

**Appendix A – Progress Report - Internal Audit Work**

**1. Audit Progress**

- 1.1 The Annual Audit Plan was approved by the Audit Committee in July 2020. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2020/21, with time allocated under each theme to carry out risk identification and process mapping, where required. Members are reminded that the 2020/21 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. Where changes are made they are outlined in Appendix D.
- 1.2 Due to the COVID emergency response, the priorities and risk profile of the Council changed significantly during 2020/21. Internal Audit adapted their work to provide assurance on the emergency response projects and changing risk environment. Our response to COVID-19 was reflected in the plan presented to Audit Committee in July with tasks added to the plan as projects were initiated across the council.
- 1.3 School closures meant that all school audits were postponed until later in the year, with resources used during quarter two to adapt the programme to ensure we are able to carry out off-site audits if restrictions relating to the pandemic remain in place longer term. A member of the audit team was redeployed temporarily during quarter one and quarter two to assist with the NHS shielding calls project. Work on supporting risk management and adapting the corporate risk register to reflect the pandemic also took priority during this time.
- 1.5 Current, cumulative progress toward delivery of the 2020/21 audit plan, as at the end of December 2020, is summarised in the table below, with further detail provided in Appendix D. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

<b>Audit Plan Status</b>	<b>Number of Audits / Tasks</b>
Final reports issued / Reviews Completed	9
Draft reports issued	4
Underway	7

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### 2. Risk Based Systems and School Audits

2.1 The table below details the results of the work undertaken that resulted in the issue of a report during quarter three.

Report	Assurance	Recommendations			
		High	Med	Advisory	Total
<b>System Audits</b>					
Contract Management - Housing	Limited	2	0	0	2
<b>School Audits</b>					
Harold Court Primary	Substantial	0	2	2	4
La Salette Primary	Substantial	0	1	2	3
<b>Total</b>		<b>2</b>	<b>3</b>	<b>4</b>	<b>9</b>

<b>Key to Assurance Levels</b>	
Substantial Assurance	There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Moderate Assurance	Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks.
Limited Assurance / No Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

2.2 A summary of the limited assurance report for Contract Management – Housing is detailed in Appendix E.

**3. Audit Recommendations Update and status of High Risk Recommendations**

- 4.1 Internal Audit follows up all high and medium risk audit recommendations with relevant service management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.
- 4.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. Part of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.
- 4.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

<b>High</b>	Fundamental control requirement needing implementation as soon as possible.
<b>Medium</b>	Important control that should be implemented.
<b>Advisories</b>	Pertaining to best practice.

- 4.4 All high risk recommendations due as at the end of December 2020 have been confirmed as implemented. One recommendation has been given an extended deadline for completion due to the need for reports and exception reports under development within the new Fusion financial system. All high risk recommendations due as at the end of December 2020 have been confirmed as implemented. One recommendation has been given an extended deadline for completion due to the need for reports and exception reports under development with the new Fusion financial system. There were two high risk recommendations raised during quarter three of 2020/21. Appendix B provides details of these high risk recommendations.
- 4.5 All medium risk recommendations that became due before the end of December 2020 have been confirmed as implemented.

**Appendix B: Status of High Risk Recommendations**

<b>High Risk Recommendations</b>	<b>Status</b>
<b>Payroll</b>	
Exception reports highlighting information that might indicate unusual activity (e.g. high overtime earners / additional payments) should be produced and distributed to support and enable managers to undertaken their duties.	Revised implementation date of March 2021 due to the ongoing development of reports and exception reports in Fusion. (original date September 2020)
<b>Contract Management - Housing</b>	
Immediate discussions with the contractor to check that (for work invoiced to date): <ul style="list-style-type: none"><li>• Jobs raised on openhousing were carried out as expected;</li><li>• That the rates charged on the invoices match the schedule of works in the contract and that these invoices have been paid;</li><li>• Any additional payments made that appear to be duplicates, errors or, over and above the amounts in the schedule of work should be recouped from the contractor; and</li><li>• Where supporting information cannot be identified for the jobs without job numbers, the Contractor must be asked to provide the supporting evidence.</li></ul>	Implemented
Invoices received from the contractor should be reconciled to the openhousing system to ensure the requests for payment is valid. The following should be included as part of this process: <ul style="list-style-type: none"><li>• verification against the relevant open job orders in openhousing;</li><li>• amounts charged matched to the schedule of rates in the contract;</li><li>• that the job has been completed to the expected standard; and</li><li>• once payment is made, this is recorded and the job is closed on the system.</li></ul>	Implemented

**Appendix C**

**1. Counter Fraud Audit Work – 01/10/2020 to 31/12/2020**

**1.1 Proactive Counter Fraud Investigations**

1.1.1 Proactive work undertaken during 01/10/2020 to 31/12/20 is shown below:

<b>Description</b>	<b>Risks</b>	<b>Status</b>
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Four requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. Seven requests for advice were received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. One referral was received.	Ongoing
FOI Requests	To undertake all Freedom of Information (FOI) Requests. No requests were received.	Ongoing
National Fraud Initiative Data Upload	To co-ordinate the data upload for the 2020/21 NFI.  The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years.	Ongoing

**1.2 Reactive Investigation Cases**

1.2.1 Three referrals were brought forward from the previous period:

- Two referrals are currently under a disciplinary investigation; and
- The findings for one referral have been forwarded to the service to act on.

