

Decision Maker: **AUDIT AND RISK MANAGEMENT COMMITTEE**

Date: **Wednesday 2 November 2022**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **INTERNAL AUDIT AND FRAUD PROGRESS REPORT**

Contact Officer: Francesca Chivers, Head of Audit and Assurance
E-mail: Francesca.Chivers@bromley.gov.uk

Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for decision/report and options

This report provides an update on Internal Audit activity and outcomes to date in the 2022/23 financial year. It also provides an update on counter fraud activity for Quarters 1 and 2 of 2022/23.

2. **RECOMMENDATION(S)**

a) **Note the Progress Report and comment on matters arising.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: Some audit findings could have an impact on services for vulnerable adults and children.
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Transformation Policy

1. Policy Status: Not Applicable
 2. Making Bromley Even Better Priority:
(5) To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre:
 4. Total current budget for this head:
 5. Source of funding:
-

Personnel

1. Number of staff (current and additional): 6.5 FTE Internal Audit staff
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Statutory Requirement: Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective Internal Audit function.
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: Some audit findings could have procurement implications.
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Property

1. Summary of Property Implications: Some audit findings could have property implications.
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: None
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Customer Impact

1. Estimated number of users or customers (current and projected): Internal Audit activity is relevant to all of the Council's stakeholders.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 Internal Audit Progress and Outcomes

- 3.1.1 Internal Audit provides regular progress reports to Audit and Risk Management Committee, covering activity, performance and outcomes. These reports are a requirement of Public Sector Internal Audit Standards (PSIAS). However, they also enable Audit and Risk Management Committee to discharge its duty to oversee Internal Audit in the Council, including to ensure its independence and effectiveness.
- 3.1.2 This progress report provides an update on internal audit activity and outcomes to date against the Plan for April – October 2022 that was agreed by Members of Audit Sub-Committee in March 2022. The report also contains a summary of progress against open Priority 1 recommendations and all Priority 2 and 3 recommendations that were due in Quarters 1 and 2 of the current financial year. The definitions of our assurance and priority ratings are provided in **Appendix B**.
- 3.1.3 **Table 1** below shows current progress against the April – October 2022 Internal Audit Plan, as at 30th September 2022, including outcomes where applicable. In summary, six substantive audits, plus one school, are complete, ten audits are in fieldwork and seven are at planning stages. As reported to the previous Audit and Risk Management Committee meeting, long-term sickness in the team has delayed some work and we have also had changes to contractual working hours since the April – October Plan was agreed. However, we have engaged some additional resource via our framework contract and we have revised resource assumptions when developing the Plan for the final part of the year (presented as a separate agenda item).

Table 1 - April 2022 – October 2022 Internal Audit Plan	
Audit	Status and Assurance Opinion
Assurance Mapping	Planning
Grant assurance work including Supporting Families and Disabled Facilities Grant	Fieldwork (three grants complete)
Domestic Abuse Transformation	Not yet started
Discretionary Housing Payments	Planning – fieldwork due October
Cash and Bank	Complete – Reasonable Assurance
Capital Strategy, Planning and Monitoring	Fieldwork
Sickness Management	Fieldwork
Appraisals	Fieldwork
Procurement Fraud and Corruption Risk Assessment	Not yet started
Members' Induction	Complete
Procurement of IT Services (ongoing consultancy)	Complete
Public Health Covid-19 Response – Lessons Learned	Fieldwork
Placements (Adults' Residential)	Fieldwork
Assistive Technology	Planning
Adult Social Care Referral and Assessment Process	Planning
Quality Assurance Framework – Adults	Fieldwork
Virtual Schools' Bromley	Planning – Fieldwork due 17 October
Quality Assurance Framework – Children's	Fieldwork
Adult Education	Not yet started

Schools Rolling Programme	Edgebury Primary School draft report issued – Reasonable Assurance
Planning Applications	Complete – Reasonable Assurance
Operational Property Review	Planning
Capital Schemes – Project Management (Housing)	Fieldwork
Housing Allocations	Complete – Limited Assurance
Highways – Management of Major Works	Not yet started
Parks and Greenspace	Complete – Limited Assurance
Net Zero	Fieldwork

3.1.4 Our work in the first six months of the year has also included finalising two audits that were part of the 2021/22 Internal Audit Plan, but not completed in time for the year end opinion. These audits will now form part of the year end opinion for 2022/23.

