

SOUTH STAFFORDSHIRE COUNCIL

AUDIT & RISK COMMITTEE – 27 JUNE 2024

INTERNAL AUDIT ANNUAL OUTTURN REPORT

REPORT OF THE CHIEF INTERNAL AUDITOR

PART A – SUMMARY REPORT

1. SUMMARY OF PROPOSALS

1.1 This report presents the Internal Audit Annual Outturn report for 2023/24.

2. SUMMARY IMPACT ASSESSMENT

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The work of the audit committee can aid the achievement of the Authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements. The delivery of the Annual Internal Audit Plan and Counter Fraud Plan provides management with assurances that their service objectives which support the Council's priorities are being achieved. The work of Internal Audit covers those priorities contained with the Council's Delivery Plan.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	The work of the Audit & Risk Committee is not considered to have any adverse implications to equal opportunities and diversity policies.
SCRUTINY POWERS APPLICABLE	No	
KEY DECISION	No	
TARGET COMPLETION/ DELIVERY DATE	27 th June 2024 – Presentation of the Internal Audit Annual Outturn 2023/24.	
FINANCIAL IMPACT	No	There are no direct financial implications. The current costs of the Internal Audit Service are contained within the Medium Term Financial Strategy.

LEGAL ISSUES	Yes	<p>Section 151 of the Local Government Act 1972</p> <p>The Accounts & Audit Regulations 2015</p> <p>A sound system of internal audit, and monitoring of the same, assists in compliance with the above statutory duties.</p> <p>The results of Internal Audit’s work feeds into the Council’s Annual Governance Statement.</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<p>Internal audit objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will continue to align its work with the Strategic and Operational Risk Registers. The plan may be changed to respond to revised priorities of the Council within the year.</p>
IMPACT ON SPECIFIC WARDS	No	No impact

PART B – ADDITIONAL INFORMATION

3. INFORMATION

- 3.1 This report outlines the work undertaken by Internal Audit in respect of the 2023/24 annual audit plan.
- 3.2 Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment of the organisation. Internal audit acts as an independent, objective assurance and consulting activity designed to add value and improve the organisation’s operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
- 3.3 Internal Audit is required by professional standards i.e. the Public Sector Internal Audit Standards (PSIAS), to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. In accordance with these requirements, the Head of Internal Audit must provide an annual opinion that covers the overall adequacy and effectiveness of the

¹ Public Sector Internal Audit Standards definition of Internal Auditing.

organisation’s framework of governance, risk management and control. The annual report must incorporate: -

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with PSIAS and the Local Government Application Note (LGAN), highlighting any areas of non-conformance.

3.4 The underlying principles to the 2023/24 audit plan were outlined in the Internal Audit Strategy and Plan 2023/24 paper presented to and approved by Members of the Audit & Risk Committee on 20th June 2023. Since the original plan was approved, there have been some additional exercises undertaken and amendments to planned audit work. The net effect, however, is that the key performance target of 90% for delivery against the audit plan 2023/24 has been exceeded.

3.5 Work is scheduled to meet the requirements of the service areas to ensure the greatest benefit is achieved from the audit work. Therefore, it is not uncommon for reports to be at draft report stage at the end of the audit year. The Internal Audit Team are proactively seeking to finalise the remaining reports as soon as possible.

3.6 Audit opinions are awarded for individual systems and compliance audits within one of the following categories: -

- Substantial Assurance (positive opinion);
- Adequate Assurance (positive opinion); and
- Limited Assurance (negative opinion).

3.7 Detailed below is a high level summary of the work undertaken by the Internal Audit Service analysed over the following categories: -

- Core Financial Systems;
- Assurance Reviews (Other Systems Audits); and
- Counter Fraud and Corruption Work, including Special Investigations.

3.8 For those areas awarded ‘limited assurance’, in addition to Members of the Audit & Risk Committee receiving a full copy of the report, the relevant officers attend the Committee to provide assurance that appropriate action has been taken regarding the implementation of recommendations.

3.9 Internal audit will continue to track and report on the implementation of high level recommendations made in the previous and current year. A summary of the status of high level recommendations is outlined in the table below. An update on the high level recommendations and further details are attached as **Appendix 1** to this report.

Year	Recommendations Made			
	Total	Implemented No. %	Superseded	In Progress / No Due No. %

High Level Recommendations b/fwd. from previous Year	9	2 (22%)	1 (11%)	6 (66%)
2023/24	2	2 (100%)	0	0

2023/24 Audit Plan Outcomes

Core Financial Systems

3.10 The following core financial system reviews were carried out during 2023/24:-

Core Financial Systems Description	Opinion			
	Substantial	Adequate	Limited	N/A Advisory*
Debtors & Debt Management				✓
Treasury Management	✓			
Budgetary Control	✓			
Payroll	✓			
Housing Benefits – Compliance with Legislation	✓			
Energy Bill Support Scheme	✓			
Total Audits Delivered (6)	5	0	0	1

*Consultancy / Advisory work undertaken therefore no assurance opinion required.

