

INTERNAL AUDIT, RISK MANAGEMENT AND CORPORATE INVESTIGATIONS

BACKGROUND

The Division consists of three service elements, Internal Audit, Risk Management and Corporate Investigations.

INTRODUCTION AND SUMMARY OF THE WORK OF INTERNAL AUDIT

The purpose of this report is to provide the Committee with an update on the progress on delivering the Audit Programme that was agreed by this Committee at its meeting in June 2016.

Due the composition of the 2016/17 audit programme, the number of audits that have been undertaken in the first 6 months is low. This is primarily the result of a reduced audit programme and the need to schedule core financial reviews in order that any testing schedules are based on a representative sample of completed transactions.

There are three reviews that are currently work in progress:

Food Safety,

Treasury Management and a review of

Licensing (Hackney Carriages / Private Hire and Operator Licences. In addition, scheduling of the remaining programme is outlined below:

Corporate Debt Management	(30 th January 2016))
Creditors	
Payroll	(13 th February 2017)
Parking Services	(13 th February 2017)
Commercial Leases	(6 th March 2017)
Main Accounting and Budgetary Control	(14 th November 2016).
Council Tax and NNDR	(14 th January 2016)
Council Tax Support and Housing Benefits	(12 th December 2016)
Income System	(21 st November 2016)
Follow up fixed assets and inventories	TBC
Building Control	7 th November 2016
Tree Preservation Orders	31 st October 2016

Housing Act 2004

Waste Management Contract review - follow-up

November 2016

IT/CSC Contract review – follow –up

12th January 2017

AUDIT OPINION

On completion of an audit review, any recommendation made to Management as regards the requirement to improve the internal control framework in place is rated as follows:

PRIORITY 1 – Fundamental: - action that we consider essential to ensure that the Authority is not exposed to high risk

PRIORITY 2 – Significant: - action that we consider necessary to avoid exposure to significant risks

Based on the number and priority of recommendations we provide an opinion as to the overall control environment in the area reviewed. This will be at one of four levels.

Level 1 - Strong controls are in place as demonstrated by:

- Key/compensating controls exist and are applied consistently and effectively.
- Objectives are being achieved efficiently, effectively and economically.
- Risks are managed.
- Procedures, laws and regulations are complied with.
- Assets are safeguarded.
- Information is reliable.
- Small number of relatively minor recommendations to address.

With a minimal risk of serious loss or error

Level 2 - Controls are in place, but improvements would be beneficial:

- Key controls exist but there may be some inconsistency in application.
- Compensating controls are operating effectively and generally procedures are adequate.
- Objectives generally achieved except for some identified weaknesses.
- Some procedures, laws and regulations may not be properly complied with.

- Some assets may not be safeguarded.
- Some information may be unreliable.
- Minor shortfalls in risk management.

With some risk of loss, fraud, impropriety, or damage to reputation

Level 3 - Improvements in application of controls are required:

- Key controls exist but they are not applied, or significant evidence that they are not applied consistently and effectively.
- Procedures exist but are inadequate and/or ineffective. Modification required.
- Objectives are not being met, or are being met without achieving efficiency and effectiveness.
- Some assets may be at risk.
- Major shortfalls may exist in risk management.
- Information inaccuracies may occur.

With an Increased risk of fraud, impropriety, or damage to reputation

Level 4 - Urgent system revision is required:

- Key controls do not exist.
- Lack of procedures, or procedures not being followed.
- Council rules and regulations and/or statutory requirements are not complied with.
- Objectives are not being met.
- Information is unreliable.
- Assets are vulnerable.
- Risks are not being effectively identified and managed.

With a high risk of loss, fraud, impropriety, or damage to reputation

CORPORATE INVESTIGATIONS

BACKGROUND

The Councils Corporate Fraud team from May 2016 has a staffing complement of 1 FTE Corporate Investigator, currently filled on a part time basis by two officers (38.00 hours).