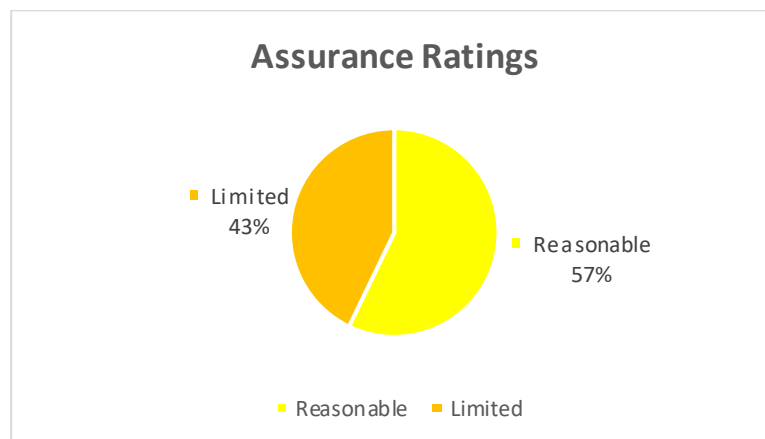
Audit	Assurance Opinion
Commercial and non-office owned property	Reasonable
Drainage Cleaning	Limited

3.1.5 Summaries of the completed substantive audits and grant sign off reviews are provided in **Appendix A**, with the exception of Drainage Cleaning which is provided in **Appendix E (Part 2)** of this agenda. The full redacted reports for the completed substantive audits have also been published with the agenda, if Members require further information. Members are asked to agree an exemption to publication for the Drainage Cleaning and Housing Allocations reports.

3.1.6 Due to a changeover in key personnel at the school, we have also not provided further summary or detail regarding the Edgebury Primary School audit in the current committee cycle. This will be reported to the next Audit and Risk Management Committee in March 2023.

3.1.7 A summary of outcomes (assurance levels) to date in graphical format is shown below. These outcomes include the two audits noted above which have been carried forward from the 2021/22 financial year.