Assurance Reviews (Other Systems Audits)

3.11 The following other assurance systems reviews were carried out during 2023/24:-

Core Financial System Description	Opinion			
	Substantial	Adequate	Limited	N/A Advisory*
Corporate Health & Safety	✓			
Operation & Management of Leisure Centres		✓		
Workforce Strategy	✓			
Equality, Diversity & Inclusion (EDI)	✓			
Viv Up Employee Benefits				✓
Disability Facilities Grant		✓		
Disability Facilities Grant – Shared Service	✓			
Digital Transformation – Customer Experience Improvement Programme	✓			
IT Asset Management – End User Devices	✓			

Cyber Security – Incident Reporting	✓			
UK Shared Prosperity Fund	✓			
Elections	✓			
Management & Review of Council Policies		Draft		
Total Audits Delivered (13)	9	3	0	1

Counter fraud and corruption work

3.12 The following counter fraud and corruption audit work was carried out during 2023/24:-

Counter Fraud and Corruption Work	Opinion			
	Substantial	Adequate	Limited	N/A Advisory*
Continuous Controls Monitoring		✓		
National Fraud Initiative		✓		
Total Audits Delivered (2)	0	2	0	0

In addition to the specific pieces of counter fraud and corruption work undertaken, fraud risks are considered and reviewed as part of our planned system audits undertaken.

Special Investigations (Internal)

3.13 The table below summarises those special investigations conducted during the financial year and confirmed financial losses associated with each:-

Special Investigation	Financial Value	Control Area
Cash Bag Thefts	£2,162.29	Cash/Asset Management arrangements
Total	£2,162.29	

3.14 Further details of the counter fraud and corruption work carried out in-year are provided in **Appendix 2** of this report, including the outcomes from our Continuous Controls Monitoring programme of work.

Other in Year Activities

3.15 The Internal Audit Manager continues to meet with the Corporate Director of Governance (Monitoring Officer) and Director of Finance (S151 Officer) on a regular basis. In addition, pre-agenda setting meetings are held with the Chair of

the Audit & Risk Committee, as required. Liaison is also undertaken with External Audit as required.

Overall Opinion of the Control Environment

- 3.16 The UK PSIAS requires that the Head of Internal Audit (HIA) must deliver an annual internal audit opinion on the overall internal control environment of the Authority. The methodology for formulating this opinion is set out within the Internal Audit Strategy which was approved by the Audit & Risk Committee on 20th June 2023. This methodology has been applied in formulating the annual audit opinion for 2023/24.
- 3.17 Each separate category of audit work is assessed against a benchmark of achieving a score of at least 80% of the total number of audits performed being awarded an opinion of “adequate or above” within each category. For reasons of simplicity, each category attracts equal weighting and a simple pass/fail assessment is used to differentiate the overall opinion between “Substantial, Adequate and Limited” as illustrated below:

Overall Opinion Level	No. of categories achieving the 80% benchmark
Substantial Assurance	3 out of the 3 categories
Adequate Assurance	2 out of the 3 categories
Limited Assurance	1 and below out of the 3 categories

Calculation of the 2023/24 Overall Assessment

- 3.18 The following table details the calculation of the 2023/24 overall assessment:-

Audit Category	% Awarded an Opinion of at Least “Adequate”	2022/23	2023/24
		Pass/Fail	Pass/Fail
Core Financial Systems	100%	Pass	Pass
Assurance Reviews (Other System Reviews)	100%	Pass	Pass
Counter Fraud & Corruption Work, including Special Investigations	90%	Pass	Pass
Overall Total		3 out of 3 categories	3 out of 3 categories

- 3.19 **Based on the above, a “substantial” assurance opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework (i.e. the control environment) can be given for the 2023/24 financial year. This is consistent with the opinion awarded in 2022/23.**

Performance Measures

3.20 Key performance measures for Service as detailed below:-

Description	Target	2023/24
% of Audit Plan Completed (issued to draft stage)	90%	100%
Average scores achieved on customer satisfaction questionnaires	4	5

Performance against the UK Public Sector Internal Audit Standard

3.21 The UK PSIAS include a number of requirements including a specific requirement to maintain a quality assurance and improvement programme (QAIP), which is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. There are three key elements to the QAIP:

- **On-Going and Periodic Internal Assessment** – Ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. Periodic assessments should be undertaken by other officers of the organisation who have sufficient knowledge of internal audit practices.
- **Five-yearly External Quality Assessment** – External assessments of internal audit should be undertaken every five years. The assessment should be performed by qualified and independent assessors or assessment teams that are external to the organisation. They can be undertaken as a full external evaluation or a self-assessment with independent external validation.
- **Improvement programme** - If the assessments’ results indicate areas for improvement, the HIA will implement the improvements through the QAIP.

3.22 The Internal Audit Service works to a Charter approved by the Audit & Risk Committee (for 2023/24, this document was approved at the Audit & Risk Committee meeting held on 23rd March 2023). This Charter governs the work undertaken by the service, the standards it adopts and the way in which it interfaces with the Council. A detailed paper outlining how the section meets the specific requirements of the PSIAS & LGAN was presented for the first time to the Audit & Risk Committee in April 2015. In 2022/23, the HIA commissioned CIPFA to undertake a full External Quality Assessment of the Internal Audit Service. The full assessment results were reported to the Audit & Risk Committee at the meeting held on the 23rd March 2023. Following the review the highest standard of ‘Generally Conforms’ was awarded and no recommendations requiring further action were made.

3.23 In 2023/24, a self-assessment has been completed against the current PSIAS & LGAN standards via the completion of the published checklist. Results are summarised below and show that 97% of the standards are complied with. An action plan has been developed to address the area of partial compliance identified and is presented at **Appendix 3** of this report.