A key feature of creating the new Team allowed us the opportunity to review and refine operational processes in order to best maximise the resources available. This has resulted in the way in which the new team is promoted both internally and externally at the Council and we will continue to pursue other avenues in order to raise its profile.

The table below provides an illustration of the types and number of referrals that the Team has received, up to September 2016, and those which after the completion of a risk assessment have been taken on for investigation.

Type of Fraud	Categories	TOTAL
CTR	Number of referrals received	30
	Number of referrals investigated	12
	Number of referrals that failed the risk assessment stage	18
SPD, DISCOUNTS AND EXEMPTIONS	Number of referrals received	19
	Number of referrals investigated	10
	Number of referrals that failed the risk assessment stage	9
Internal Fraud	Number of referrals received	0
	Number of referrals investigated	0
	Number of referrals that failed the risk assessment stage of referrals closed	0
Tenancy Fraud	Number of referrals received	1
	Number of referrals investigated	0
	Number of referrals that failed the risk assessment stage	1
Housing Option Fraud (false allocation of social housing)	Number of cases received	4
	Number of cases investigated	3
	Number of referrals that failed the risk assessment stage	1
NNDR Fraud	Number of referrals received	2
	Number of referrals investigated	2
	Number of referrals that failed the risk assessment stage	0
Environmental	Number of referrals received	6
	Number of referrals investigated	3
	Number of referrals that failed the risk assessment stage	3
DPA requests from Thames Valley Police	Number of queries	111
DPA requests from other agencies	Number of queries	24

The monetary value of the overpayments identified as a result of an investigation into Council Tax Reduction was £5727.83, excluding a penalty

Through joint working with colleagues in the Housing team we have been successful with our second case involving a fraudulent application to join the housing register. The courts awarded a fine of £500 and costs of £2,000

We have recently worked with colleagues from the Environmental Health Team in the successful prosecution involving the submission of a fraudulent invoice in respect of works to rectify health and safety issues at a private rented property, with combined fines of £24,000 and costs totalling £3,732. This case is subject to an appeal.

National Fraud Initiative 2015/16

This is a mandatory data-matching exercise run by the Audit Commission every two years whereby our data is matched with other local authorities and agencies.

The Team continues to review the referrals from the NFI matching process.

Sanctions and Prosecutions

As more referrals are investigated by the Corporate Fraud team consideration is given to the potential outcome and what level of sanction could be applied. There are three types of sanctions that can be administered:

Caution – this is a formal, final warning that stays on a person's record with WDC and is used in the less serious cases. The person involved has to have admitted the offence for a caution to be used. In these cases, the recovery of any overpayment is sought as well.

Penalty – this is a "fine". Any benefit overpayment is increased by 50% and the person involved signs an agreement to repay the penalty as well as the overpayment. This has been changed with effect from 01/04/2013 with the penalty level being a minimum of £100 to a maximum of £1000 of any benefit overpayment.

Prosecution – in the more serious cases the Councils' Legal Department will instigate court proceedings against the person involved.

The aim is to focus the work of the Corporate Fraud Team to increase the number of sanctions in order to act as a deterrent to those committing fraud.

This is reflected in the work of the Section and all referrals are risk assessed to identify those cases that will potentially be more effective to investigate and lead to deterrents. All cases put forward for deterrent actions are monitored and, as necessary, further advice is sought from the Council's Legal Department.

A higher level of evidence is required on those cases where either a Caution or Penalty is offered. If a person does not accept a Caution or Penalty the normal course of action would be for the case to be considered for court proceedings.

The issue of a Caution is dependent on an admission of the offence. The caution is held on record for five years and can be cited in court should the claimant be found guilty of a further benefit offence.

The Penalty has no standing in law and is up to a 50% penalty of the overpayment and is payable in addition to the repayment of any overpaid discount/exemption.

It is our intention that successful prosecutions will be publicised in the local press and placed on the Council website and intranet site.