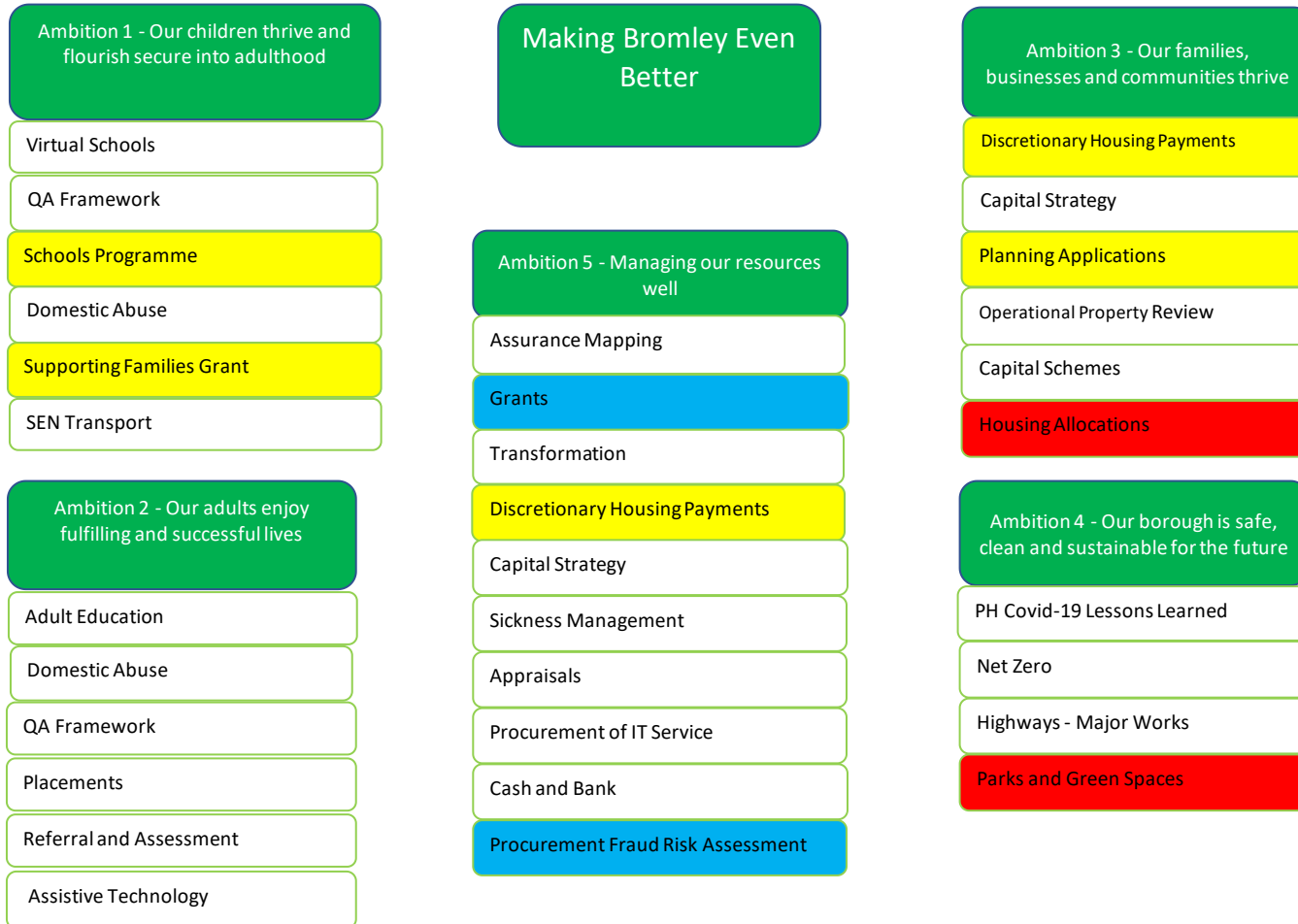
Diagram 1 – Assurance Ratings



- 3.1.8 **Diagram 2** below shows the audits for 2022/23 as mapped to the ambitions set out in 'Making Bromley Even Better'.
- 3.1.9 The audit opinions are currently weighted towards 'Reasonable' which continues a pattern of previous years; at the end of 2021/22, 54% of audits received 'Reasonable' assurance. From review of **Diagram 2** below, audits relating to Ambitions 1 and 5 currently have all 'Reasonable' or 'Advisory' ratings.
- 3.1.10 In addition to the assurance pieces of work, it is also important to note that we have undertaken several pieces of advisory pieces of work which, whilst they do not have a formal assurance rating attached, contribute towards my overall assessment of controls in the Council. In particular, the Procurement Fraud and Corruption Risk Assessment was an important piece of work which highlighted that, in the tender and award stages of procurement which formed the focus of the review, the Council does have robust controls in place to mitigate fraud and corruption risks. We have also completed three grant sign offs, which provide us with another mechanism to assure on the operation of financial controls. No significant issues were identified as part of these sign offs and we have returned all the declarations to the relevant central government department.
- 3.1.11 In this cycle of reporting, the significant issues we raised were largely around contract management, as there were two 'Limited' assurance audits in this area. The issues raised for both contracts covered recommendations for the performance frameworks in place including, for the Parks and Grounds Maintenance contract, the need for greater clarity around the purpose and function of client monitoring activity.
- 3.1.12 The audits also highlighted some issues around data completeness, where data to monitor performance was held in client systems but therefore not readily available or reconciled to London Borough of Bromley systems. Issues around data accuracy, completeness and sharing with partner systems extended to the Housing Allocations review, where information held in the Housing system was not consistently up to date. The service cited a lack of feedback / updates from partner organisations as one root cause for this.
- 3.1.13 Across the reviews, we also found that evidence to support decisions made was sometimes lacking; this applied both to individual client cases but also to important contract decisions, such as the rationale for performance thresholds and how these had been agreed.
- 3.1.14 We will continue to update our analysis as part of future progress updates to this Committee and as more audits are finalised.

