

An Internal Audit View

Welcome to the first edition of the 'An Internal Audit View'.

The benefits of effective Partnership working is plain to see, but in order to maximise the opportunity to add value to their Partner organisations, five major Internal Audit Partnerships have come together from around the Country to share development ideas and best practice.

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Gerry Cox CFIA, CIA, QIAL, CRMA – Chief Executive Officer, South West Audit Partnership – Is former

Chairman of the Board of the Global Institute of Internal Auditors and previously served as the Institute of internal Auditors - UK and Ireland's President for two terms. Gerry has served as a Head of Audit in local government and has more than 30 years of Internal Audit Experience.



Robert Hutchins ACMA – Head of Devon Audit Partnership (DAP) - is a qualified management

accountant with more than 20 years post qualification experience in the public and private sector. Rob is passionate about delivering high quality, cost effective services for public sector organisations. He strongly believes that this quality comes from a well trained and highly motivated team who share the same passions. He has a reputation for "continually improving" teams, and appreciates the value that can be gained

from close working with customers to ensure services delivered meet current and future requirements.



Terry Barnett - Head of Assurance, Hertfordshire County Council Terry has an MSc in Audit Management &

Consultancy and has worked in Internal Audit since 1984, beginning with a role at the City of London Corporation. In 2011, he was part of the management team that set up Hertfordshire's Shared Internal Audit Service (SIAS) which provides Internal Audit Services to the County and most of its District and Borough clients; the newly formed Hertfordshire Shared Anti-Fraud Service also sits within Terry's current Portfolio.



Max Thomas - Director and Head of Internal Audit, Veritau Limited (Veritau) - is a qualified Chartered Accountant with over

25 years audit experience gained within the private and local government sectors, providing services to a range of clients. Since 2007, Max has been instrumental in

the development of the shared service between a number of councils in the Yorkshire area including North Yorkshire County Council and the City of York Council. The approach taken led to the award of the CIPFA Cliff Nicholson prize in 2010. Max is committed to the concept of organisations sharing services to help deliver efficiencies and improve resilience.



Neil Pitman, MSc, CMIIA, CCAT, CCIP, MAAT - Head of Southern Internal Audit Partnership - As the Head of the Southern Internal Audit Partnership I am

responsible for the strategic direction, leadership and management of the service. As an audit professional I have worked within the public sector for over 25 years holding senior management roles within Oxford City Council, East Dorset District Council, Southampton City Council and Hampshire County Council. Such experience provides an excellent foundation to lead and guide the Southern Internal Audit Partnership through what are both challenging and exciting times within the public sector.

These five individuals have extensive experience in Internal Audit and represent the profession at both a national and international level. Working with them, are a vast number of professionally qualified auditors and accountants. In addition to Internal Auditing skills include, IT Audit, Consultancy, Fraud and Contract Auditing.

The move affords the Partnerships, each quite sizable on their own, to share their findings and intelligence with 32 Local Councils, including a good mix of County, Unitary and District Authorities.

Over the coming year we will meet quarterly as a group and provide our Partner organisations with quarterly bulletins, of which this is the first, which will provide 'an internal audit view'. We hope that you will find the bulletins informative and useful. If you have any comments or feedback to the bulletin or articles that you would like to contribute, please direct them to one of the individuals above.

Focus on Safeguarding

Safeguarding has rightly been given a very high profile in the wake of events in Rotherham and Oxfordshire. We have a number of formal audits taking place across audit plans with partners, and are holding conversations with others about their safeguarding processes and controls. In light of this, we think the areas below should be given due attention and acted upon as a matter of priority where gaps are identified.

Risk identification and assessment

All local authority employees have a child safeguarding duty i.e. a duty to report anything untoward/suspicious, etc. This is handled formally by designated roles within our authorities but it is worth giving the general duty a high profile. We are happy to share a detailed set of questions which we recommend are asked within your Council as part of a risk identification and assessment exercise.

For example:

- Have you identified Members, staff, contractors (e.g. builders on DFG works), volunteers and service users who have contact with children or vulnerable adults in the course of their work, or who enter the homes and businesses of customers?
- Have you considered training and awareness of the above on adult and children's safeguarding?
- Have you reviewed contract management and monitoring processes to identify safeguarding responsibilities, e.g. leisure contracts?

Expectations of District Councils

The Local Government Association (LGA) has published some useful questions for district councils undertaking a 'stock take' of their safeguarding arrangements (see link below). The following questions give a flavour of the guidance:

- a. Do you have a senior manager with responsibility for championing, safeguarding and promoting the welfare of children and what are the lines of accountability for ensuring the safeguarding of children and young people?
- b. Do elected members and managers know what responsibility the council has in relation to safeguarding, and are all staff well informed about their responsibilities for ensuring the safeguarding of children and do they know what to do?
- c. Does your district take an effective part in the LSCB - how do you know?

www.local.gov.uk/safeguarding-children/-/journal_content/56/10180/3511516/ARTICLE

Expectations of Children's Services Authorities (CSA)

Equally, the LGA has published some questions for CSA's, which they might find helpful. These include:

- a. Do you have informal and formal networks and events where you meet regularly with district councils to discuss issues of safeguarding and promoting the well-being of children and young people in your area?
- b. How have you engaged districts in the development of the children and young people's plan and do you know if districts have found it meaningful?
- c. Is your LSCB effective - how do you know? Do the districts in your area see clear benefits from participating in the LSCB?

See more at: www.local.gov.uk/safeguarding-children/-/journal_content/56/10180/3511516/ARTICLE#sthash.Oohmtvca.dpuf

Taxi Licensing

Critical responsibilities in licensing taxi and private hire vehicle drivers have been highlighted by cases where licensed vehicles and premises have been involved in the sexual exploitation of young children.