Process/Control			
In Place	Partially In Place	Not In Place	Not Applicable
131 (97%)	1 (1%)	3 (2%)	0 (0%)

3.24 The work undertaken by the Internal Audit Service during 2023/24 and reported within the Annual Outturn Report has been performed in accordance with PSIAS. In relation to this, there are no impairments or restrictions in scope or impairments in independence or objectivity during the year which prohibit the HIA or the Service from delivering the annual internal audit opinion for 2023/24.

4. IMPACT ASSESSMENT – ADDITIONAL INFORMATION

4.1 None identified.

5. PREVIOUS MINUTES

5.1 Not applicable.

6. BACKGROUND PAPERS

6.1 Not applicable.

7. APPENDICES

- Appendix 1 – Update on High Level Recommendations
- Appendix 2 – Counter Fraud & Corruption Work 2023/24
- Appendix 3 – PSIAS Self-Assessment Action Plan for 2024/25

8. RECOMMENDATIONS

8.1 To receive the annual outturn report containing the annual internal audit opinion for 2023/24.

Report prepared by: Susan Bluck, Internal Audit Manager

PREVIOUS YEARS' HIGH LEVEL AUDIT RECOMMENDATIONS – UPDATE 27 June 2024

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
1	Mileage & Subsistence	12.12.17	The Travel & Subsistence Policy is reviewed and approved as a priority task.	Revised 30.11.2024	The Finance Manager confirmed that a formal review of the Travel and Subsistence Policy to be undertaken with the intention of a revised policy to be proposed for agreement by the Corporate Leadership Team in Autumn 2024. In Progress	N/A	N/A
2	Leisure Centre – Vending Machine Income	04.06.2020	The Council's Legal Team and the Financial Services Team should be consulted on the proposed new contract amendments. This is to ensure that the proposed amendments are Legally binding and arrear balances and monthly payment figures are correct to	31.07.2023	The Finance Manager has confirmed that further investigations undertaken in 2023/24, determined that actions to pursue the outstanding debt would not be cost effective and it would be unlikely that the amounts owed would be recovered. In accordance with the Corporate	N/A	27.06.2024

			ensure recovery of the outstanding debt by end of the financial year.		Debt Write Off Policy, the outstanding amounts were written off as part of the 2023/24 year-end process and were including in the debt write off figures previously reported to the Audit & Risk Committee. The recommendation has there been superseded. Superseded		
3	Debtors & Debt Management	31.05.2022	The current Debt Recovery Policy should be reviewed and updated to ensure it reflects current working practices and contains sufficient information to clearly define and communicate required actions and accountabilities within the sundry debt recovery process. The revised Policy should be clearly communicated to Officers of the Council and all existing versions removed from circulation.	Revised Date 30.09.2024 (Provisional)	A Follow Up audit undertaken in June 2023 confirmed that the reviewed Debt Management Policy was approved by Cabinet on the 06/06/2023. Communication of the Policy is yet to be undertaken as a review of supporting processes remains ongoing, communication will be completed when the revised processes are in place. In Progress	N/A	N/A

4	Debtors & Debt Management	31.05.2022	The current Debt Recovery Policy should be reviewed and updated to ensure it reflects current working practices and contains sufficient information to clearly define and communicate required actions and accountabilities within the sundry debt recovery process. The revised Policy should be clearly communicated to Officers of the Council and all existing versions removed from circulation.	Revised date 30.09.2024 (Provisional)	As stated at Recommendation 3 above, the Debt Management Policy was reviewed and approved in June 2023. Issue and communication of the new policy to be aligned to the implementation of revised working practices, currently under review. In Progress	N/A	N/A
5	Debtor & Debt Management (Follow up review – June 2023)	11/07/2023	It is recommended that consistent and processes compliant with the revised policy for issuing reminder letters are implemented and recovery actions taken are recorded clearly.	Revised Date 30.09.2024 (Provisional)	This will be addressed by the ongoing review of Accounts Receivable processes and operations. In progress	N/A	N/A
6	Debtor & Debt Management (Follow up review – June 2023)	11/07/2023	It is recommended that options for resourcing administrative support of debt recovery processes are further reviewed.	Revised Date 30.09.2024 (Provisional)	This is being progressed as part of the ongoing review and is dependent on the availability of resources through restructuring. In progress	N/A	N/A

7	Commercial Units	11/07/2023	<p>Management should ensure that a review of the insurance in place across tenants in both the Commercial Units and Business Hub is conducted. It should be ensured that insurance documentation is requested from all tenants where documents have not been retained, to confirm that insurance is adequate. Furthermore, a tenant insurance review process should be implemented to periodically update tenant insurance details and request renewal documentation.</p> <p>The Customer Relations Team Manager should ensure that all Business Hub tenants are contacted immediately to ensure tenants premises are insured against loss or damage and to request documentation.</p>	30.09.2023	<p>Annual check of documentation process now in place, for Commercial Units and the Business Hub, to ensure tenants have adequate insurance provision.</p> <p>Implemented</p>	20.11.2023	27.06.2024
8	IT Systems Resilience	11/07/2023	Disaster Recovery as a Service (DRaaS) to be implemented as planned.	31.03.2024 Revised 31.12.2024	Initial response within the report confirmed - The initial phase of the Disaster Recovery as a Service (DRaaS) implementation will test out the principles of Cloud recovery using the	N/A	N/A

