



LEE VALLEY REGIONAL PARK AUTHORITY
AUDIT COMMITTEE
19 SEPTEMBER 2024 AT 13:00

Agenda Item No:

7

Report No:

AUD/152/24

INTERNAL AUDIT UPDATE

Presented by Senior Accountant

SUMMARY

The purpose of this report is to update Members on the internal audit programme and related activity including any instances of fraud, corruption or whistleblowing.

RECOMMENDATIONS

- Members Note:
- (1) the report; and
 - (2) the Fraud Risk Register, as presented in Appendix A to this report.

BACKGROUND

- 1 In February 2018 (Paper AUD/85/18) the Audit Committee approved the award of a six-year contract to Mazars to deliver the Authority's internal audit requirements, procured through the London Borough of Croydon framework agreement.
- 2 Members approved a two year extension to the internal audit arrangement in May 2024 (Paper E/852/24) in line with the extended framework agreement.

2024/25 INTERNAL AUDIT PLAN

- 3 The Audit Plan for 2024/25 was approved by the Audit Committee in June 2024 (Paper AUD/149/24). The table below summarises the audits and their current status.

Audit	Notes	Audit Dates	Days	Status
Leisure Services Contract (LSC) Contract Management	This review will consider the Authority's management of selected risks relating to contract management of the LSC. This may include overall contract management and performance monitoring or focus on selected sites or elements of the specification. This follows on from the LSC contract audit in 2022/23.	May 2024	10	Audit Complete Moderate Assurance
Treasury Management	Cyclical review of core financial controls	Feb 2025	10	Scheduled
Debt	Cyclical review of core financial controls - Focus on local debts	Dec 2024	10	Scheduled

HR On-boarding and Off-boarding	This review will have a focus on Disclosure and Barring Service (DBS) checks and will consider other areas potentially including the induction process, probationary periods, supply and return of equipment, and work handovers.	Jan 2025	10	Scheduled
Cyber Security	This audit will assess the adequacy and effectiveness of the management control framework in order to mitigate the risk from cyber security attacks.	Sep 2024	15	Scoping meeting held
Data Management	This follows from the first phase audit of data management completed in 2023/24. This review will consider three further areas of the Authority's compliance with data protection law and the ICO's accountability framework: <ul style="list-style-type: none"> • Transparency; • Individual rights; and • Records of processing and lawful basis. The review will include consideration of: <ul style="list-style-type: none"> • Policies and procedures in relation to the above topics; and • Staff training and awareness in relation to the above topics. 	Jan 2025	10	Scheduled
Follow Up	Report produced for Feb Audit Committee	Dec 2024	7	Scheduled
Management	Attend meetings, Annual Report etc		10	
Contingency			10	
Total			92	

5 LSC Contract Management

The final report has been received for the LSC Contract Management audit, which has given an audit opinion of Moderate Assurance. Two recommendations have been accepted, both of which are medium priority.

The findings from all of these audits will be included in the annual internal audit report and reported to Audit Committee in June 2025.

IMPLEMENTATION OF RECOMMENDATIONS FROM AUDITS

- 6 As part of the annual programme Mazars follow up on recommendations from previous audits to review implementation. Their report from January 2024, presented to Audit Committee in February 2024 (Paper AUD/142/24), identified that 43% of recommendations had been implemented. They consider 85% implementation to be best practice. Although a further 30% of recommendations had been partly implemented this has highlighted the need to focus on fully implementing recommendations.

Since the last report there has been a focus on implementing recommendations and good progress has been made. As at the end of August 2024, the table below summarises officers' opinion on the status of all recommendations that are due to have been implemented.

Status	Recommendations Due for Implementation	
	Number	%
Implemented	9	56%
Partly Implemented	7	44%
Not Implemented	0	0%
Grand Total	16	100%

This 56% implementation rate (9 out of 16 recommendations) is an improvement from the 43% last year, and there are now no recommendations where work has not been started. These partly implemented recommendations are scheduled to be fully implemented by year-end. Recommendations that are not yet due for completion are also being progressed, and when we report back to Audit Committee in February we expect that Mazars' follow up review will show an implementation rate closer to 85%.