Diagram 2 – Making Bromley Even Better

Key



3.2 Follow up of Recommendations Raised

- 3.2.1 Follow up is an important part of internal audit work as it ensures that unacceptable risks identified during the course of our reviews are subsequently mitigated. At London Borough of Bromley, Priority 1 recommendations have always been tracked to completion but we have only followed up Priority 2 and 3 recommendations since April 2022. In order to ensure resource is focused on the highest risk areas, our approach is to re-test Priority 1 recommendations (where relevant) and to obtain and review evidence for Priority 2 and 3 recommendations.
- 3.2.2 This progress report provides the outcomes of follow up activity for all recommendations due for the first two quarters of the financial year.
- 3.2.3 **Appendix C** lists all Priority 1 recommendations open as from the previous report to Audit and Risk Management Committee in June 2022. We have raised five new Priority 1 recommendations since the last report; two relating to our audit of Drainage Cleaning, two relating to our audit of Parks Management and Grounds Maintenance and one relating to our audit of Housing Allocations. The detail of the recommendations for Drainage Cleaning and Housing Allocations is given in **Appendix E (Part 2)**.
- 3.2.4 As at the time of writing this report, there are 11 open Priority 1 recommendations in total. Five of these are not yet due for follow up. We have followed up the remaining six as below:

Data Centre

- 3.2.5 At the June Audit and Risk Management Committee meeting, the Head of Facilities Management advised Members that, during the course of investigating the problem with the switch for the data centre, it had emerged that the issue was more complex than previously assessed. There were, for example, potentially some electrical wiring issues which impacted on the switch over to generator. Work to investigate and thus fully rectify the issue is still ongoing, with changes in personnel, historic lack of expert knowledge and conflicting advice offered by contractors in the past amplifying the problems. The best solution currently is to install an additional generator for the data centre; at the time of writing this report the design had been agreed and the service was awaiting dates for completion.

IT Asset Register

- 3.2.6 The Internal Audit review of the IT Asset Register was finalised in January 2022. It included a Priority 1 recommendation about the accuracy and completeness of information recorded in the IT asset register and the need for a periodic review to identify any inaccuracies and gaps in information.
- 3.2.7 We undertook follow up testing in June 2022 and found that progress had been made towards implementing the recommendation. Further testing has now been carried out and a sample of 10 items were successfully traced to asset owners or locations recorded on the asset register.
- 3.2.8 A review of the IT asset register for gaps and anomalies was carried out in September by a member of the IT Management Support team who raised and resolved queries about the recorded details of several assets with the Council's IT Contractor.
- 3.2.9 The Priority 1 recommendation has therefore been implemented.

Information Governance / General Data Protection Regulations and Cyber Security

3.2.10 Both of the Priority 1 recommendations relating to these audits are in progress but not yet fully closed. Further detail is reported in **Appendix E (Part 2)**.

Supported Living

3.2.11 The review of Supported Living was finalised in January 2022 and contained a recommendation to develop a process for monitoring voids to minimise the Council's expenditure on these. In March 2022, we reported that a new process had been developed, which we considered robust in design, but that due to the infancy of the process, we were unable to provide assurance on effectiveness in practice.

3.2.12 We have now obtained and reviewed information to demonstrate that regular void meetings are scheduled and that effective monitoring of voids is in place. We have therefore closed this recommendation as implemented.

Special Educational Needs Placements and Transition Process

3.2.13 This recommendation was due to be implemented at the end of September 2022. By way of a progress update, the Director of Education has advised us that the Service has secured agreement from the Schools Forum and SEND Governance Board to the key priority areas for the Dedicated Schools Grant Deficit Recovery Management Plan, which will be going forward to Members in the November governance cycle. The use of full life cycle costings has been added to established processes for the transition points at key stages. Going forward, the Service will build this into officer decision-making processes. Discussions have taken place between the Integrated Care System (formerly CCG) and Adult Social Care about contributions to SEN placements, support and transport. Changes to the placement decision making panels are currently being considered for potential implementation from Spring 2023.