					<p>Council’s established and regularly tested Cloud storage backup and recovery processes to the council’s existing physical and virtual server estate.</p> <p>A successful proof-of-concept recovery test to Cloud servers will be completed to inform the fuller approach and plan for the DRaaS solution, as well as providing a blueprint and assurance for the recovery of critical IT systems to Microsoft Azure in the interim whilst the fuller DRaaS solution is implemented.</p> <p>The Assistant Director Business Transformation & Digital Technology has confirmed that the initial phase outlined above has been completed and work to implement the DRaaS is ongoing. As part of the work undertaken, a decision has been made to move to a different hosting environment and a revised target implementation date of December 2024 has been confirmed. In progress</p>		
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9	Cyber Security – Incident Preparedness & Response Effectiveness	08/03/2023	A cyber incident response plan should be documented and formally approved.	30.09.2023	<p>Cyber Incident Response Plan has been produced and refined following testing of the plan using cyber incident response playbooks and reflection of opportunities to improve the plan, as confirmed by the update to Audit & Risk Committee Members by the Assistant Director for Business Transformation & Digital Technology at the June 2023 Committee meeting.</p> <p>Implemented</p>	08.08.2023	27.06.2024
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NEW 2023/24 HIGH LEVEL AUDIT RECOMMENDATIONS – UPDATED 27 June 2024

No.	Audit Subject	Date reported to Cttee	Recommendations	Target Date for Implementation	Current Status	Actual Date of Implementation	Date presented to Cttee to Clear
1	Disability Funding Grant (DFG)	27.06.2024	<p>Management should liaise with Millbrook to clarify the final financial position, including correction of the errors identified; and ensure that any overpayments to Millbrook are repaid in full. Also appropriate adjustments should be made in the return to the County Council, to ensure that carry forward funding is correctly stated, with these adjustments reflected in the 2023/24 financial accounts.</p> <p>Furthermore, a review of the allocation of funding and verification of expenditure process should be undertaken by Management to ensure that there are robust and completed accurately, so that anomalies are detected and addressed in a timely manner.</p>	31.10.2023	<p>Subsequent to liaison with the provider it was confirmed that the initial payment by the Council had been misallocated and therefore was not deducted from the final balance figures provided, resulting in the overpayment. This error has now been addressed resulting in the refund of the overpayment.</p> <p>This service is now provided via a shared service agreement with Stafford Borough Council, and financial controls have been revised.</p> <p>Implemented</p>	30.04.2024	27.06.2024

2	Management and Operation of Leisure Centres	27.6.2024	Leisure Services Management should ensure that a process is introduced to proactively check the CCTV systems in place across leisure Centres, to ensure they are operating effectively. Regular checks of the CCTV system should be undertaken at each site with this process documented. Any errors or downtime of the systems should be noted and communicated to the IT department for resolution.	31.05.2024	<p>Operating procedures to be changed so that CCTV is actively logged and documented. Change documentation and inform all staff via internal communication channels. Also Inform ICT/ Digital services for any support they can provide on system checks.</p> <p>This action has been confirmed as completed by the Leisure & Health Team Manager.</p> <p>Implemented</p>	31.05.2024	27.06.2024
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Appendix 2 Fraud and corruption Outturn Report

2023/24



Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Chief Internal Auditor

Deborah Harris

Lead Auditor

David Fletcher

Report Status

Issued – 27th June 2024

1 Internal Audit Outturn Report 2023/24– Corporate Counter Fraud and Corruption Activity

1.1 Introduction and Context

1.1.1 During the 2023/24 financial year, Internal Audit has continued to develop its fraud strategy, response and testing programme based upon a fraud risk assessment. The overarching objective of the Corporate Counter Fraud Work Plan is to minimise the cost of fraud, bribery and theft at the Council. The Counter Fraud Work Plan can be revised in year to take into account emerging risks and developing systems at the Council.

1.1.2 This report details our counter fraud work completed in 2023/24 and looks forward to anticipated developments in 2024/25.

1.2 Strategic

1.2.1 As part of the annual audit planning process, past fraud experience and inherent fraud risks are discussed with management and risk assessed.

1.2.2 The top fraud risks identified in the latest fraud risk assessment are:

- Council Tax including discounts, exemptions and empty properties;
- Housing Benefits & Council Tax Support (aka Council Tax Reduction scheme);
- Leisure Centres;
- NNDR including discounts, exemptions and empty properties;
- Payroll Claims
- Housing Advice and Homelessness Prevention; and,
- Cyber Security.

1.2.3 Each of these areas have been included in the Internal Audit workplan either in the last three years or in 2023/24. The risk assessment remains a 'live' document that can be updated throughout the year in the event of emerging risks.

1.2.4 The Internal Audit Manager – Fraud is an Accredited Counter Fraud Specialist with 15 years of experience working in Public Sector Fraud.

1.2.5 To keep abreast of emerging fraud risks and opportunities, the Internal Audit Manager – Fraud, is a regular attendee of the West Midlands Fraud Forum and the Midland Counties Fraud Group. The Staffordshire Counter Fraud Partnership forum ceased in 2022/23, however interested parties

met in October 2023 and agreed to reform the group which is expected to meet in 2024/25.