1.2.2 During 01/10/2020 to 31/12/20 seven referrals were received:

- One case has been investigated and has now been passed over to HR Investigations to undertake a disciplinary investigation; and
- Six referrals are currently being investigated.

### **1.3 Housing Cases**

1.3.1 The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

<b>Description</b>	<b>2019/20</b>	<b>2020/21 (to date)</b>
Number of referrals	25	50
Properties recovered	4	2
Notional Saving	£72,000	£36,000
RTB checked	208	141
RTB stopped	1	4
Notional Saving	£108,000	£449,200
<b>Total Notional Saving</b>	<b>£180,000</b>	<b>£485,200</b>

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### Appendix D: Current status of 2020/21 Audit Plan

Audit Title	Status as at end Q3	Opinion	Reason for delay (where applicable)
<b>LBH Systems Audits</b>			
Purchase Cards (compliance work)	Completed	Moderate	
Private Sector Leasing Follow Up	Completed	Moderate	
Management of NHS Shield Data (COVID-19 response)	Completed	N/A	
Management of food distribution to vulnerable individuals (COVID-19 response)	Completed	N/A	
Fusion - Oracle upgrade	Completed	N/A	
ICT Inventory (Laptop Security) – Smarter Working Project	Completed	Moderate	
Contract Management - Housing	Completed		
Reablement	Draft Report		
Treasury Management	Draft Report		
Health & Safety	Draft Report		
Housing Compliance – Temporary Accommodation	Underway		
Business Continuity and Emergency Planning	Underway		
Housing Voids	Underway		
Responsive Repairs	Underway		
Payroll (compliance work)	Underway		
Outbreak management plan and infection control	Q4		
Social Care Transitions	Q4		
SEND - transport	Move to 21/22		
Planning	Move to 21/22		
Parking	Move to 21/22		
Procurement	Move to 21/22		
Post implementation review of Liquid Logic	Move to 21/22		
Safeguarding Adults	Move to 21/22		
Direct Payments	Move to 21/22		
Leaving Care	Removed following discussion with Director and assurances on this area provided by external reviews (including ongoing stocktake work, University of Bedfordshire research outcomes and subsequent improvement programme).		
Licensing Schemes	Removed following risk discussion with Director.		

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<b>LBH Schools</b>			
Harold Court Primary	Completed	Substantial	
La Salette Primary	Completed	Substantial	
Parklands Junior	Draft Report		
St Marys Catholic Primary	Underway		
Squirrels Heath Juniors	Underway		
Crownfield Juniors	Q4		
Elm Park Primary	Q4		
Rainham Village Primary	Q4		
Squirrels Heath Infants	Q4		
St Edwards CofE Primary	Q4		
St Peters Catholic Primary	Q4		
The Towers Federation (2 schools)	Q4		
Clockhouse Primary	Q4		
Corbets Tey School	Q4		
Ardleigh Green Learning Federation (2 schools)	Move to 21/22	Onsite request	
Crowlands Primary	Move to 21/22	Onsite request	
Crownfield Infants	Move to 21/22	Onsite request	
Health Checks (9)	Q4 – x4 booked in	x5 Health Checks to move to 2021/22	



**Appendix E: Summary of Limited Assurance Reports**

## Housing – Contract Management Summary Report

### Scope

Internal Audit were approached by the Housing Service to provide additional assurance on a significant potential overpayment, under a commercial gas services and associated works contract. The payments had been identified by the Housing Compliance Team as possible overpayments resulting from invoices issued by the contractor during the period January to September 2020

The scope of this work included;

- Consideration of the work carried out by the Housing Compliance Team;
- providing verification of their findings on a sample basis to help confirm the potential issues; and
- Identifying subsequent, possible overcharges.

### Executive Summary

**Limited assurance** can be given on the control environment surrounding the management of this commercial contract in the Housing service due to:

- No information on the value of the original contract to determine if contract procedure rules were followed;
- Lack of reconciliation of invoices received to jobs raised, resulting in overpayments to the contractor;
- Lack of checks undertaken for payments made, resulting in a number of duplicate invoices paid; and
- Authorisation for payments made without checks, to ensure charges matched the agreed schedule of rates, or that the work was carried out to a required standard.

