Counter Fraud Audit Work

The counter fraud service is continuing to follow up, fraud referrals, desk based intelligence checks and investigations with doorstep visits and Interviews under Caution where necessary. The Council take a zero tolerance approach to tenancy fraud and currently have 98 open investigations.

One non-housing referral was brought forward from the previous period and is still under investigation.

During the period 01/04/2024 to 31/10/2024, 17 non-housing referrals were also received; four of which were Whistleblowing referrals. Eight cases have been investigated and concluded and nine referrals are currently being investigated.

Proactive Counter Fraud Investigations Work undertaken between 01/04/2024 to 31/10/2024

Description	No. Received
Advice to Other Local Authorities: All Data Protection Act requests via Local Authorities, Police etc.	34
National Fraud Initiative: To co-ordinate the 2024/25 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.	Data has now been uploaded to the NFI database for matching. Matches to be released from Friday 20/12/24

Reactive Investigation Cases

One referral was brought forward from the previous period and is still under investigation.

During 01/04/2024 to 31/10/2024 17 referrals were received; four of which, information was provided by Whistle-blowers:

- Eight cases have been investigated and concluded; and
- Nine referrals are under investigation.

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

Description	2023/24	2024/25 to date
Number of referrals for investigation	127	98
Properties recovered	14	4
Notional Saving *	£588,000	£168,000
RTB referred and reviewed	94	101
RTB stopped ***	3	17
Notional Saving	£383,820	£2,318,800
Total Notional Saving	**£971,820**	**£2,486,800**

- Notional saving revised from 2022/23 figures as recommended method uses a stan dard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

The following table illustrates the breakdown of cases:

Description	2024/25 (to date)
Number of referrals brought forward	*84*
Number of new referrals retained for investigation **	*14*
Number of referrals currently under investigation	**79**
• Notice To Quit (NTQ) issued	2
• Pending bailiff action / Eviction	2
• Passed to Legal Services for Criminal / Civil Proceedings	7
• Awaiting Court Hearing	1
• Open Investigations	67
Number of completed/ closed investigations	**19**
• Properties Recovered	3
• RTB stopped ***	0
• Housing Application Cancelled	1
• Closed - Fraud Detected	2
• NFA / No Offence	13

Key:,.,. Total number of referrals received and triaged was 83. However, only 14 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

,.,.,. Total number of RTB's referred and reviewed was 101. Seventeen RTB cases were stopped by Counter Fraud at the initial review stage and therefore are not counted as investigations.

Housing Services refer Mutual Exchanges and Succession to the Counter Fraud Team to review. A total of 23 Mutual Exchanges and 25 Successions have been referred and reviewed.

Two Mutual Exchanges and four Successions were denied.

Final Internal Audit Report – Procurement Processes

Background

A review regarding Engagement of Consultants, which has been outlined in a separate report, highlighted thematic risks regarding the procurement practices and processes across the Council. This report sets out the issues that were identified during that review.

Assurance Opinion - Limited
The overall audit opinion can only provide limited assurance that the control framework is adequate to manage the risks regarding procurement of goods and services.

Summary Key Findings	Recommendations
There is a lack of clarity regarding the Council's procurement policies and processes	**High**: A control process should be established to ensure that all procurements are subject to appropriate governance (sufficient control, transparency, scrutiny, visibility and challenge) and that there are sufficient mechanisms in place to prevent and detect non-compliance with these expectations.
There is a lack of clear guidance available and training provided to officers who wish to procure goods or services.	**High**: The Council's intranet, oneSource intranet and any other applicable sources of information / documents should be updated to incorporate any changes or additional information gathered and documented as part of this review. This should include any supporting documents and should clearly signpost users to other applicable governance processes. Consideration should also be given as to the clarity of guidance available to officers and if there is a risk that this is left open to interpretation.
There are a lack of detective controls within the procurement process to identify non-compliance.	**High**: A decision should be made as to whether non-compliance with any of the governance processes referred to in this report, would be deemed unacceptable and if so, how will non-compliance be reported and addressed. This should also include consideration as to whether the Council can meet its statutory obligations through the current processes.

Procurement Processes Recommendation Action Plan			
Ref	**Recommendation**	**Recommendation Owner and Management Response**	**Assurance and Timescale**
R1	A control process should be established to ensure that all procurements are subject to appropriate governance (sufficient control, transparency, scrutiny, visibility and challenge) and that there are sufficient mechanisms in place to prevent and detect non-compliance with these expectations. This should include: • Introduce a golden thread (similar to that provided by the original introduction of i-Decision) to streamline the process, reduce administrative / resources costs, ensure compliance with legal & local requirements and support delivery of the Councils statutory obligations. • Ensure that any processes capturing information (such as i-Decision) is visible to all interested parties. • That the composition of any groups includes all relevant stakeholders (such as the representation of IT at Gateway Review Group).	New procurement legislation shortly being introduced will require the Council to comply with three different sets of procurement legislation. All of these will require different processes and reporting obligations. The issues identified in this report will be addressed as part of the work being done to implement these processes and the revision to the Contract Procedure Rules.	**High** Implementation Due **February 2025**

