

Audit Services

Monitoring Report – Internal Audit

January 2023

Introduction

1. Internal Audit (IA) is a function within the Audit Services Division that ‘**provides an independent, objective assurance and consulting activity designed to add value and improve the Council’s operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes**’.
2. IA has a legal standing in terms of the Accounts and Audit Regulations 2015. This requirement is embodied in the Council’s Financial Regulations.

Internal Audit Work 2022/23

3. **Table 1** below summarises the status of Internal Audit work commenced since 1st April 2022 (note this is not the full audit plan).

AUDIT WORK 2022/23	Status & Assurance Rating (previous score in brackets where applicable)
	Key 1 = Full Assurance 2 = Substantial Assurance 3 = Moderate Assurance 4 = Limited Assurance 5 = No Assurance
Covid-Related Funding Schemes	Final – Level 2
Children’s Placements Finance Follow Up	Final – Level 2 (4)
Food Safety	Final – Level 3 (3)
Building Control	Final – Level 2
Leisure Centres Contract Management	Final – Level 3
SCH Conflicts of Interest Arrangements	Final – Level 2
Monkspath Junior and Infant School	Final – Level 3 (3)
Meriden Primary School	Final – Level 1 (1)
Valley Primary School	Final – Level 3 (2)
Blossomfield Primary School	Final – Level 1 (1)

SCH Safeguarding	Final – Level 3
Warning Markers	Final – Level 5
Brokerage	Final – Level 2
Information Quality – Care at Home Packages	Final – Level 1
SEND and Educational Placements Follow Up	Draft – Level 3 (5)
Bereavement Services	Draft – Level 5 (2)
SCH Wellbeing Service	Draft – Level 3
16 Plus Cash Order	Audit Memo - Draft
Hybrid Working Arrangements	Audit Memo - Final
Solihull Safeguarding Adults Board Consultancy Review	Audit Memo - Final
Alderbrook Academy	Audit Memo - Final
Langley Academy	Audit Memo - Final
Purchase Card use at Reablement Event	Audit Memo - Final
Provider Fraudulent Payment	Audit Memo - Final
Public Sector Decarbonisation Grant Certification	Completed
Rough Sleepers Funding Grant Certification	Completed
Substance Misuse Grant Certification	Completed
BEIS Business Grant Return June 2022	Completed
Ukraine Refugee Payments (Advice)	Completed
Adult Weight Management Grant Certification	Completed
Green Homes Grant Certification	Completed
Relocation Package (Advice to HR)	Completed
Mileage Claim (Advice to HR)	Completed
National Fraud Initiative 2022: Data Collection and Upload to Cabinet Office	Completed
Non supplier bank account processes (Consultancy)	Ongoing
Supporting Families (Grant)	Ongoing
Oracle Cloud (Consultancy)	Ongoing
Town Centre Developments (Consultancy)	Ongoing
Safer Recruitment	Ongoing (Interim memo issued)

Energy Rebate (Grant)	Ongoing
SCH 'One SCH' Project Board (Consultancy)	Ongoing
Music Service Improvement Board (Consultancy)	Ongoing
Oracle 'PCard' Expenses Issue	Ongoing
Domestic Abuse Arrangements	Ongoing
Highways Work Permits	Ongoing
Hays Agency Contract	Ongoing
Accounts Payable	Ongoing
Accounts Receivable	Ongoing
Collection Fund	Ongoing
Housing Benefits	Ongoing
SCH Voids	Ongoing
SCH Housing Rents (inc RentSense)	Ongoing
SCH Capital Expenditure	Ongoing
ASC Supplier Finance Review	Ongoing
Haslucks Green School	Ongoing
Direct Payments (ASC)	Ongoing
Direct Payments (CS&S)	Ongoing
SCH Homelessness Service	Ongoing
Private Landlords	Ongoing

Table 1

Update on follow ups of areas rated Level 4 & 5

4. **Table 2** provides a summary of areas currently rated Level 4 & 5 and provides an update on planned or in progress audit activity

Area	Previous Score	Internal Audit comments	Current Plan/Update
SEND & Education Placements	5 & 4	Draft report issued	Draft – Level 3
Catering	4	Follow up planned for Q4	Planned
Music Service	5	Follow up planned for 23/24	Planned

Children's Liquid Logic	4	Follow up planned for 23/24	Planned
Warning Markers	5	Follow up planned for 23/24	Planned

Table 2

Counter-Fraud Work

5. Within Audit Services is a dedicated team of professional investigators including former police officers who perform investigations and counter-fraud activities for SMBC and SCH, in line with the Council's Counter Fraud Strategy. This dedicated Investigation Team works jointly with other departments within the Council, SCH and other agencies including the Police, to prevent, detect and deter fraud.