- 7 Some key recommendations that have been implemented include:
- review of Financial Regulations, focussing on the impact of the Procurement Act 2023, which is being reported to Executive on 19 September 2024 (Paper E/862/24), where Members will be asked to recommend the changes to Authority in October 2024. Once approved the procurement procedure will be updated in line with the changes, with training to be rolled out for relevant staff;
 - a fraud risk register has been created, with risk assessments completed for the key areas across Finance, HR, Procurement, IT and Active Communities where there is potential risk of fraud. **This is attached at Appendix A to this report.** The register shows that residual risk scores are all low, with the internal audit programme acting as an ongoing control across most of the risk areas; and
 - delivery of staff training on the appraisal process and Genesis HR Management system.
- 8 Of the 7 recommendations which are Partly Implemented:
- Five are categorised as medium priority, and two are low priority;
 - Two are from the Estates and Facilities audit;
 - Two are from the Staff Training and Development audit;
 - One is from the LSC Contract Management audit; and
 - One is from the Induction Management audit.
- 9 There are a further 33 recommendations that are not yet due for completion. 18% of these have already been implemented ahead of schedule. All actions that are Partly Implemented or Not Implemented have a lead officer assigned, a plan for implementation, and a target date.

FRAUD RESPONSE UPDATE

- 10 Under the Fraud Response Plan, Audit Committee will be updated regularly on any instances of fraud, corruption or whistleblowing.
- 11 There have been no new instances of fraud, corruption or whistleblowing since the last Audit Committee.

ENVIRONMENTAL IMPLICATIONS

- 12 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

- 13 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 14 There are no financial implications arising directly from the recommendations in this report.

HUMAN RESOURCE IMPLICATIONS

- 15 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

- 16 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

- 17 The internal audit programme provides assurance that the Authority has adequate controls in place to manage risks.

Author: Michael Sterry, 01992 709805, msterry@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/149/24	Annual Report on the Work of Internal Audit 2023/24 and Audit Plan 2024/25	20 June 2024
Audit Committee	E/852/24	Extension of Internal Audit Arrangements	23 May 2024
Audit Committee	AUD/142/24	Internal Audit Update	29 February 2024