Insufficient sharing of information between police and councils, and between different councils, ineffective implementation of the 'fit and proper' person test and a lack of rigour in investigating complaints have all been contributing factors in the failure to identify and tackle exploitation, and all of them reveal a lack of proper oversight. There is the problem of cross-border hiring, a breakdown of sharing intelligence with the police, and the fact that the legislation is so archaic that it predates the motor vehicle.

Effective oversight must be at the heart of both the current and a future reformed system. This includes strong provision and management of Councillor training and handbook, a single policy/local variation, driver convictions, complaints, and Scrutiny function.

Now is the right time District and Borough Councils to reflect on how the local licensing system for taxis and Private Hire Vehicles is operating.

This issue has rightly been brought to the forefront in a way that it wasn't when many of our policies and training programmes were written.

(Source: Presentation - The importance of oversight and scrutiny Cllr Philip Evans, LGA Safer and Stronger Communities Board) – see www.local.gov.uk/documents/ for the detail.



Fraud Alert

Council Tax Refund Scam - A District Council has recently been hit by a Council Tax refund scam.

A new occupier in August pays the remainder of the year by Barclay card. They then ring up to say they have moved out and requests a refund. The owner declares never heard of the individual or occupied address.

Scammer is using a Barclays bank account in the name of Stewart Waver with an address in London.

Other Council Tax Scams - Blaby DC received a cheque by someone trying to pay their council tax. It was returned from the bank as a forged item. WeRe Bank appear to be a 'pretend' bank from what is available online -

<https://www.werebank.com/>

Working for the Council? - The Council has been made aware that an individual falsely claiming to be from Mendip District Council has contacted at least one local resident saying they were working with MDC to reduce council tax payments and asking for their bank/card details.

This is not an exercise the Council is undertaking and the council never contact individuals to ask for their bank account/financial details. It may be worth posting a reminder of that fact on your websites!



Changing Bank Details – This is likely to be a regular feature and reminder. The Borough of Poole Council has received a letter purporting to be from Continental Landscapes attempting to change bank account details. Continental Landscapes have confirmed that the letter is fraudulent.

Changing bank accounts is an unusual occurrence and therefore any request to update records should be treated with caution. When contacting companies, do not automatically use the information provided on suspicious letters, faxes and email.

Check this against contract documentation, payment records and other information and use these contact details. If making contact by phone, do this via main switchboards. Telephone calls may be re-directed, email addresses and incoming phone numbers are easily changed to look like legitimate ones.

Protecting the English Public Purse 2015 - The European Institute of Combatting Corruption and Fraud (TEICCAF) have recently published 'Protecting the English Public Purse 2015.'



The report reveals more than £200m worth of fraud has been detected by Councils this year. This includes £30m of Right To Buy fraud, an unprecedented 25 fold increase in the value of such fraud detected since the Government introduced new incentives for Council house buyers in 2012

Other items of interest include chapters on

- National fraud detection by Councils i.e. loss and harm caused by fraud
- Regional trends, transparency and accountability
- Local trends; and
- Emerging Fraud Risks - Right to Buy and No recourse to public funds

The facts and figures quoted in these reports could help inform your management summaries, however please ensure they are appropriately referenced.

The report can be downloaded from www.teiccaf.com/protecting-the-english-public-purse-2015/

Focus on Key Financial Systems

In the Shared Internal Audit Service in Hertfordshire we have carried out some analysis of our audit work on key financial systems (KFS) across our partnership. Councils here have got good levels of assurance in these areas; we have pulled out the main areas where we made recommendations to identify common themes which we think will be relevant for many other councils.

Debt Recovery

Debt recovery was the most prominent theme arising in 2014/15, and emerged from a number of Sundry Debtors, Revenues and Benefits and Corporate Debt Management audits.

Recommendations covered:

- Organisational capacity to manage and recover debt,
- Corporate and 'local' debt management procedures, especially inconsistent application thereof,
- Utility of aged debt reports and effectiveness of information systems,
- Review of long outstanding debt, particularly over 180 days,
- Improvements to reporting of aged debt,
- Recording of 'chasing' action,
- Suppression of reminder action, review of suppressed actions/records and maintenance of evidence in this regard.

Declarations of Interest

The annual completion of declaration of interest forms by Revenues and Benefits officers to identify any new, or changes to, conflicts of interests was often highlighted in Revenues and Benefits audits. Where a new or changed conflict of interest is identified, restrictions should be reviewed to ensure that an officer does not have access to the relevant account, e.g. by blocking the claim electronically on the relevant system.

Document Retention and Data Protection

Supporting documents are a vital element of any financial system. In some cases though, historic data had not been cleansed to comply with the Data Protection Act 1998 and Councils' own Data Retention policy. An annual cycle of data cleansing can prove useful.

System Access

System access to financial systems continues to make a regular appearance in the recommendations we made. A couple of findings that were highlighted for this area:

- Access to amend sensitive data is not restricted in some cases, so amendments can be made without adequate checks.
- If a member of staff changes their job within the Council, their access should be amended to suit their new role.

Reconciliations

Recommendations around reconciliations arose in various guises, including:

- Capacity to perform on a regular basis and investigate / clear reconciling items,
- Timeliness of completion,
- Sometimes historic amounts had not been cleared though action had been taken on more current items
- Role conflicts

Quality Assurance

Quality checks of the system data can be made by using targeted checks on various categories within the system in order to ensure accuracy of the records. Quality monitoring should extend to all staff, with more emphasis given to new and temporary staff in view of reducing possible errors/anomalies.

Documents for any quality checks should be maintained.
