

BUSINESS ASSURANCE MANAGER'S ANNUAL REPORT

The purpose of my opinion is to contribute to the assurances provided to Senior Management as regards its own assessment of the effectiveness of the Council's system of internal control. The opinion will also assist Senior Management in the completion of the Annual Governance Statement (AGS).

My opinion is set out as follows:

1. Overall opinion
2. Basis for the opinion

Overall opinion

My overall opinion is that assurance can be given in relation to the core financial reviews that were undertaken in 2017/18 and that there is a sound system of internal control designed to meet the Council's objectives and that controls are generally being applied consistently.

As well as undertaking a number of core financial audits which are necessary in order to provide the Business Assurance Manager's opinion, we also undertake a number of audits in other operational areas of the Council. These audits aim to add value through the delivery of the Internal Audit plan and enable Internal Audit to build a picture of the overall state of governance within the Council.

As part of my 2016/17 Annual report I reported my concern that the Council had not implemented and embedded a formal structure for its programme management and project development arrangements on a Council wide basis.

I am now able to report that significant progress has been made and following a review by the Corporate Director (Growth & Regeneration) a formalised programme board structure, based on the Council's new Corporate Plan has been introduced for 2018/19. This new structure seeks to regularise the governance arrangements around programme management through the introduction of individual Programme Boards, to which individual projects will be reported. The aim is to improve how projects are delivered e.g. demonstrating the processes associated with corporate objective alignment, project appraisal, project progress, financial management and improved risk management.

However, I am concerned about the Council's preparedness in relation to responding to a business continuity event either on a Service by Service basis or Corporately. I am aware that reports have been presented to senior management in September 2017, namely the submission of Corporate Business Continuity Plan and the submission of a report "Business Continuity Planning- People Management Protocol" to the Personnel and Development Committee in October 2017, however since that

time there has been limited progress in ensuring that any plans are capable of implementation and have been subject to testing.

This has also been confirmed from the results of the Annual Assurance Statements which indicated the lack of any scenario based testing to demonstrate the efficacy of the Councils response to an event that affects service delivery.

Full details on the opinion and commentary regarding how the level of assurance was derived are detailed in this report, however a summary is provided below in order to provide some context to the opinion.

The opinion has been derived based on the balance of audits that received either “Strong Controls are in place, or Controls are in place but improvements would be beneficial” opinion. Of the 17 completed reviews only two have received an opinion that “Improvements in application of controls are required”. A detailed explanation of the audit opinions used is attached at Appendix A.

These audits are agreed at the outset of each financial year with the Strategic Management Board, Senior Management and the Audit Committee.

Basis for the opinion

Internal Audit Coverage

An assessment based on the range of individual opinions arising from risk based audit assignments, as detailed in the internal audit programme, has been used. The assessment has taken account of the relative materiality of those areas and Managements progress in respect of addressing control weaknesses.

Operational Risk Registers (ORRs) and the Strategic Risk Register (SRR)

Key to demonstrating that the Council has in place an assurance framework, the following needs to be considered:

- the context of risk within the Council,
- identifies, analyses, evaluates and assesses risk through the adoption of operational risk registers and a strategic risk register.

At an operational level, work has been undertaken throughout the year to develop operational risk registers that are based on service plan objectives and as part of the 2017 /18 Annual Assurance statement process Heads of Services have confirmed that operational risk registers are in place and are subject to periodic review.

A Strategic Risk Register has been in place during 2017/18 with quarterly reporting to the Strategic Management Board and regular reports to the Audit Committee and Leaders Strategic Briefing.

Strategic Management Board are reminded that identifying, managing and mitigating risk is a continual task and should be bedded into normal activity and not just constrained to quarterly reporting.

From 2018/19, the Council will be using risk software to record and track both operational and strategic risks.

I would like to thank the officers that have both contributed and participated in the delivery of the above work.

Corporate Investigations Team

We are required under CIPFA's current governance framework *Delivering Good Governance in Local Government Framework 2016* "to demonstrate how effective the Councils counter fraud and anti-corruption arrangements are".

Since March 2015, the Council has developed plans, from its Tackling Fraud and Corruption report and is seeking to refresh the Councils counter fraud and corruption arrangements in line with best practice as recommended by CIPFA's Managing the Risk of Fraud and Corruption. A more detailed explanation of the Councils arrangements can be found on pages 7-11

Key to these arrangements is the need for the Council to understand the potential level of risk exposure across the whole Council and then to assess on a measured approach those services that have a greater level of fraud risk exposure. Initial work was undertaken during 2017/18 to develop fraud risk registers and this approach needs to be refined during 2018/19.