APPENDIX ATTACHED

Appendix A Fraud Risk Register

LIST OF ABBREVIATIONS

LSC	Leisure Services Contract
ICO	Information Commissioner's Office

FRAUD RISK REGISTER AS AT 28 AUGUST 2024

Risk ID	Risk Name	Inherent Risk Score					Residual Risk Score					Progress	Action	Further Actions Needed to reduce Risk	Deadline for Completion	Updated Comments 28/08/2024	
		Lead	Impact	Likelihood	Total Score	RAG	Existing Controls	Source of Assurance	Impact	Likelihood	Total Score						RAG
F1	Creditor Fraud - A range of frauds can be committed against the Authority as a result of publicly available creditor payments data. Criminals undertaking these types of fraud are often found to be operating from overseas. The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the authority are targeted and impersonated in order to obtain fraudulent payments.	HoF	9	3	27	Yellow	The Authority has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details Segregation of duties exist between the ordering, invoicing and payment processes Financial Regulations Purchase Orders and Creditor procedure Credit Cards - limited cards, authorisation, spend limit	IA - Creditors 23/24, Fraud Prevention and Detection 22/23, Budgetary Control 22/23 EA	2	2	4	Green	>	Tolerate	Ensure processes associated with finance system upgrade still have sufficient controls built in	01/03/2025	Internal Audit recommendation 2324/CC/1 implemented - updated procedure notes for changing supplier details
F2	Cybercrime is a constantly evolving area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations. Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, loss and theft of data, and access to systems being compromised.	HoIT	8	9	72	Red	The IT department manages key controls around cybercrime, for example regular staff training on cyber security, passwords, phishing, email filters etc IT User Access procedure	IA - Fraud Prevention and Detection 22/23, Cyber Security 20/21	5	2	10	Green	>	Tolerate	Ongoing based on constantly evolving risk. Training sessions / email alerts 24/25 Internal Audit plan	Ongoing	Regular and recorded staff training, and alerts on intranet
F3	Procurement fraud has been perceived as a high risk by local authorities for a number of years. This includes supplier collusion / over charging It is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority estimates that having a cartel within a supply chain can raise prices by 30% or more.	HoIT / HoL	6	4	24	Yellow	Procurement procedure Financial Regulations The Authority's Procurement team provides guidance and advice to ensure that procurement processes are carried out correctly. Contract monitoring is implemented to help detect and deter fraud.	IA - Procurement 21/22, Contract Management 22/23, LSC Contract Management Audit 22/23 & 23/24 EA	4	2	8	Green	<>	Tolerate	IA Recommendations to be implemented: Procurement procedure and FR being reviewed. Training to be carried out on procurement and contract management	Sept 24 Mar 25	Procurement Officer recruited IA recommendations to implement: 2223/CM/1- Procurement Procedure updated - contract management guidance, and Contract Management training 2223/CM/3 - Procurement Procedure updated - ongoing due diligence/scrutiny, and training 2223/CM/4 - Review and update Contract Register 2223/CM/6 - Procurement Procedure updated - contract financial management 2324/CC/2 - Review of contract register
F4	Employee Fraud - There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexible working or annual leave systems, undertaking alternative work while sick, or working for a third party on Authority time. Some staff have access to equipment and material that may be misused for private purposes. This also includes cash handling and risk of theft Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others. Corruption and bribery is a significant risk to all public sector	HoHR	5	3	15	Green	The Authority has an established Whistleblowing Policy through which concerns can be raised. Annual Leave procedure Sickness Absence Procedure Payroll Processing Procedure - Payroll is reviewed monthly to help protect against the inclusion of 'ghost' employees. Cashing Handling procedure - includes segregation of duties around cashing up banking etc Counter Fraud, Bribery and Corruption policy	IA - Fraud Prevention and Detection 22/23, Cash and Banking 21/22, Stock Control 21/22, Staff Absence/Leave 21/22	2	2	4	Green	<>	Tolerate	Ongoing monitoring	Ongoing	Fraud and Bribery Awareness e-learning rolled out this year Failure to Prevent Fraud Offence - Authority are outside of scope as we do not meet 2 of the 3 criteria. However, we will still comply with the principle of 'reasonable procedures' to prevent fraud from occurring
F5	Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK	HoHR	3	3	9	Green	The Authority has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area. Recruitment procedure	IA - HR On-Boarding and Off-Boarding 19/20	2	2	4	Green	<>	Tolerate	On-boarding on 24/25 Internal Audit plan	01/03/2025	
F6	Treasury Management - the risk of employees with access to bank accounts using the Authority's money for their own benefit. The impact of losses in this area could be significant	HoF	9	2	18	Green	Treasury Management systems are well controlled and no fraud has been detected in this area. Financial Regulations	IA - Treasury Management 20/21 EA	5	1	5	Green	<>	Tolerate	On 24/25 Internal Audit Plan	01/03/2025	
F7	Insurance Fraud - The Authority may receive exaggerated or fabricated insurance claims	HoIT / HoF / HoL	3	3	9	Green	Support from Right Directions and Travellers	Annual H&S Report to Audit Committee	3	1	3	Green	<>	Tolerate	Ongoing monitoring	Ongoing	
F8	Grants - organisations can apply for Active Communities grants and CAF funding and may falsify information to fraudulently receive financial benefit	HoAC	3	2	6	Green	Active Communities Grant Procedure - applications assessed against set criteria, authorisation controls, grant agreements, reporting	Annual reports of delivery of objectives	2	1	2	Green	<>	Tolerate	Ongoing monitoring	Ongoing	Potential grant recipients need to provide documentation relating to robust governance policies and procedures, these include safeguarding, health and safety, equity. In addition, recipients must sign to confirm that they agree to set statements relating to financial management and prevention of bribery, corruption and fraud.