencies occurring and use this to inform contingency planning;
  - Put in place emergency plans;
  - Put in place business continuity management arrangements;
  - Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency;
  - Share information with other local responders to enhance co-ordination and efficiency; and
  - Provide business continuity management advice and assistance to businesses and voluntary organisations.
- 1.6 Our previous review of Emergency Planning was completed in 2019/20 and received an opinion of partial assurance. The audit report contained actions agreed with management, including 2 high priority, 10 medium priority and 5 low priority actions.
- 1.7 The scope of this audit was to provide assurance that the agreed actions from the 2019/20 Emergency Planning and Counter-Terrorism review have been fully implemented.
- 1.8 Whilst we acknowledge that Covid-19 has impacted on business as usual activities across the Council, we were only able to provide an unchanged opinion of **Partial Assurance** for this follow up review. We appreciate that Covid-19 has provided an opportunity to test the plans in place, and therefore, this may

have delayed some scheduled reviews of plans and training for staff initially. However, in some cases, there is no evidence that plans have been approved; review dates have passed; members of staff who have left the Council prior to the plans being reviewed were still included in the plans; and at the time of the audit, none of the documents had been reviewed and updated since the Council's organisational restructure.

1.9 Since the previous review, of the 17 findings from the 2019/20 report: 7 had been fully implemented, 9 have been partially implemented and 1 action remains outstanding. Opportunities to strengthen controls were identified and improvements have been agreed with management in a number of areas:

- The Emergency Plan is under review and will be updated and presented to the Senior Leadership Team for approval and sign off.
- The Emergency Planning Officer will commence training sessions with Heads of Service to review their roles in the emergency plans, review their departmental business continuity plans and incorporate any lessons learned.
- Rest Centre training for staff to act as Rest Centre Managers has been completed and an in-person training event will be planned once Covid-19 restrictions allow.
- The Emergency Planning Officer will liaise with Human Resources to be included on the leavers report distribution list, to help ensure plans can be kept up-to-date and officer changes are known as soon as possible.
- A follow up audit will take place in 2022/23 to ensure that the agreed actions have been implemented.

### Business Waste (2020/21)

1.10 Business waste is any waste that comes from a commercial activity. The Council offers a business waste service, and the service costs include the provision of appropriate containers, removal and disposal of commercial waste, and advice on the business' legal responsibilities. In 2019/20 there were 1,540 customers signed up to the business waste service.

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

- There are effective and comprehensive policies and procedures, and an approved business strategy in place that reflects relevant legislation.
- There are appropriate monitoring and reporting mechanisms in place to manage performance.
- Formal contracts or agreements are in place with all customers.
- There are appropriate financial controls in place which ensure that the service generates a surplus or breaks even.

1.12 Our work identified a number of areas where improvements were required and, as a result, we were only able to provide an opinion of **Partial Assurance**. It is recognised that our opinion was informed from the processes and transactions undertaken throughout 2020/21 and COVID-19 has impacted service delivery throughout this time.

1.13 In response to this audit, an action plan was agreed with management that included measures to:

- Monitor the annual contract and waste transfer note (WTN) returns from each business waste customer.
- A dashboard will be developed in order to monitor profit/surplus for the service, and the output from this will feed into a new performance indicator for the service. In addition, all performance indicators (PIs) for the service were reviewed and more meaningful PIs have been introduced.
- An agreed level of debt held by the service will be approved by the Business Waste Project Board and will be incorporated into the debt recovery procedure, which will be reviewed and updated to ensure the debt recovery process is robust.
- Reconciliations will be undertaken monthly between the invoicing information from the Bartec system and the Council's financial system, TechnologyOne (T1). This will include random spot checks of invoices to ensure customers have been charged the correct amount.
- Key information will be added and updated to the department's procedures, these documents will also be reviewed to ensure they reflect current practice.
- A follow up audit will take place in 2022/23 to ensure that the agreed actions have been implemented.

## 2. Counter Fraud and Investigation Activities

### Proactive Counter Fraud Work

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

### National Fraud Initiative (NFI)

- 2.2 The organisation uploaded the required data sets at the end of 2020 / beginning of 2021. Data matches were made available by the Cabinet Office on 28<sup>th</sup> January 2021, and these are in the process of being 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 1, 97% 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
30/06/2021	63	2	61	97%

- 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 actions:

Audit / Agreed Action	Directorate	Due Date	Revised Date	Progress to date
<p><b>Medium Priority</b></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	31/03/2022	<p><u>September 2021 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>

<p><b>Medium Priority</b></p> <p><u>Parking Income – Outstanding Payments due from Sagoss</u></p> <p>Parking Services will work with Sagoss to ensure that the payments are brought up to date and the agreed timeframes are adhered to. Will aim to move to the merchant provider, if possible, as it reduces the financial risk. This will be completed in conjunction with the Legal Team.</p>	<p>Community Services</p>	<p>28/02/21</p>	<p>31/12/2021</p>	<p><u>September 2021 Update:</u></p> <p>The backlog has been reduced and the acting Head of Service is in dialogue with the Managing Director of Sagoss to resolve the outstanding historic amounts.</p>
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#### 4. Amendments to the Audit Plan

- 4.1 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

Planned Audit Work	Rationale for Addition
<p>Hop Oast Depot Management Controls – Provision of advice and support</p>	<p>Following on from the Corporate Compliance audit which was completed in January 2020, it has been agreed with the Director of Community Services that proactive support and advice will be provided to the new Head of Service to help improve the control environment prior to a formal follow-up audit taking place.</p>
<p>Corporate Compliance (Environmental Health &amp; Licensing)</p>	<p>Due to the additional pressure placed upon the Strategic Planning Department, resulting from an unexpected change in central government policy in relation to the Local Plan, it has been agreed that the Corporate Compliance audit of Strategic Planning will be postponed until 2021/22. Instead, a corporate compliance audit of Environmental Health will be undertaken.</p>
<p>Officer Declarations of Interest – Provision of advice &amp; support.</p>	<p>Proactive support is being provided to enhance and improve the current process.</p>

4.2 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Corporate Compliance (Hop Oast) follow-up audit.
- Corporate Compliance (Strategic Planning) audit.

## 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	<b>G</b>	Approved by the Audit Committee on 14 <sup>th</sup> April 2021.
	Annual Audit Report and Opinion	By end July	<b>G</b>	2020/21 report presented to the Audit Committee on 20 <sup>th</sup> July 2021.
	Customer Satisfaction levels	90% satisfied	<b>G</b>	100%
Productivity and process efficiency	Audit Plan – completion to draft report stage	90%	<b>A</b>	14.8% completed to draft report stage at the end of Quarter 1, against a target of 22.5%.
Compliance with professional standards	Public Sector Internal Audit Standards complied with	Conforms	<b>G</b>	<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 2021 - Internal Self-Assessment completed. There were no major areas of non-compliance with PSIAS identified.</p> <p>June 2021 - Internal Quality Review completed, no major</p>



				areas of non-compliance with our own processes identified.
	Relevant legislation such as the Police And Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	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	<b>G</b>	97%
Our staff	Professionally qualified / accredited	80%	<b>G</b>	91% <sup>1</sup>

<sup>1</sup> Includes part-qualified staff

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	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.
<b>Minimal Assurance</b>	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.