

Internal Audit and Counter Fraud Quarter 2 Progress Report 2023/24

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1. Summary of Completed Audits

1.1 This section provides an update on the audit work completed during the previous quarter.

Home Upgrade Grant Phase 1 (HUG1) Project Closure – Grant Certification

- 1.2 The Council were awarded a £1.4m Home Upgrade Grant in November 2021.
- 1.3 As part of our work to confirm that in all significant respects, the conditions attached to Home Upgrade Grant Phase 1 have been complied with, we identified the conditions attached to the grant and undertook control based testing and sample testing to ensure the conditions were met.
- 1.4 We also confirmed the value of the work undertaken and the amount due to be reimbursed.
- 1.5 Based on our testing we were able to confirm that the conditions attached to the grant had been complied with and we were able to sign the control closure report.

Hotel Business Account

- 1.6 The Temporary Accommodation Team have a requirement to place clients into hotels in several high-risk circumstances. Whilst there is currently a corporate credit card used to pay for this accommodation on an ad-hoc basis, if the booking is out of hours, this requires the involvement of an officer from the Gold or Silver Command and the use of their own personal credit cards. They will then claim this money back at a future point via the finance system by way of an expense re-imburement.
- 1.7 A proposal has now been developed for the Housing Team to set up a business account with a major hotel company which will allow staff to make online bookings at short notice, as and when required, within and out of hours. The number of bookings is irregular and may not be required for months. A monthly limit of £25,000 has therefore been set to accommodate any emergency situation which may arise. Payments for the bookings will be made in arrears by direct debit.
- 1.8 Whilst the proposal has been provisionally approved by the Senior Housing Options Practitioner, Housing Options Manager and the Chief Finance Officer, Internal Audit were asked to comment on the proposal from a control perspective and this was therefore an addition to the indicative programme of audit work for 2023/24.
- 1.9 Whilst the arrangement was at an early stage, we were able to provide advice to ensure that the controls we would expect to operate would be incorporated into the process.
- 1.10 We also reviewed the draft policy and the terms and conditions from the hotel company. We made a number of suggestions to improve the policy and also recommended that the terms and conditions be subject to review by Legal Services and Procurement to ensure they are equitable to all parties and that controls are in place to comply with the expectations of the company.

Ad-hoc advice and Guidance

- 1.11 We have provided ad-hoc advice on risk, controls and governance in relation to a number of new and existing initiatives to add further value to the organisation. This included advice relating to the use of a Home Improvement Loan provider in order to confirm that:
- The roles and responsibilities of the loan provider and Hastings Borough Council are clearly defined;

- The criteria and decision to award a loan should be consistent with Council aims and policies;
- A robust authorisation and approval process exists for the award of loans;
- Regular reconciliations take place between the loan provider and Council records and any irregularities investigated, and;
- The budget for the loan provider is monitored and regularly reviewed.

1.12 We have also provided guidance for staff involved in grant administration, specifying the internal audit requirements in relation to the certification of grants in order to streamline the grant certification process.

2. Counter Fraud and Investigation Activities

2.1 No specific counter fraud activity has been conducted in the reporting period.

3. Action Tracking

3.1 Internal Audit will continue to work with senior management to ensure that sufficient attention is given to any high priority actions that are overdue, and an update on progress with high priority actions will continue to be reported to this committee.

4. Amendments to the Indicative Programme of Work

4.1 In accordance with proper professional practice, the Internal Audit indicative programme of work for the year is kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, no further amendments have been made to the indicative programme at this stage.

4.2 Members are reminded that the focus for the 2023/24 financial year remains on service development and as such, we do not expect all audits from the indicative programme of work to be completed in full. However, a number of audit assignments are now underway including Payroll, Debtors and the certification of the Home Upgrade Phase 2 Grant. We will provide further updates to Audit Committee over the course of the year.

5. Service Development Plan

5.1 During Quarter 2 the team have been focused on:

- Developing and implementing the Indicative Programme of Work, a Quality Assurance Improvement Plan (QAIP) and Audit Charter;
- Providing training on the role of Internal Audit to the Audit Committee and Senior Leadership Team;
- Commencing the delivery of audit assignments within the Indicative Programme of Internal Audit Work;
- Undertaking engagement and consultation with all key stakeholders to help better understand the risk profile of the organisation and to better inform the focus of future internal audit activities;

- Production and delivery of a Service Development Plan, which includes:
 - Improving the audit methodologies and audit reporting arrangements;
 - Improving the audit reporting arrangements to Audit Committee;
 - Redistribution of historic non-audit activities that conflict with the Auditors' independence and objectivity.

6. Internal Audit Performance

- 6.1 It is a key responsibility of the Audit Committee to satisfy itself as to the ongoing effectiveness of the Council's internal audit arrangements, with the service's conformance against Public Sector Internal Audit Standards key to forming this judgement. Such conformance is self-assessed by the service annually and independently externally assessed at least every five years, all of which is reported to the Audit Committee. In addition to this, performance against a range of key performance indicators is measured on a quarterly basis, with the results reported to the committee throughout the year.
- 6.2 It is, however, important to note that the service at HBC has not in our view, been conforming with professional standards and requires significant improvement, all of which is being addressed, as explained above. Furthermore, key performance indicators have not historically been in place for the service and are only now being introduced for the first time. Given this situation, it is not currently possible to report in full against these measures, with more complete reporting due to be implemented for 2024/25. In meantime, we have set out below the agreed key performance measures for the service, with some results included where these are available:

Aspect of Service	Orbis IA KPI	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Indicative programme of work approved by the Audit Committee on 17 th August 2023.
	Annual Audit Report and Opinion	By end July	N/A	Annual Audit Report and Opinion not yet due.
	Customer Satisfaction levels	90% satisfied	G	100%
Productivity and process efficiency	Audit Plan – completion to draft report stage	90%	N/A	Indicative programme of work only in place for current year, with focus on service improvement.
Compliance with professional standards	Public Sector Internal Audit Standards complied with	Conforms	N/A	Self-assessment against PSIAS will be undertaken in February 2024.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	N/A	All future high priority actions will be subject to action tracking.

Our staff	Professionally qualified / accredited	80%	G	100% including part qualified.

Appendix B

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.