- 1.2.6 Over the course of the year, Internal Audit have reviewed the Council's Counter Fraud and Corruption Policy to ensure opportunities to deter fraud and hold individuals to account are maximised. Comments were fed back to the Corporate Director of Governance.
- 1.2.7 Internal Audit welcomes the opportunity to consider policies as they are being revised and updated, to ensure clarity over the current and correct processes required to be followed, which also aids the application of successful sanctions (criminal, civil recovery, or disciplinary) in the event of fraud or error.
- 1.2.8 Draft content has been prepared for the Council's Intranet set. It is expected this will be published in Q1 2024/25.
- 1.2.9 A programme of Continuous Controls Monitoring (CCM) is in place, with an associated strategy document being shared with key members of staff. Full details of the CCM programme to date can be found at paragraph 1.5 below. Efforts are being made to expand testing carried out as part of our CCM programme. In 2023/24, additional analysis has been provided to the Revenues and Benefits Service highlighting discrepancies between households receiving single person discounts for Council Tax when more than one individual was registered for the purposes of the electoral role, and empty property exemptions for Council Tax where the electoral role recorded residents at the property. The results of this exercise are awaited.

1.3 Counter Fraud Outcomes 2023/24

- 1.3.1 The risk of fraud is considered during the process of designing Internal Audit briefing documents, and by auditors whilst an audit is being conducted. As a result, several recommendations are raised throughout the year which contribute to the prevention, detection and deterrence of fraud.

1.3.2 For reference, the table below summarises the volume of recommendations related to fraud risks arising from our 2023/24 internal audit reviews.

Audit	High Priority	Medium Priority	Low Priority
Disability Facilities Grant	0	1	1
ICT – Cyber Security	0	2	3
ICT Asset Management	0	2	1
Leisure Centres	1	1	1
Total	1	6	6

1.3.3 It is noted that of the 13 fraud related recommendations raised, four have been implemented to date. Members of the Audit & Risk Committee receive a copy of all audit reports once finalised.

1.3.4 All recommendations are subject to follow up to ensure appropriate steps are taken to mitigate and manage identified risks. This is carried out using our on-line recommendation portal, pentana.

1.4 Fighting Fraud and Corruption Locally ('FFCL')

1.4.1 In March 2020, CIPFA refreshed it's FFCL strategy 2016-2019 with the new Fighting Fraud and Corruption Locally – A Strategy for the 2020's. The Strategy is now hosted by CIFAS².

1.4.2 A self-assessment of the Council's work to counter fraud against the latest Fighting Fraud and Corruption Locally Checklist has been undertaken, the full findings of which are detailed at the end of this appendix (Section 2). Our assessment has been focussed on Corporate Fraud to date.

1.4.3 The FFCL self-assessment found the Council to be fully compliant with 33 of the 37 standards, as of March 2024. The Council is partially compliant with three standards. A standard relating to the analysis of referrals has been assessed to be not applicable, due to the low volume of referrals received.

1.4.4 Available best practice will continue to be monitored and used to identify areas for development in the Council's counter fraud work in-year.

² Credit Industry Fraud Avoidance System, founded in 1998. Its scope has been extended beyond the credit industry in subsequent years.

1.5 Continuous Controls Monitoring

1.5.1 Continuous Controls Monitoring (CCM) is a programme of testing designed to use data analytics tools efficiently to test large volumes of transaction data in order to identify “high risk” transactions for further review.

1.5.2 The purpose of continuous controls monitoring is to:

- Detect fraud;
- Detect error;
- Deter fraud and error through use of publicity highlighting the existence of CCM; and
- Provide reassurance where appropriate that controls are operating correctly, or otherwise.

1.5.3 The key benefit of CCM over random sample testing is that 100% sample sizes can be used to test for specific anomalies. It is anticipated that following the introduction of a test, algorithms used can be refined to improve the results, limiting ‘false positive’ matches and learning from positive findings to best target adverse findings.

1.5.4 As CCM findings are identified and verified, key findings will be reported to management. Where appropriate, issues identified will be considered as part of the Internal Audit plan for current or future years. Opportunities to expand CCM will also consider those control weaknesses identified in Internal Audit reports.




1.5.5 A CCM Strategy has been prepared and agreed with management. This outlines initial areas of testing, and potential areas for expansion going forward. The strategy will be revisited on a periodic basis.

1.5.6 CCM testing in 2023/24 continued to focus on the following data sets:

- Invoice Payments;
- Absence Records;
- Purchase Card Statements; and
- Expenses Claims.

1.5.7 In addition, the matching of Council Tax data to electoral role data has been carried out as a pilot exercise in 2023/24 with reports identifying potential discrepancies provided to the Revenues Team Manager in October 2023 for review and consideration.

1.5.8 A test by test summary of findings to date are detailed below:

Test	Findings to date	Risk Rating
Duplicate Invoices	<p>Invoice data for the period April 2023 to March 2024 has been analysed to identify duplicate payments. In total, 2,280 invoices were subject to analysis, identifying groups of payments that were potentially duplicate. Where concerns remain after manual review of data, these are shared finance for detailed review.</p> <p>No adverse findings were made in 2023/24.</p>	
Purchase Cards vs Absence	<p>In 2023/24 absence records have been matched against Purchase Card transactions in order to identify transactions that appear to have taken place whilst a card holder is recorded as being absent from work. In the first instance cardholders are contacted to obtain confirmation that they are aware of the transaction, and requested to provide a brief explanation of the circumstances.</p> <p>No adverse findings have been identified to date, although at the time of writing, one enquiry is outstanding.</p>	
Duplicate Expenses	<p>Expenses data for April 2023 to March 2024 has been reviewed looking for duplicate payments. One potential overclaim has been identified, totalling 24 miles. If confirmed as a duplicate claim (rather than a repeat journey) the claimant will be requested to make a repayment through the expenses system.</p>	

1.6 National Fraud Initiative 2022

1.6.1 The Council's National Fraud Initiative (NFI) matches for 2023/24 are subject to ongoing review. Work on Creditors, Housing Benefit and Payroll data sets is complete with no adverse findings noted to date. Review of Council Tax and Housing Waiting List data is ongoing at the time of writing.