Ref	Recommendation	Recommendation Owner and Management Response	Assurance and Timescale
R2	The Council's intranet, oneSource intranet and any other applicable sources of information / documents should be updated to incorporate any changes or additional information gathered and documented as part of this review. This should include any supporting documents and should clearly signpost users to other applicable governance processes. Consideration should also be given as to the clarity of guidance available to officers and if there is a risk that this is left open to interpretation.	Work has already been undertaken to replace the Council's existing Intranet. Information has been migrated over to the new Intranet and any duplication has been removed. Updates and changes to processes / documents will continue going forward as the new procurement legislation comes into effect. Information around procurement and specifically MMM will be addressed as part of the ongoing work around the Contract Procedure Rules, with the aim of completion by February 2025 when the new Procurement legislation is introduced.	**High** Implementation Due **October 2024** Management have confirmed that this recommendation has since been implemented.
R3	A decision should be made as to whether non-compliance with any of the governance processes referred to in this report, would be deemed unacceptable and if so, how will non-compliance be reported and addressed. This should also include consideration as to whether the Council can meet its statutory obligations through the current processes.	Currently the Contract Procedure Rules do outline non-compliance, however this isn't something that is being enforced or pursued in cases of non-compliance with procurement. In future a process of Procurement flagging serious non-compliance can be established with this being reported to Executive Leadership Group / relevant Director on an exception basis.	**High** Implementation Due **October 2024** Management have confirmed that this recommendation has since been implemented.

Final Triennial Internal Audit Report – Towers Federation

Background

The audit of The Towers Federation was undertaken as part of the rolling triennial programme of school audits as set out in the Council's 2024/2025 audit plan.

The Towers Federation was last audited in May 2023 when the completion of the audit health check resulted in six medium recommendations being raised, and a Reasonable Assurance on the system of internal control being given. Progress on the implementation of these recommendations has been followed up as part of this audit

The audit objective was to provide an independent opinion on the adequacy and effectiveness of the control environment within the school, to provide assurance to the Governing Body and Head Teacher, that risks are being adequately managed.

A system of exception reporting is operated whereby only risks that are not being adequately managed or controls that are not being performed effectively are reported on. Advisories are used to report issues that do not require a formal recommendation, but will enhance controls or improve operational efficiency.

Assurance Opinion

Limited Assurance
This means that 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.

Summary Findings	Recommendations
Asset Management Planning - The school maintains an Asset Management Plan for each school that includes all remedial works required to the premises. There are some items within the plan that have a priority description of 'Essential', but that remain outstanding as at the time of this audit. In light of the schools significant financial deficit, it is unlikely that the current budget is sufficient for the school to complete all works deemed essential in the Asset Management Plan.	**High:** The school and Governing Body should engage with relevant teams (Education Finance, Insurance and Health & Safety) for guidance and advice, as an insurance claim would result in a financial burden to the Local Authority. This should include ensuring that works have been correctly categorised as essential, enabling the school to prioritise the completion of works. The school must assess whether failure to complete essential works poses a significant risk of injury, which would carry a potential financial consequence (insurance claim). **Timescale:** Spring Term
Procurement - All procurements should be supported by adequate audit trails and evidence of compliance with the delegated authorities set out in the Finance Policy. • A sample of 15 purchases was reviewed, of which 12 orders had been raised after receipt of the invoice. • There was also one instance of the Executive Head Teacher signing the cheque that related to payment for themselves to attend a conference. • Seven of the 15 payments were made more than 30 days after receipt of the invoice. • Throughout the testing it was not always possible to identify who the approver had been.	**High:** Action should be taken to address the issues highlighted in this report, to ensure that the school can demonstrate compliance with the scheme of delegation and allow the school to raise orders/ pay purchases in a timely manner. **Timescale:** Spring Term **Medium**: The school should take action to fully implement the BACs process as a matter of urgency. **Timescale:** Implemented **Advisory:** To ensure that there is an appropriate level of segregation within the procurement process, staff to which payments relate should not be involved in the approval or authorisation process. **Timescale:** N/A as advisory