3.2.14 We will undertake some further testing around these actions and the progress update over the coming months and will provide a further update in March 2023.

Priority 2 and 3 follow ups

3.2.15 **Appendix D** provides a high-level summary of all Priority 2 and 3 recommendations that were due for follow up between April and September 2022. This summary includes the number of recommendations for each audit together with the numbers that have been implemented, not implemented or partially implemented. Out of a total of 74 recommendations, we have fully closed 45 (60%), with another 13 (18%) in progress. This is a good set of results for the first full cycle of follow ups, especially as the process continues to embed within the organisation. For the majority of recommendations that are marked as 'not implemented', we are awaiting evidence or further information from relevant managers. Where recommendations have been assessed as partially implemented, we have agreed revised follow up dates with the service and will continue to monitor and track these until they are closed.

3.2.16 We have fully closed all recommendations relating to the following 2021/22 audits:

- IT Asset Register
- Covid-19 Procurement Arrangements
- Waste Services Contract
- Environmental Services Contract Monitoring
- Freedom of Information and Subject Access Requests
- Engagement of a Consultant in Youth Offending Services

- Health and Safety – Covid-19 Risk Assessments
- St Olaves Grammar School
- Leavers Process

3.2.17 For all remaining audits, we will provide a further update in due course.

3.3 Audit Activity (other work including advisory)

3.3.1 Since the last report to Audit and Risk Management Committee, we have continued to undertake ad-hoc advisory work as requested. In addition to the more significant work highlighted below, this has included specific advice on the Innovation Fund grant application forms, the Household Support Voucher scheme, and Homes for Ukraine payment processes.

3.3.2 We have continued to attend, and provide relevant updates to, Corporate Leadership Team and Chief Officer Executive. We also presented a summary of themes arising from the 2021/22 Internal Audit Annual Report to all managers as part of the Managers Briefing in July 2022.

Migration and reconciliation of Oracle Fusion data

3.3.3 At the request of External Audit, we carried out a reconciliation of the 2021/22 data migrated from Oracle R12 to Oracle Fusion.

3.3.4 We confirmed the process undertaken by the Head of Finance, Adult Social Care, Health & Housing and checked the twenty highest balances in Oracle R12 at the time of the migration.

3.3.5 We confirmed that they had been migrated into Oracle Fusion accurately and that they reconciled. In four instances we needed to carry out additional checks on other cost centre balances to confirm the accuracy of the data. We also confirmed that the overall totals for the both systems reconciled.

3.3.6 In conclusion, we were satisfied that the methodology and process undertaken for the mapping of codes and migration and reconciliation of data between systems had been carried out correctly.

Council Tax Energy Rebate

3.3.7 At the June Committee, we reported that we had commenced bank account verification checks via the Government's designated Counter Fraud tool (Spotlight) for eligible households who do not pay Council Tax by Direct Debit. This work continued through July and August, and we processed checks for both the mandatory and discretionary elements of the scheme. The schemes have now closed; in total we processed approximately 17, 000 checks.

4. Counter Fraud Activity

4.1.1 This report provides an update on both new and previous cases of fraud and special investigations. The Fraud service is provided by the Royal Borough of Greenwich who investigate all allegations of fraud and maintain the fraud register.

Blue Badge Fraud

4.1.2 Members will be aware of the activity by the Shared Parking Service to combat the criminal offence of Blue Badge misuse. APCOA Civil Enforcement Officers (CEOs) carry out inspections and ask drivers of vehicles displaying Blue Badges specific questions to determine whether or not misuse is taking place. CEOs and authorised Council Officers can legally confiscate a Blue Badge and return it to the issuing Local Authority should any misuse

be suspected. High rates of prosecution success have been achieved through close working with the Greenwich Fraud Team.