1.6.2 The table below summarises the review of matches completed to date.

Name	Number of Matches	Reviewed	Adverse Findings	Notes
Housing Benefit Claimants	9	9 [completed]	0	Matches identifying potential duplicate payments by phone number and Deceased Claimants have been reviewed with no adverse findings found. In each case, deceased persons had been notified to the Council prior to the release of matches.
Payroll	12	12 [completed]	0	Data sets include identification of individuals being paid by more than one organisation (4) or also appearing as a Creditor of the Council (7). Review of matches identified that individuals on multiple payrolls were not full time employees. Employees who were also creditors were discussed with management, and in each case the circumstances were known. The remaining match related to an individual working but in receipt of a pension, which is allocated to the Pension fund for review.
Housing Waiting List	79	19	0	These matches identify potential discrepancies between records involving the housing waiting list. For example: <ul style="list-style-type: none"> • Deceased persons • Individuals on more than one waiting list • Individuals on the waiting list and benefits systems/tenants with different details At the time this report was prepared, we are awaiting an update on further progress in processing matches.
Council Tax	226	tbc	tbc	These matches identify discrepancies between Council Taxpayers and other data sets such as: <ul style="list-style-type: none"> • Payroll and pensions data sets, to identify undeclared income • HMRC income, property ownership and household composition data • Other Authorities' Council tax data At the time of writing, we are awaiting an update on further progress in processing these matches.

Name	Number of Matches	Reviewed	Adverse Findings	Notes
Creditors	107	29 [completed]	0	<p>Reports identify a potential area of concern in creditors standing data and invoice payments.</p> <ul style="list-style-type: none"> • Finance have been advised of 10 duplicate creditors for review and potential 'cleansing' of standing data. • Matches related to potential incorrect VAT records (3) have been identified as being accurate. • Of 92 potential duplicate invoices the highest risk ones for which there were 14 (as identified by the Cabinet Office) have been reviewed, identifying no concerns. Finance have been made aware of the remainder for review. Where duplicate payments existed, they had been identified and rectified prior to receipt of the NFI datasets. • Two relationships between employees and creditor's companies house records have been cleared, with details already known to management. <p>Based on work to date, no further review of the remaining 78 creditor matches are proposed due to them being considered low risk (quality of match and value).</p>
Total	433	69	0	

1.7 Referrals and Investigations



1.7.1 Internal Audit received one allegation of fraud for investigation on 3 August 2023. Following an isolated cash theft of £345.30 in 2022 at Codsall Leisure Centre, further thefts were identified and reported to Internal Audit on 3 August 2023. Bank reconciliations identified a total of £2,162.29 missing relating to 14 different days takings. Review of staff shift patterns and financial records identified a single Subject who was on site at the time window for all the thefts. Evidence obtained was passed to the Police on 14 August 2023, who have subsequently interviewed the Subject and conducted further enquiries. The last update received from the Police on 18 April 2024 was that the investigation had been passed to the Crown Prosecution Service and was awaiting a charging decision. Further updates will be provided to the Council as they become available. Recommendations have been raised regarding improving processes to deter and allow early identification of similar thefts.





1.7.2 The findings of the investigation informed a subsequent Internal Audit of Operation and Management of Leisure Centres during 2023/24.





1.7.3 The Investigation final report was presented to the Audit and Risk Committee on 28 November 2023.




2 FFCL 2020 Self-Assessment – 2023/24






2.1.1 A self-assessment of the Council’s work to counter fraud against CIPFA’s Fighting Fraud and Corruption Locally Checklist 2020 has been undertaken, the findings of which are detailed below. The assessment is based on our experience of Corporate Fraud at the Council and does not take into account Revenues and Benefits Fraud activities undertaken.




Ref	FFCL Standard	Related Activity	Rating	Areas for development
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	<p>A Fraud Risk Assessment is completed as part of the annual internal audit planning process. The results from this process are reported to the Corporate Leadership Team and the Audit & Risk Committee as part of the formal approval process for the Internal Audit and Counter Fraud Plan each year.</p> <p>As part of the approval of the Internal Audit and Counter Fraud Plan, the Plan is presented to CLT and the Audit and Risk Committee. Both presentations include details of the top fraud risks for the year ahead.</p>		No further action required.
2	The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.	<p>On an annual basis the Council’s counter fraud activity is compared against the Fighting Fraud and Corruption Locally Strategy.</p> <p>Emerging and future risks are considered as part of the risk assessment. The Internal Audit Manager – Fraud is a member of peer group forums, where emerging risks and fraud identified are discussed.</p>		No further action required.






Ref	FFCL Standard	Related Activity	Rating	Areas for development
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.	This appendix details our assessment of South Staffordshire Council against the Fighting Fraud and Corruption Locally Strategy Document. This assessment is refreshed on an annual basis as part of the outturn report.		Further assessment to be performed on an annual basis.
4	The relevant portfolio holder has been briefed on the fraud risks and mitigation	Internal Audit meet with the S151 and Monitoring Officer on a monthly basis, and on a quarterly basis to the Audit and Risk Committee.		No further action required.
5	The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.	The Audit and Risk Committee receives a regular progress report on all Internal Audit activities including Counter Fraud Activity during the year which enables the Committee to scrutinise the Council's counter fraud work.		No further action required.
6	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	There is a Counter Fraud and Corruption Policy which was refreshed in 2023. The Policy contains definitions of key offences, principles of public life and details of how to report fraud. The Council's Intranet site is also used to receive fraud concerns.		No further action required.






