



Committee update July 2022

Introduction

Overview

The purpose of this document is to provide an update to the Committee on key audit and governance themes.

The Chair suggested, at the July 2021 meeting, that a slot at the beginning of future meetings was allocated to check in on key areas of governance and provide any updates. If there are no updates in a particular area to report, that can be noted and taken as assurance.

This document provides summary updates for the Committee. Statistics are included to help provide an overview of work in progress and these are taken from the last financial quarter.

Your team

Head of Finance and Section 151 officer
Head of Shared Internal Audit
Corporate Fraud Manager
Monitoring Officer
Senior Democratic Services officer

Committee information

[Calendar of meetings](#)

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Governance, Risk and Control




Internal Audit updates

Below are a summary of reviews completed in the last quarter:

Review	Summary of report and actions
<div data-bbox="150 398 245 501"></div> <div data-bbox="272 389 480 533">Grant assurance – Post Payment Assurance</div> <div data-bbox="150 667 480 815"> <div>Current:</div> <div>Full assurance</div> <div>Previous:</div> <div>New review</div> </div>	<p>We have completed Post Payment Assurance Sampling (PPAS) reviews for the Department for Business, Energy & Industrial Strategy (BEIS) for the following Business Grant Schemes:</p> <ul style="list-style-type: none"> • LRSG Open • LRSG Closed Additional Tier 4 • LRSG Closed Additional November • LRSG Closed Additional January • OHLG <p>The BEIS assurance and individual scheme guidance sets out that Local Authorities have a responsibility to provide assurance to both themselves and the Department that they have followed the eligibility guidance, and so minimised the risk of errors/fraud and over/irregular payments.</p> <p>In response to BEIS sampling methodology, we provided evidence of pre and post assurance checks. This provided assurance that the business:</p> <ul style="list-style-type: none"> • meets the criteria of the grant scheme; • was not in administration, insolvent or struck off the Companies House register on the date the grant was awarded; and • the business was trading at the eligibility date <p>While it is not possible to completely eradicate the risk of fraud, these reviews have provided assurance that adequate checks were undertaken to ensure recipients were eligible with the scheme conditions, and appropriate checks were made to minimise the risk of fraud and error.</p>
<div data-bbox="150 1476 245 1579"></div> <div data-bbox="272 1467 480 1538">Payroll – Key controls</div> <div data-bbox="150 1668 480 1816"> <div>Current:</div> <div>Full assurance</div> <div>Previous:</div> <div>Reasonable</div> </div>	<p>As a key financial system, we review the core controls of the Payroll System. We focused our testing on the following areas across the financial year:</p> <ul style="list-style-type: none"> • Payroll reconciliations • Gross to Net Pay reports • Third Party Payments to HMRC and the Pension Fund. <p>Our review confirmed payroll reconciliations were being undertaken regularly, and this provided assurance for the BACS, HMRC PAYE and Pension processes. The review identified a couple of opportunities to improve the reconciliation process.</p> <p>Due to the COVID-19 pandemic, the Payroll team adapted to working remotely and there are good arrangements in place to ensure that key controls have continued to operate effectively.</p>

Review	Summary of report and actions
<div data-bbox="151 235 247 331"> </div> <div data-bbox="272 219 472 291"> Value Added Tax </div> <div data-bbox="146 421 499 456"> Current: Reasonable </div> <div data-bbox="146 537 494 573"> Previous: New review </div>	<p data-bbox="523 219 1465 398">We reviewed the policies and processes of the Finance team regarding VAT, held meetings with key Officers to discuss the operations and potential issues with VAT accounting at the Council, and conducted sample testing of invoices to determine whether or not they were coded correctly.</p> <p data-bbox="523 421 1455 528">Our review considered three main areas: the partial exemption, awareness of changes in VAT accounting, day-to-day accounting practices for VAT and concluded that controls were working well.</p> <p data-bbox="523 546 1455 654">Following our review The Finance Team will update the available VAT system codes, and provide training sessions with colleagues, to proactively reduce the risk of miscoding.</p>

Below is a summary update on our review of the Asset Register which is currently in progress:

This is an interim update on the progress of our review		
Our objectives 	Our Audit Brief	Provide independent assurance that the new CIPFA module is on course for implementation and that there is capacity for the system to be effectively maintained.
	<i>Areas of focus</i>	The main corporate risk is: 679 - Failure to produce / late certification / approval of accounts and/or to obtain unqualified audit opinion
Completed work: 	<i>Assurance</i>	<ul style="list-style-type: none"> The asset register is operational, was first used for 2018/2019 accounts, and is now embedded. The external audit review has verified that the data migrated into the system is accurate.
	<i>Lessons learnt and potential recommendations</i>	<ul style="list-style-type: none"> Smaller projects would benefit from simplified project management (including timescale, staff and expertise requirements, and Officer responsibility); Coach and train colleagues in the Accountancy Team on using the CIPFA module asset register. This will provide business continuity to mitigate a single point of failure risk;
Next steps: 	<i>These are activities we have planned next</i>	<ul style="list-style-type: none"> Continue to review the implementation and ongoing use of the CIPFA module (reconciliations, additions, disposals, depreciation, revaluations); Clarify issues with the project, and lessons to be learned for future projects;
	<i>Information which will help us to progress the review promptly</i>	<p>We paused our review to enable the Statement of Accounts work to be concluded. Discussions with key personnel (within Finance and Project Management (Transformation)) is required to progress testing.</p> <p>We expect to resume testing in last two weeks of August prior to the Accounts team commencing work on the next 2020/2021 Accounts.</p>