Social Housing Fraud

6. Since 1st April 2022 we have received 248 social housing referrals comprising of 64 social housing frauds, 47 Right to Buy (RTB) applications, 99 tenancy applications, 13 financial investigations and 25 anti-money laundering checks on the funds used for RTB transactions. The bank accounts into which SCH paid refunds totalling £169,398 were verified.
7. In the first eight months of this financial year 40 properties have been sold under the RTB scheme for a total value of £3,438,520. The sources of the monies used to make these purchases have been verified by the Team to ensure compliance with anti-money laundering regulations.
8. The total value of discounts applied to these 40 property sales was £2,917,980 and the pre-sale vetting procedures undertaken by the Investigation Team have provided assurance that only eligible applicants have been able to purchase a property under the RTB scheme and therefore access the discounted price.
9. In addition, 4 properties were recovered and returned to housing stock after we provided evidence of illegal sub-letting and 3 further properties were recovered following investigations into instances of tenancy abandonment.

Provider Payment Fraud

10. In June 2022 Audit Services were made aware that payments due totalling £96k had not been received by a care provider. During our investigation it became apparent that the funds had been sent to another bank account following a request to change bank details. This request turned out to be fraudulent as the supplier's email had been hacked and the provider and SMBC appear to have been targeted by professional fraudsters. The investigation and recovery action is ongoing however our officers have recovered £48k as part of their work and uncovered control failings at SMBC which we have made formal recommendations to rectify.

General Fraud

11. As part of our work to support colleagues in other departments we have also conducted enquiries into an agency member of staff who falsified timesheets, mileage claims and records of work that had not been completed. In addition, we have investigated two instances of alleged Blue Badge fraud and one of receiving and handling stolen goods on school property.

Financial Investigations and Anti-Money Laundering

12. The Investigation Team has accredited Financial Investigators and are planning to train a further two team members as Financial Intelligence Officers, all of whom will undertake financial investigations both within the Team and on behalf of other departments and organisations.
13. Since 1st April 2022 in addition to the anti-money laundering checks we have undertaken for SCH, we have also completed financial vetting checks on refunds to creditors to ensure compliance with the Council's Anti-Money Laundering Policy.

Corporate Investigation Work

14. The team also provides the resource to undertake HR investigations for SMBC, SCH and schools plus a mediation service relating to potential misconduct and grievance issues. To date, we have undertaken 14 disciplinary investigations and 6 resolution investigations since April 2022.

Preventing and Detecting Fraud

15. Within Audit Services we are currently reviewing our counter fraud arrangements so that the investigators and internal auditors collaborate and co-ordinate their activities in order to enhance our fraud prevention and detection capabilities.
16. We are also updating the Council's Counter Fraud Statement, Policy and Response Plan. A revised version will be shared with senior management and the Audit Committee for endorsement later this financial year. Other related policies such as those relating to Anti-Money Laundering and the Prevention of Bribery are also under review.
17. Plans are being made to refresh fraud risk management processes with a view to updating the fraud-related risks faced by the Council in order that appropriate mitigating actions can be put in place.

Whistleblowing

18. IA has responsibility for maintaining the Council's whistleblowing infrastructure and ensuring that issues raised through the Council's Whistleblowing Policy are effectively dealt with. **Table 3** outlines details of issues considered so far in 2022/23.

Ref	Issue	Action	Outcome
1	Fraudulent personal injury compensation claim	Passed to Internal Audit.	Insufficient evidence to substantiate claim. No further action taken. Case closed.
2	Ineffective contractual arrangements	Passed to Internal Audit.	Audit review undertaken, with recommendations made to management. Case closed.
3	SCH/SMBC Lift Contracts	Passed to Internal Audit	Allegations unfounded. Advice provided to service area. Case closed.
4	Bullying and intimidation / conduct issues.	Passed to Investigation Team to investigate.	Disciplinary action taken. Case closed.
5	Abuse of position, misuse of property, possible safeguarding	Passed to Investigation Team to investigate.	Disciplinary action taken. Employee resigned. Case closed.
6	Health and safety concerns, possible misuse of position, non-compliance with policy	Passed to Audit Team.	Included in service area audit. Recommendations made to management. Case closed.
7	Safeguarding - mistreatment of a service user in a care home	Passed to Adult Social Care and the Police to investigate.	Ongoing. Conduct investigation underway.
8	Failure to declare an interest. Non-compliance with recruitment processes.	Passed to Audit Team.	Ongoing.
9	Misuse of sensitive information	Passed to Audit Team.	Ongoing.

Table 3

19. A new draft Whistleblowing Policy has been created, in line with best practice. This has received positive feedback from the consultation stages so far. This draft policy is on this meeting's agenda, for Audit Committee consideration and endorsement. It will then be submitted for ultimate approval by the Governance Committee later in January 2023.

Trading Activities

20. Audit Services undertakes a range of activities for other organisations both within the borough and outside, including:
- Supporting Academies with financial governance and investigations into staff conduct.
 - Supporting Local Colleges with an investigation service.
 - Supporting Parish Councils with audit related work.
 - Undertaking disciplinary and grievance investigations for other Local Authorities and multi-academy trusts.
 - Providing professional counter-fraud support to a neighbouring local authority.

Steve Sparkes - Head of Audit Services
January 2023