Ref	FFCL Standard	Related Activity	Rating	Areas for development
7	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	<p>The following Policies and Procedures promoting probity across the Council are in place.</p> <ul style="list-style-type: none"> • Counter Fraud and Corruption Policy • Financial Procedure Rules • Procurement Procedure Rules • Employee code of Conduct; • Members Code of Conduct; and • Whistleblowing. 		No further action required.
8	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Fraud risk is considered within the Internal Audit Risk assessment methodology used to produce the annual Internal Audit Plan Separately, a Fraud Risk Register is reviewed during the audit planning process for the Fraud Workplan, and this is subject to ad-hoc updates throughout the year.		No further action required.
9	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Council Policies and Procedures are typically subject to review as part of a typical proactive anti-fraud exercise. We have been consulted in 2023/24 with regard to the Council's Counter Fraud and Corruption Policy.		No further action required.
10	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Internal Audit will discuss with Management on how best to deter fraud by publicising successful convictions on a case by case basis.		To be considered on a case by case basis when appropriate.






Ref	FFCL Standard	Related Activity	Rating	Areas for development
11	<p>The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>	<p>The fraud workplan is in place dedicating time to preventing, detecting and deterring fraud.</p> <p>The workplan is approved annually by the Audit and Risk Committee and progress against the plan is reported at year end as part of the Internal Audit Outturn Report.</p>		<p>No further action required.</p>
12	<p>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> • codes of conduct including behaviour for counter fraud, anti-bribery and corruption • register of interests • register of gifts and hospitality. 	<p>Policies and procedures are in place detailing the requirements for declarations of gifts and hospitality, and pecuniary interests. An internal Audit in this area in 2020/21 resulted in a positive assurance opinion.</p>		<p>No further action required.</p>
13	<p>The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</p>	<p>The Council has implemented a recruitment module to automate recruitment processes.</p> <p>This was subject to an Internal Audit review in 2022/23, resulting in a Substantial Assurance opinion.</p>		<p>No further action required.</p>

Ref	FFCL Standard	Related Activity	Rating	Areas for development
14	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	Policies and procedures are in place detailing the requirements for declarations of gifts and hospitality, and pecuniary interests. An internal Audit in this area in 2020/21 resulted in a positive assurance opinion.		No further action required.
15	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	The Council has recently adopted a fraud E-Learning package provided by the Staffordshire Counter Fraud Partnership.		Adoption of the E-Learning package to be assessed in 2024/25.
16	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	The Council's Whistleblowing Policy was last updated in February 2022.		Awareness of the revised whistleblowing policy should be subject to assessment.
17	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	The Council's standard terms and conditions of contract place an obligation on suppliers to report concerns regarding fraud, bribery and corruption, and direct suppliers to the Council's whistleblowing policy.		No further action required.
18	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Risk Based work planning means resources are targeted where most value can be obtained. A fraud risk assessment is maintained and this informs the annual Internal Audit and Counter Fraud Plan.		No further action required.

Ref	FFCL Standard	Related Activity	Rating	Areas for development
19	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The Counter Fraud Work Plan considers risks across the whole Council and is subject to annual formal approval by the Audit and Risk Committee.		No further action required.
20	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	In 2021/22 to 2023/24 period the limited volume of corporate fraud reports does not warrant statistical analysis.	n/a	Appropriateness of this standard to be monitored on an ongoing basis.
21	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	All members of staff within the Internal Audit Service have unfettered access to premises and documents for the purposes of counter fraud investigation.		No further action required.
22	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	As CCM becomes embedded, communications will be issued highlighting key findings. In the event of corporate fraud being identified, the use of communications to deter fraud will be considered on a case by case basis.		Requirement for case outcome communications to be monitored on an ongoing basis. One investigation from 2023/24 is potentially going to result in charges being brought, and dependent on the outcome of this there will be an opportunity to use a prosecution as a case study for fraud awareness purposes.

Ref	FFCL Standard	Related Activity	Rating	Areas for development
23	All allegations of fraud and corruption are risk assessed.	All allegations are subject to a case assessment, this includes loss estimates, and prospects of sanctions being obtained.		No further action required.
24	The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> • prevention • detection • investigation • sanctions, and • redress. 	The Counter Fraud Work Plan covers these areas suggested by the Standard.		No further action required.
25	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	The Council has in place a Counter Fraud and Corruption Policy which details roles and responsibilities for managing fraud risks.		No further action required.
26	Asset recovery and civil recovery is considered in all cases.	In the event of fraud being identified, the opportunities for criminal sanctions, civil recovery and disciplinary action will be discussed with Management.		No further action required.
27	There is a zero-tolerance approach to fraud and corruption which is always reported to committee.	The Counter Fraud and Corruption Policy outlines a zero-tolerance stance against fraud. All allegations received have been investigated as appropriate. A summary of allegations is presented to the Audit and Risk Committee as part of the Internal Audit Annual Outturn Report.		No further action required.