INTERNAL AUDIT, RISK MANAGEMENT AND CORPORATE INVESTIGATIONS
DIVISION ANNUAL REPORT 2017/18

INTRODUCTION

The Division consists of three strands:

- Internal Audit
- Risk Management
- Corporate Investigations

BACKGROUND - INTERNAL AUDIT

The purpose of this report is to provide an update of the audit reports that have been issued during 2017/18.

The original audit programme agreed by the Audit Committee at their meeting in March 2017 set out a programme of work consisting of 19 reviews. This has been subject to revision due to changes within the individual service areas which not predicted at the time original programme was prepared, notably:

High Level Cyber Security Review – this review was not undertaken due to programmed work within the Service, notably network penetration testing. The results of which would impact on the planned review. It has been agreed that this review will be undertaken in 2018/19.

As regards the Planning Enforcement Review including Planning Performance Agreements. It was agreed with the Service that two separate reviews would be undertaken given the nature of the services provided.

Strategic Risk Register control /mitigation review – this review was not undertaken due to the introduction of a refreshed Corporate plan, aligned to the introduction of risk software. This has allowed the Service to rationalise its approach to the identification and management of strategic risk.

In terms of resources, we have continued to be supported in the delivery of the audit programme by an external service provider and are pleased to report that through a close working relationship with the Business Assurance Manager in commissioning, scheduling and managing the relationship we have continued to deliver.

Internal Audit continues to provide additional services and support via attendance at several corporate working groups:

Major Projects Support Group
Corporate Equalities

Despite all the above calls on Internal Audit time, we are pleased to report that the audit programme was achieved and we have completed 18 audit reviews.

Customer Satisfaction Questionnaires.

On completion of each audit, the Client is sent a questionnaire. The completed questionnaire provides a useful measure as to the effectiveness and efficiency of the Internal Audit Service on an individual review basis.

- General comment about the usefulness and value of the audit review
- Audit planning
- Quality of the audit report
- Timing of the audit review
- Communication during the audit review
- Conduct of the auditor
- Exit meeting
- Improvements in performance with the Service area
- Proper management of risk or reduction in risk.

The table below provides a summary of the audit reviews completed in 2017/18. It shows the total number of recommendations made compared to the number of recommendations that have been accepted by Management in order to improve the internal control framework within individual Service functions.

AUDIT REVIEW TITLE	OPINION	Number of recommendations made.	Implemented recommendations
CORE FINANCIAL REVIEWS			
Corporate Debt Management	Controls are in place, but improvements would be beneficial.	6	6
Creditors (* draft)	Controls are in place, but improvements would be beneficial.	3	*
Payroll (* draft)	Strong controls are in place	1	*
Main Accounting and Budgetary Control	Controls are in place, but improvements would be beneficial.	2	2
Council Tax and Non-Domestic Rates	Strong controls are in place	1	1
Housing Benefit and Council Tax Reduction	Strong controls are in place	1	1
Income	Strong controls are in place	1	1
NON CORE FINANCIALS			
Fixed Assets and Inventories	Improvements in the application of controls are required	4	3
High Level VAT Review (* draft)	Controls are in place, but improvements would be beneficial.	4	*
Use of Agency and Consultancy including IR35	Strong controls are in place	1	1
Rent Deposits (*draft)	Controls are in place, but improvements would be beneficial.	5	*
Premise Alcohol Licence	Controls are in place, but improvements would be beneficial.	5	5
Homeless	Controls are in place, but improvements would be beneficial.	4	4
Local Lottery Scheme	Improvements in the application of controls are required	6	6
Planning Enforcement (*draft)	Controls are in place, but improvements would be beneficial.	5	*
Planning Performance Agreements (*draft)	Controls are in place, but improvements would be beneficial.	5	*
Parking Services	Controls are in place, but improvements	3	2

	would be beneficial.		
Commercial Leases	Strong controls are in place	2	2
TOTAL		58	34*

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CORPORATE INVESTIGATIONS – PERFORMANCE SUMMARY

The Corporate Investigations Team consists of two part time qualified investigators (1.03 FTE) whose role is to investigate allegations of corporate fraud which covers the investigation in to allegations of fraud in relation to Council Tax Reduction, Single Person Discount, National Non Domestic Rates (NDR) and Housing & Homeless applications.