- 4.1.3 Following investigation after confiscating a badge, information is collated, and the case passed to the Greenwich Fraud Team. The Greenwich Fraud Team will carry out an investigation, identifying drivers, arranging interviews under caution, establishing intent and mitigation and undertaking public interest and evidential tests on cases which may be suitable for prosecution before being passed to Legal Services for final authorisation. Feedback is also provided where evidence or process errors affect the suitability for prosecutions so that this can inform CEO training.
- 4.1.4 Prosecutions are undertaken by Bromley Legal Services utilising the Single Justice Procedure. The Criminal Justice and Courts Act 2015 introduced the Single Justice Procedure which applies only to cases involving adults charged with summary-only non-imprisonable offences. It enables such cases to be dealt with by a single magistrate sitting with a legal adviser on the papers without the attendance of either a prosecutor or the defendant. The defendant will instead be able to engage with the court online (or in writing) and the case will not be heard in a traditional courtroom. The Single Justice Procedure was designed to save Court time in cases where a full hearing may not be necessary. Magistrates' Courts were finding that their Court lists were becoming clogged up with low level offences.
- 4.1.5 It is for prosecutors to identify cases which are suitable for the single justice procedure. These are commenced by a written charge and a document called a 'single justice procedure notice'.
- 4.1.6 The single justice procedure notice is sent to the defendant explaining the offence which has given rise to the proceedings, the options available to the defendant, and the consequences of not responding to the notice. It is accompanied by the evidence upon which the prosecutor will be relying to prove the case. The notice will give the defendant a date to respond in writing to the allegation - rather than a date to attend court. However, the defendant has the right to request a traditional hearing in open court. If they wish to plead not guilty, or otherwise want to have a hearing in a traditional courtroom, the defendant can indicate these wishes in the response to the single justice procedure notice. In such circumstances the case will be referred to a traditional court and the case will be managed in the normal way.
- 4.1.7 In cases where a defendant pleads guilty and indicates that they would like to have the matter dealt with in their absence, or fails to respond to the notice at all, a single magistrate will consider their case on the basis of the evidence submitted in writing by the prosecutor, and any written mitigation from the defendant. The single magistrate can convict and sentence or dismiss the charge as appropriate.
- 4.1.8 If a single justice considers at any point that it would be inappropriate to conduct the case under the single justice procedure, the justice can refer it to a traditional magistrates' court.
- 4.1.9 Parking Services Blue Badge policy was reviewed in November 2020 with a new set of procedures which included an additional outcome of a simple Caution. This additional outcome is included in the statistics.
- 4.1.10 **Table 2** overleaf provides a comparison of referrals received on a year by year basis:

Table 2 – Blue Badge Referrals

	2019/20	2020/21	2021/22	2022/23 April – September
Total	129	22	64	34

4.1.11 The table above shows that there is now a steady increase in the number of new cases being referred despite Parking Services Civil Enforcement Officers no longer confiscating badges and restricting engagement with drivers, a practice that was adopted during the Covid-19 pandemic.

4.1.12 Referrals being sent to the Fraud Team relate predominantly to allegations of lost, stolen or expired Blue Badges being displayed or the use of Blue Badges belonging to persons who are deceased. Interviews Under Caution attendance is still intermittent and quite often two or three interviews are scheduled before the individual attends for an interview under caution.

4.1.13 As at 30 September 2022, there were 11 cases designated as “prosecution pending.” This means that the cases have been fully investigated and are now with Legal Services for consideration of appropriate further action.

4.1.14 Between April and September 2022 the total number of prosecutions has almost levelled the total year of 2021/22 indicating investigations are returning to some normality since the pandemic. **Table 3** below shows a breakdown of outcomes, on a year by year basis:

Table 3 – Blue Badge Prosecutions and warning letters

	2019/20	2020/21	2021/22	2022/23 Apr-Sep
Prosecutions	46	57	27	26
Warnings	30	30	13	4
Cautions			3	2
Total	76	87	43	32

Blue Badge Financials

4.1.15 The table below includes details of the Blue Badge prosecution costs awarded to LBB by the Magistrates court following a successful prosecution. The total amount of money recovered equates to approx. £551 per prosecution.

