

## **INTERNAL AUDIT, RISK MANAGEMENT AND CORPORATE INVESTIGATIONS**

### **BACKGROUND**

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

### **SUMMARY OF THE WORK OF INTERNAL AUDIT**

#### **Background**

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 2017.

Due the composition of the 2017/18 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.

However we have completed the following two reviews:

Parking Services (carried forward from 16/17)

Commercial Leases (carried forward from 16/17)

There is one review that is currently work in progress:

Use of Agency and Consultants IR35

Scheduling of the remaining programme is outlined below:

<b>AUDIT REVIEW</b>	<b>START DATE</b>
Corporate Debt Management	15 <sup>th</sup> January 2018
Creditors	5 <sup>th</sup> February 2018
Payroll	19 <sup>th</sup> February 2018
Main Accounting and Budgetary Control	13 <sup>th</sup> November 2017
Council Tax and NNDR	8 <sup>th</sup> January 2018
Council Tax Support and Housing Benefits	4 <sup>th</sup> December 2017
Income System	22 <sup>nd</sup> January 2018
Fixed Assets and Inventories	23 <sup>rd</sup> October 2017

<b>AUDIT REVIEW</b>	<b>START DATE</b>
Premises Alcohol Licences	13 <sup>th</sup> November 2017
Review of Homeless	16 <sup>th</sup> October 2017
Private Sector Housing	16 <sup>th</sup> January 2018
Local Lottery Scheme - review of governance arrangements	4 <sup>th</sup> December 2017
Planning Enforcement	5 <sup>th</sup> March 2018
Planning Performance Agreements	5 <sup>th</sup> March 2018
VAT Review	19 <sup>th</sup> February 2018
High Level Cyber Security review	TBC

Attached at appendix A to this report is a description of the audit opinion used when assessing the effectiveness of the systems of internal control.

## **SUMMARY OF THE WORK OF RISK MANAGEMENT**

At an operational level, work was undertaken as part of the 2017/18 service planning process to ensure that the risks that could adversely affect service delivery were adequately recorded in the Services' operational risk register(s).

A strategic risk register (SRR) has been in place during 2017/18, with quarterly reporting to Strategic Management Board and half yearly reporting to both the Audit Committee and Leaders Strategic Briefing.

It is anticipated that following a re-refresh of the corporate plan, that the content of the SRR will need to be reviewed.

## **SUMMARY OF THE WORK OF THE CORPORATE INVESTIGATIONS TEAM**

### **Background**

The Council's Corporate Investigation Team has a staffing complement of 1 FTE Corporate Investigator, currently filled on a part time basis by two officers (38 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.

In September, the Team delivered a Member seminar outlining the work of the Corporate Investigations Team.

The table below provides an illustration of the types and number of referrals that the Team has received, up to September 2017, and those which after the completion of a risk assessment have been taken on for investigation. A comparison has been made as regards the same period in 2016/17.

<b>Type of Fraud</b>	<b>Categories</b>	<b>2017/18 TOTAL (Sept)</b>	<b>2016/17 TOTAL (Sept)</b>
<b>CTR</b>	Number of referrals received	24	30
	Number of referrals investigated	15	12
	Number of referrals that failed the risk assessment stage	9	18
<b>SPD, DISCOUNTS AND EXEMPTIONS</b>	Number of referrals received	7	19
	Number of referrals investigated	7	10
	Number of referrals that failed the risk assessment stage	0	9
<b>Internal Fraud</b>	Number of referrals received	0	0
	Number of referrals investigated	0	0
	Number of referrals that failed the risk assessment stage of referrals closed	0	0
<b>Tenancy Fraud</b>	Number of referrals received	0	1
	Number of referrals investigated	0	0
	Number of referrals that failed the risk assessment stage	0	1
<b>Housing Option Fraud (false allocation of social housing)</b>	Number of cases received	1	4
	Number of cases investigated	1	3
	Number of referrals that failed the risk assessment stage	0	1
<b>NNDR Fraud</b>	Number of referrals received	5	2
	Number of referrals investigated	2	2
	Number of referrals that failed the risk assessment stage	3	0
<b>Environmental</b>	Number of referrals received	2	6
	Number of referrals investigated	2	3
	Number of referrals that failed the risk assessment stage	0	3
<b>DPA requests from Thames Valley Police</b>	Number of queries	59	111
	<b>DPA requests from other agencies</b>	Number of queries	29

### **Sanctions and Prosecutions**

As more referrals are investigated by the Corporate Investigations 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 also sought.

**Penalty** – this is a “fine”. Any benefit overpayment is increased by up to 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 adjustment.

**Prosecution** – in the more serious cases the Councils’ Legal Service will instigate court proceedings against the person involved.

The aim is to focus the work of the Corporate Investigation 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 Service.

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 as a deterrent against fraudulent behaviour.

### **Council Tax Reduction and Discretionary Housing Payments**

The monetary value of the overpayments identified as a result of an investigation into Council Tax Reduction and Discretionary Housing Payments was £11,270.,

### **Council Tax Single Person Discounts**

The monetary value of single person discounts to which there was no valid eligibility was £5,167.

### 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 - 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.

#### **Level 2 - 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 3 - 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 4 - 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