Based on our work to date, this is the current summary position:

Potential Assurance		
Full		<p>At this stage our testing is providing reasonable assurance that data has been migrated successfully, and controls are in place to operate the system effectively over the longer term. However, we still need to substantively test some accounting processes, and would like to see reassurance over the business continuity.</p> <p>Our review is identifying lessons learnt from the project management and implementation which could be applied to other projects, although this shouldn't impact the operation of the Asset Register going forwards.</p>
Reasonable	««	
Limited		
None		

Business Grant Assurance

The Department for Business, Energy and Industrial Strategy (BEIS) announced funding schemes to support those businesses affected by the pandemic. Details were published on our [grants and funding web-page](#).

The schemes have now closed. We processed 6825 grant applications in total through the Cabinet Office National Fraud Initiative and Spotlight system as pre-assurance checks to help mitigate the risk of fraud and error. This provided assurance that grant applications were made from legitimate businesses.

We have now also provided post payment assurance on the schemes back to BEIS.

Overall assurance

The internal audit work and assurance mapping enables us to form an opinion on the internal control environment, governance and risk management arrangements.

There is currently a Reasonable level of assurance overall, which is similar level to the previous period.

Reviews in Progress and forward planning

Our current planned assurance and follow-up reviews include:

- Capital – Asset Register
- Corporate complaints and feedback
- Carbon Management
- Accounts Payable – Master data
- Grant Assurance – COMF schemes
- Counter Fraud – Whistleblowing Framework
- Disabled Facility Grants

In addition, we have been completing reviews for Ermine Street Homes, where the Council is a stakeholder.

We are also providing consultancy advice, on internal controls for grant and payment schemes such as Energy Rebate and Ukraine Homes, and emerging risks.

Counter Fraud update

Key Amnesty Project

The Corporate Fraud Team are working in partnership with SCDC Housing, in consultation with the Housing Engagement Board (HEB) to deliver a Key Amnesty project planned to be offered in November 2022.

In 2012 it was estimated that more than 100,000 social homes in the UK were the subject of some form of tenancy fraud.

Housing tenancy fraud is when social housing is used by someone who is not entitled to occupy the property.

It includes:

1. Subletting without permission;
2. Providing false information on applications for housing;
3. Wrongful tenancy assignment and succession;
4. Failing to use the property as the only or principal home;
5. Abandoning the property without proper process; and
6. Selling the keys to someone else.

Under the scheme tenants who are committing tenancy fraud have the option to surrender their keys, without facing prosecution.