Summary Findings	Recommendations
Governance - Information held on the school website at the time of the audit was not up to date, as pecuniary interests shown on the website had not been updated to reflect the latest information held by the school and details relating to the attendance at meetings had not been updated since July 2023.	**Medium:** To ensure that the school are compliant with the School Information Regulations 2008 details relating to the Governing Body declarations of interest and attendance at meetings should be recorded and updated on the schools website. **Timescale:** Autumn Term
Finance - The school closed the 2023/24 budgets for both schools with an overall deficit. There is a current forecasted deficit for 2024/25, across both schools. School budgets should have been submitted to the boroughs LMS team by 1st May 2024, but this had not been completed at the time of the audit in mid May 2024. Schools that are operating under a deficit budget should also submit a deficit recovery plan to the boroughs LMS team. This plan had not been submitted to LMS at the time of the audit.	**Medium:** The schools budget should be submitted to LMS in line with the deadlines provided. **Timescale:** Implemented **Medium:** A deficit recovery plan should be completed and submitted to LMS detailing action that the school plan to reduce the budget deficit. **Timescale:** 31st December 2024
Inventory Control - In order to ensure that the school inventory is an accurate reflection of the assets held by the school, an annual check should be undertaken. Whilst discussions with staff noted that the schools inventory was last fully checked for accuracy in February 2023, there is no documentary evidence of this check nor is there a record of the outcome of the check being reported to the Governing Body.	**Medium**: The school should ensure that the annual inventory check is completed in order to confirm that the school have an accurate and up to date record of assets. **Timescale:** Spring Term
Inventory Control - Checks were undertaken for all of the equipment currently recorded as on loan to staff. Testing found that not all of the items on loan at the time of the audit, had a corresponding loan form. Of the forms that were located, these were not consistently signed by an approver.	**Medium:** A record of equipment on loan should be maintained, which includes authorising signatures for each loan to be agreed and verified when returned. **Timescale:** Spring Term

Summary Findings	Recommendations
School Trips - In the event that income collected for a school trip is less than the costs originally anticipated, the Schools Charging and Remissions policy sets out that the school will issue a refund to parents where the difference exceeds £5 per pupil. Documents were provided for the residential school trip undertaken in 2023. However this information was not collated into a profit and loss summary. The overall financial outcome of the trip was not summarised so it was not possible during this audit to reconcile the trip income and expenditure, in order to verify whether the trip resulted in the school making a profit or loss. Whilst discussions with staff during the audit highlighted that the trip would have likely made a loss, this is an assumption and without adequate records and the completion of a profit and loss summary, the exact financial position of the trip is unknown.	**Medium:** In order to meet the expectations of the Charging and Remissions policy, the school should ensure that a profit and loss summary should be completed at the end of each school trip. Any income collected that exceeds the financial threshold set out in the Charging Policy should be refunded to parents. **Timescale:** Spring Term
Petty Cash - The school maintain a petty cash account with an imprest balance of £600. It was noted that the account is not used often, so the account does not need to be topped up on a regular basis. The documentation reviewed showed that for some of the reimbursements the petty cash slip had not been signed by the member of staff claiming as such there is no evidence that they have been reimbursed. Discussions with staff noted that the school is progressing the use of BACs which will reduce the need for petty cash account once that process is fully implemented.	**Medium**: Petty cash vouchers should be signed by the claimant to evidence receipt of funds. **Timescale:** Implemented – Closed - risk mitigated as school have closed the petty cash.

Summary Findings	Recommendations
Charge Cards - In February 2024 the School Business Manager identified unauthorised cash withdrawals between 8th November 2023 and 23rd January 2024. Discussions with the school have determined that the statement for January 2024 was received by the school, however a reconciliation was not undertaken at that point. Had the reconciliation of this statement been undertaken in a timelier manner, it would have identified the authorised transactions earlier. However, it is unlikely to have made any material difference to the amount of loss to the school on this occasion. Following this issue the bank has been contacted and the ability to withdraw cash on school charge cards has been removed.	**Advisory:** To ensure that any future spend is monitored in a timely manner statements should be reviewed as soon as received from the bank. The school should also consider exploring the possibility of online banking, in order to have access to the latest information. **Timescale:** N/A as advisory
Payroll and Personnel - Controls are in place for checks to be undertaken on the monthly payroll report. Whilst this is not an expected control, the school is advised that the pay entry for the person completing this check should be verified by a second member of staff. A preventative control would provide an additional safety measure for the individual completing the check, in the event that an error in their pay, which provides a financial advantage, goes undetected.	**Advisory**: Payroll details of the person checking the payroll report should be subject to independent verification. **Timescale:** N/A as Advisory
Access to Systems - A reconciliation was undertaken between the Finance Policy and FMS system which identified that two individuals had access to the system but were not included within the Finance Policy. One was a secondment. The school stated that removing the access may create issues once the secondment period is over, if access is required again. The second was a member of staff who joined the school at Easter 2024 and has yet to undergo training so is currently not using the system.	**Advisory:** To ensure that the Governors are aware of who has access to the system the school should ensure that the Finance Policy is a reflection of the current access rights. Additionally the school should consider removing the Executive Head Teachers (currently on secondment) access until such time that the secondment has ended. **Timescale:** N/A as Advisory