Table 4 – Blue Badge Prosecutions – Financial Details

	2022/23 Apr-Sep
Fine	£7,053
Prosecution Costs	£6,355
Victim Surcharge	£927
Total	£14,335

4.1.16 None of the 34 cases referred to the DWP between April and September 2022 have involved joint working. The DWP Single Point of Contact for Bromley is currently reviewing the 34 cases referred for investigation with a view to providing status feedback.

Miscellaneous Cases

4.1.17 A total of 84 cases were received for investigation (34 related to Blue Badges).

- 32 were allegations received from members of the public (*1 email, 11 by phone, and 20 through the LBB website*)
- 13 were from the Advice and Benefits Team
- 2 were from another Local Authority
- 2 were from other London Borough of Bromley Departments
- 1 was from a member of staff

4.1.18 The allegation types received for the 50 non Blue Badge cases were:

- 19 cases of Living Together as Husband and Wife
- 9 cases of Council Tax Fraud
- 5 cases of Earnings / Undeclared Income
- 5 Vacated Addresses
- 3 Subletting Cases
- 2 Planning Cases
- 2 Undeclared Capital cases
- 2 Undeclared Non Dependants
- 1 False School Application case
- 1 Non Fraud Related case
- 1 case of Contrived Tenancy

The status of the 50 non Blue Badge cases received are shown below

- 34 – Referred to the DWP SFIS department
- 7 – No Fraud Proven
- 6 – Referred to landlord or other LBB department
- 2 – Not Accepted
- 1 – Current Investigation

4.1.19 There have been 9 cases of suspected Council Tax fraud received during the year. 3 cases were referred to the DWP SFIS, 2 cases were referred to other LBB departments, 1 case was not accepted and 3 cases were closed with No Fraud Proven.

4.1.20 There have been 8 cases of suspected subletting or vacating addresses. 2 cases resulted in no fraud proven, 1 was referred to the Registered Social Landlord (RSL) as well as 5 referred to the DWP. An initiative to commence some further joint working with Clarion and Keniston Housing Associations is being explored and we are awaiting their sign off on an agreement to share data and commence some joint investigation working.

4.1.21 The 34 cases referred on to the DWP during the course of the year related mainly to Benefit cases where allegations of undisclosed income and living together were made.

4.1.22 The DWP need to adjudicate on entitlement to the benefit it administers before the Council can then determine if there is any impact on Housing Benefit or CTRS in payment. As already mentioned, the case outcomes from the DWP are not forthcoming.

4.1.23 The total amount of Housing Benefit Overpayment between April and September was £1,884.47 and £710.43 for Council Tax Reduction.

National Fraud Initiative (NFI)

4.1.24 We are currently collating data ready for the national bi-annual data-matching exercise. As part of this exercise, the Council is required to upload various data sets including Payroll, Pensions, Trade Creditors, Housing waiting list, Residents Parking and Council Tax Reduction Scheme. These data sets are matched with those from other Local Authorities and any matches which may indicate error or irregularity are returned to the Council to investigate. We are due to upload data by December, with matches expected in the following year.

5. IMPACT ON VULNERABLE ADULTS AND CHILDREN

Recommendations arising from audits in Adults' and Children's Services will have implications for vulnerable adults and children.

6. FINANCIAL IMPLICATIONS

Some of the findings identified in the audit reports will have financial implications.

7. LEGAL IMPLICATIONS

Under the Accounts and Audit Regulations 2015, the Council is required to maintain an effective internal audit function to provide assurance on the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards and guidance. Regular reporting to Audit and Risk Committee is a requirement of these Standards.

8. PROCUREMENT IMPLICATIONS

Some of the findings identified in the audit reports may have procurement implications.

9. PROPERTY IMPLICATIONS

Some of the findings identified in the audit reports may have property implications.

Non-Applicable Headings:	Transformation / Policy Implications Personnel Implications Carbon Reduction / Social Value Implications Ward Councillor Views Customer Impact
Background Documents: (Access via Contact Officer)	None