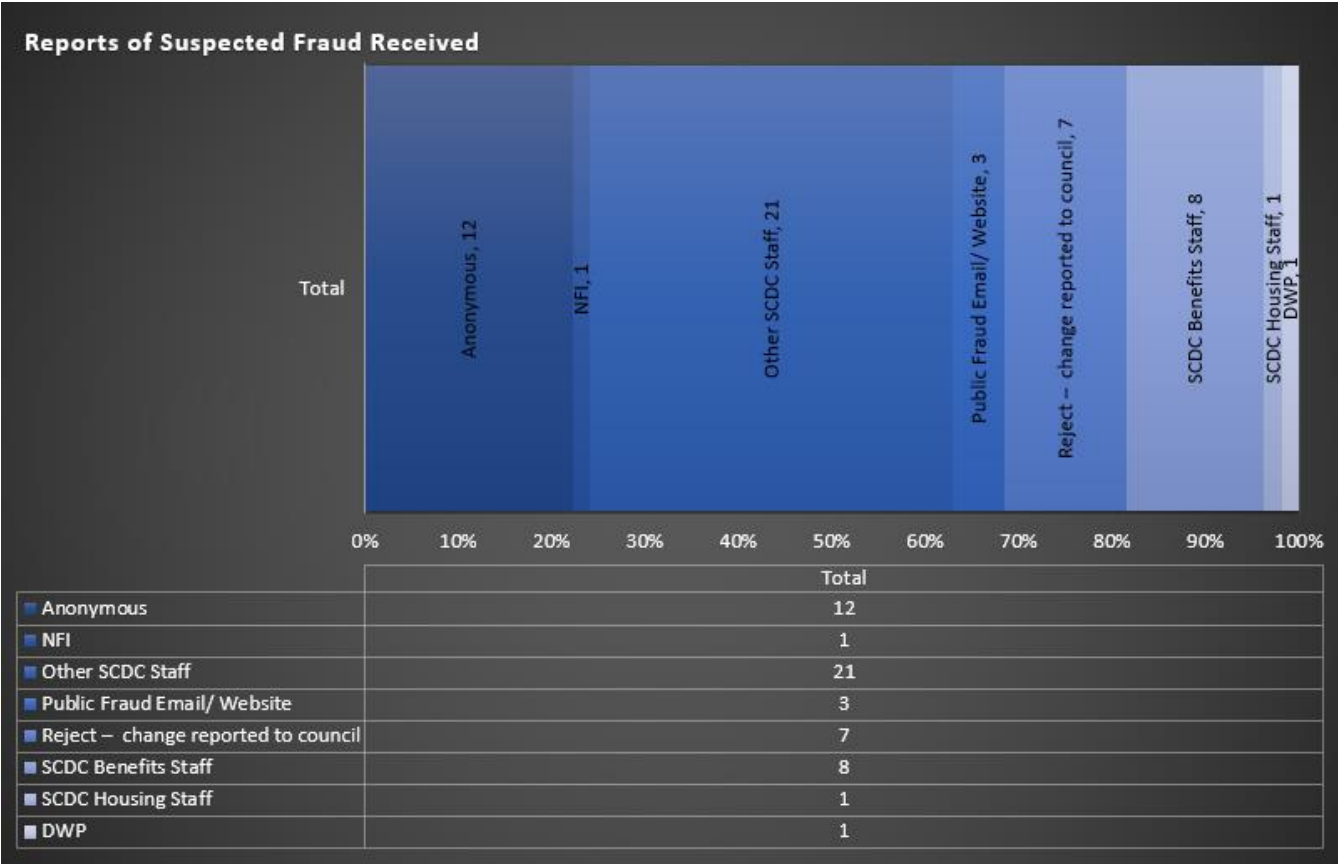
The Covid 19 Pandemic has generated the most significant social change since the second world war. When Britain entered Lockdown families made significant changes to their home and working lives, staying at home and joining households to share childcare responsibilities. In response to the unprecedented circumstances created by the CV Pandemic crisis it is proposed that the authority offers a 'Key Amnesty' to those whose circumstances have changed and who have failed to fulfil their legal obligations.

Fraud Team Statistics – our quarterly position

We have included some fraud statistics below from the recent quarter. The purpose of these is to provide the Committee with an overview of the work in progress, and specific individual details are not disclosed due to sensitivity and risk of compromising any investigations in progress.

Reports of suspected fraud received

Analysis by the source of intelligence:



Fraud by type

Analysis by fraud type:



Investigations in progress (as of 31st March 2022)

Case Status	Number of Cases	Key
Live Investigation	36	
Interview Under Caution (IUC)		
Sanction decision		
Criminal Prosecution Administrative Penalty Caution Prosecution and Civil action Civil Warning Letter No Further Action Notice to quit (Secure or flexible tenancy) Notice of proceedings for possession (intro tenancy) / Notice to Seek possession (secure and flexible)		

Investigations Closed

Closure Reason	Number
A14 Uneconomical to investigate	12
A10 Fraud proven but no further action	
A11 Not investigated, passed for visit	
A13 Not investigated - not on benefit	
A4 Closed - claimant error only	
A5 Closed - no fraud established	
A7 Not investigated - passed to DWP (Department for Work and Pensions)	

Proactive work – Prevention

Prevention is an important aspect of our Counter Fraud arrangements.

Education	Prevention advice in connection with Omicron to businesses.	Advice to Licensing. Housing Tenancy Article.
Workshop Attendees	NIL	
Campaign work	NIL	
Other		
Verification checks		
Right to buy verification enquiries reported	5	
Outstanding RTB Docs/Visit	0	
Homelessness verification enquiries reported	0	
General housing verification enquiries	5	
Ermine Street		
Locta	5	
LAIEF's	1	
General	3	
Data Protection Act requests - External		
National Fraud Initiative Matching		
Biennial exercise – records closed	54	
Annual exercise CT (Council Tax) / SPD (Single Person Discount) – records closed	2	

RIPA (Regulation of Investigatory Powers Act) update

Cases of RIPA used in period:	0
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Useful Links

Link	Details
Public Sector Audit Appointments	PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.
EY.com	EY (Ernst & Young) is our current externally appointed auditor
Cabinet Office NFI (National Fraud Initiative)	The National Fraud Initiative is a data matching exercise which helps public sector organisations to prevent and detect cases of fraud and error.

Training and development

Audit Committee Guidance

Government has published the consultation response to the [Local Audit Framework](#). An outcome of this includes reviewing the role of Audit Committees. We reviewed the Committee Terms of Reference to the CIPFA best practice guidance in 2019.

CIPFA have since published a [Position Statement](#) in April 2022 and will be issuing revised guidance soon.

Based on the Government consultation we expect that there will be a mandatory requirement to incorporate an independent member, which we have discussed in previous meetings.

Note

This document will have links to external websites where it provides more information. We are not responsible for the content of external websites.