Ref	FFCL Standard	Related Activity	Rating	Areas for development
28	There is a programme of proactive counter fraud work which covers risks identified in assessment.	A Counter Fraud Work Plan is in place based on the risks identified in the fraud risk assessment and the annual internal audit planning process. This may evolve based on emerging risks and changing priorities of the Council in year.		No further action required.
29	The counter - fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	The Audit Manager - Fraud works with the Police, the Cabinet Office (for NFI) and networks with neighbouring County Councils and District Councils to share best practice via the MCCIAG Fraud Sub-Group, Staffordshire Counter Fraud Partnership, and West Midlands Fraud Group.		No further action required.
30	The local authority shares data across its own departments and between other enforcement agencies.	The Internal Audit team has access to multiple data sources. Internally there is a developing programme of CCM. Also, the Council participates in the National Fraud Initiative. Where appropriate, Internal Audit would facilitate the sharing of information both internally and externally (e.g. Police and DWP).		No further action required.
31	Prevention measures and projects are undertaken using data analytics where possible.	Proactive fraud exercises have used data analytics for targeted sampling of transactions. Use of data is considered for all audits and counter fraud proactive and reactive work.		Opportunities to improve and expand CCM will remain under consideration as emerging risks are identified.
32	The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	The Audit Manager – Fraud is in regular contact with the NAFN Data and Intelligence Service. The Audit Manager – Fraud is also a member of the Midlands County Councils’ Internal Audit Group - Fraud Sub-Group, Staffordshire Counter Fraud Partnership, and the West Midlands Fraud Group.		No further action needed.

Ref	FFCL Standard	Related Activity	Rating	Areas for development
33	The counter fraud team has access to the FFCL regional network.	The Audit Manager - Fraud continues to network with other fraud professionals via the channels noted in response to Standards 29 & 32 (see above).		No further action required.
34	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work, they too must be trained in this area.	The Audit Manager - Fraud is an Accredited Counter Fraud Specialist.		No further action required.
35	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	The Internal Audit Team has a wide range of experience across local Government with over 100 years of audit experience. South Staffordshire Council has access to this team as part of the contract arrangements in place.		No further action required.
36	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> • surveillance • computer forensics • asset recovery • financial investigations. 	No formal arrangements are in place. Reliance would be placed on the engagement of the Police or specialist staff procured from existing framework contracts should the need arise. The need to create a formalised partnership or similar for these roles is subject to ongoing consideration, although it is not seen as necessary at this time. Suppliers on existing Internal Audit Framework Contracts can provide these services if needed.		No further action required.
37	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	All investigations and proactive exercises that identify system weaknesses would result in recommendations being raised, agreed with management and reported to the Audit and Risk Committee.		No further action required.

Disclaimer

The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. SCC neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Action Plan for 2024/25

Appendix 3

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
1.	5.2 1110 (c)	<p><u>Organisational Independence</u></p> <p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>(c) approves the internal audit budget and resource plan</p>	<p>Non-Compliance - The Board does not approve the budget. This is a responsibility of Full Council.</p>	<p>This will be reported in the annual outturn report as an area of non-compliance with PSIAS. No further action will, however, be undertaken.</p>	CIA	N/A – No further action to be taken
2.	5.2 1110(e)	<p><u>Organisational Independence</u></p> <p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>(e) approves decisions relating to the appointment and removal of the CAE.</p>	<p>Non- Compliance - This is the responsibility of the Assistant Director, Audit & Financial Services, in-conjunction with the Director of Finance at Staffordshire County Council (SCC)</p> <p>South Staffordshire would raise any issues concerning the CIA to the Assistant Director, Audit & Financial Services and then to the Director of Finance at SCC to be addressed.</p>	<p>This will be reported in the annual outturn report as an area of non-compliance with PSIAS, however, no further action is planned.</p>	CIA	N/A – No further action to be taken
3.	5.2 1110(f)	<p><u>Organisational Independence</u></p> <p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>(f) approves the remuneration of the CAE.</p>	<p>Non Compliance - In response to this, pay of the CIA is in accordance with the SCC Pay structure, Grading and JE processes which are corporately owned.</p>	<p>This will be reported in the annual outturn report as an area of non-compliance with PSIAS, however, no further action is planned.</p>	CIA	N/A – No further action to be taken
4.	5.3 1210	<p><u>Proficiency and Due Professional Care</u></p> <p>Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques</p>	<p>Partial - This area is an ever improving area, however, it is recognised that the skills and knowledge is largely continually held with the ICT Audit Manager and Counter Fraud Audit Manager.</p>	<p>The CIA will continue to implement an integrated data driven approach to our audit process by promoting the use of IDEA in the work carried out and to facilitate and support</p>	CIA in conjunction with ICT Audit Manager & Counter Fraud Audit Manager	On-going throughout 2024/25

Action Plan for 2024/25

Appendix 3

Ref	Standard Reference	Audit Standard	Gap Identified	Action Required	Officer Responsible	Timescale
		<p>that are available to them to perform their work, including data analysis techniques?</p>	<p>Internal team training has been undertaken relating to data analysis techniques and applications previously and the use of data is under review as part of the teams innovation programme. Additional training to be undertaken in 2024/25 to increase knowledge across the breath of the team.</p> <p>In addition to the above, a project is underway within the Team to identify ways in which data can be better utilised as part of our audit work and management team has been assigned to look at 'innovating audit' by assessing how the service can utilise technologies such as artificial intelligence to bring about increased efficiency to the service going forward.</p>	<p>members of the team through peer training,</p>		