The priority focus for this review was to provide additional assurance to the Housing Service on their findings, following checks on the data received from the contractor. Our work, for the sample selected for testing, has been able to confirm that:

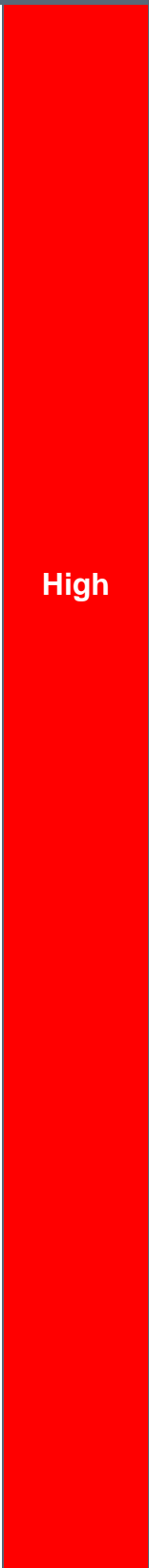
- The data does indicate that there were duplicate invoices issued; and
- Further work on this sample confirmed these invoices have been paid and so steps will need to be taken to recoup these overpayments from the contractor.

Further work is expected to be carried out within this area to test control weakness once the immediate issues are resolved.

This audit makes two high risk recommendations. Details of the high risk recommendations are outlined below.

**Recommendations**

R1	<p>Immediate discussions with the contractor to check that (for work invoiced to date):</p> <ul style="list-style-type: none"><li>• Jobs raised on openhousing were carried out as expected;</li><li>• That the rates charged on the invoices match the schedule of works in the contract and that these invoices have been paid;</li><li>• Any additional payments made that appear to be duplicates, errors or, over and above the amounts in the schedule of work should be recouped from the contractor; and</li><li>• Where supporting information cannot be identified for the jobs without job numbers, the Contractor must be asked to provide the supporting evidence.</li></ul> <p><b>Recommendation Owner:</b> Building Services and Compliance Manager <b>Expected Timescale for Implementation:</b> Complete <b>Officer's comments:</b></p> <ul style="list-style-type: none"><li>• Meetings have been held with the contractor Senior Management Team where investigation information was presented. Followed up by numerous skype meetings to discuss data. We have now been able to secure agreement that the full value of £60,771.15 will be credited back to the Council.</li></ul> <p>A final concluding meeting to be held this week, pending availability of all stakeholders. To ensure strict monitoring and processing rules are followed going forward;</p> <ul style="list-style-type: none"><li>• All jobs raised by Call Centre will be checked against service call sheets and certificates and upon receipt of application will be varied and closed before the Invoice is approve from payment;</li><li>• All invoice from 2020 have been reviewed, with associated applications being checked against service sheets for SOR compliance, i.e. each job was varied to match contract SOR. This exercise is also being done for Aug - Dec 2019 and will be completed by the end of the week. They have already committed to refund £4679.00 and any further credits will be applied to future invoices;</li><li>• A full account review has been completed for the entire contract duration i.e. 2019 - 2020 and the contractor has agreed to credit the full amount requested of £60771.15. This credit is made up of duplications, errors and incorrect SOR's.</li><li>• The contractor has been cooperative and provided all evidence requested. This documentation has been checked and verified against discrepancies and is being loaded into Swordfish and Sharepoint for future reference.</li></ul>
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R2	<p>Invoices received from the contractor should be reconciled to the openhousing system to ensure the requests for payment is valid. The following should be included as part of this process:</p> <ul style="list-style-type: none"><li>• verification against the relevant open job orders in openhousing;</li><li>• mounts charged matched to the schedule of rates in the contract;</li><li>• that the job has been completed to the expected standard; and</li><li>• Once payment is made, this is recorded and the job is closed on the system.</li></ul> <p><b>Recommendation Owner:</b> Building Services and Compliance Manager <b>Expected Timescale for Implementation:</b> Complete <b>Officer's comments:</b></p> <ul style="list-style-type: none"><li>• A total of 1100 historic jobs have been downloaded from Open Housing with 800 already closed and the remaining 300 will be completed by the end of the day;</li><li>• As above, all jobs will be closed prior to payment;</li><li>• We have set up bi-monthly contract progress meetings with the Contractor QA manager to ensure quality of work, payment amounts correspond to SOR values and audit issues are being addressed;</li><li>• As above all jobs on Open Housing system is being varied and closed on application receipt and the Gas Manager has committed to doing 20% site visit for auditing purposes per month; and</li><li>• Shadowing of engineers has also been agreed.</li></ul>	<b>High</b>
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