The Corporate Investigations Team have in part followed recommended best practice from CIPFA's "Managing Fraud and Corruption" which identifies five key activities:

1. Acknowledge the responsibility of the governing body for countering fraud and corruption.
2. Identify the fraud and corruption risks
3. Develop an appropriate counter fraud and corruption strategy
4. Provide resources to implement the strategy
5. Take action in response to fraud and corruption

During 2017/18, we have sought to raise the profile of the Corporate Investigations Team by promoting the Service across the Council and also by offering Fraud Awareness training to relevant Services. A programme has been rolled out which to date has covered the

- Revenues Team,
- Housing Options Team and
- Planning Enforcement
- Environmental Health

In addition, the Team has delivered awareness training as regards the work of the Corporate Investigations Team to:

- 2 All Staff meetings, and an
- Awareness training session for Members.

This positive approach has resulted in an increase in referrals from Services from within the Council who historically did not raise referrals as the perceived emphasis was solely to investigate Housing Benefit fraud.

- We are also working with Services to support them in developing their policies and processes to prevent and detect fraud in order for individual services to determine and apply a level of sanction rather than making a referral to the Corporate Investigations Team which may not be warranted.
- We have formalised our working relationship with Thames Valley Police by creating a Service Level Agreement. We will assist them with any ongoing investigations that require access to Council information with the reciprocal arrangement that the Police will inform the Team, in a timely manner, of any cases of suspected fraud that arise from their investigations.
- The table below indicates the number of referrals, by type that have been received by the Team, during 2017/8

Nature of referral	Number of referrals	Number of cases after risk assessment	% of referrals taken on for further investigation
Council Tax Reduction	50	34	68%
Single Person Discount	22	21	95%
False application to / allocation of social housing.	4	3	75%
Environmental Health	5	5	100%
NNDR	8	4	50%
TOTAL	89	67	75%

Fraud referrals are received from internal and external sources such as other departments, the Department of Works and Pensions, members of the public via the fraud email and Thames Valley Police.

A risk assessment process is in place which determines the quality of the referrals received, considers the reliability of the referral source and measures the likelihood of a successful outcome. Cases will only be investigated if they pass the risk assessment and are in the public interest.

We also consider the outputs from the National Fraud Initiative as this provides a credible and reliable source of referrals.

Sanctions and Prosecutions

There are three types of sanctions that can be administered:

Caution - this is a formal, final warning that is issued by Corporate Investigations stays on a person's record with WDC for a period of 5 years and is used for less serious cases. A caution can only be sanctioned if the offence is admitted during an interview under caution. In these cases, the recovery of any overpayment is sought as well. A caution can be cited in court should the claimant be found guilty of a further benefit offence

Penalty - this is a "fine" and the value of the fine is calculated by taking up to 50% of the total CTR overpayment. The fine can be no greater than £1000 with a minimum of £100 and can be used where it's not in the public interest to proceed with a prosecution. A fine can be sanctioned without a full admission of guilt being made. The penalty is in addition to the reclaiming of the original overpayment and is collected through a sundry debtor invoice.

During 2017/18, the Team applied a penalty in three cases amounting to £1,559

Prosecutions – for the more serious cases the Council's Legal Department will pursue criminal court proceedings against the person involved.

The aim is to focus the work of the Corporate Investigations Team to increase the number of sanctions in order to act as a deterrent to those persons defrauding or seeking to defraud the Council.

This is reflected in the work of the Team and all referrals are risk assessed to identify those cases that will potentially be more effective to investigate and lead to a deterrent.

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 a Penalty, the normal course of action would be for the case to be considered for legal proceedings.

Where possible, the local media has been made aware of successful prosecutions but coverage is dependent on other items of news at the time. Reports of these cases are intended to have a deterrent effect. In addition, successful prosecutions are reported on the Council's website and intranet site.

During 2017/18, the Team undertook 1 prosecution using the Fraud Act 2006, in relation to Discretionary Housing Payment scheme, Council Tax Reduction & Single Person Discount and was successful. This case resulted in costs of £2,500, compensation of £1,768 being awarded, a 12 month community order and 160 hours of unpaid work.

The Team currently has a further 2 cases awaiting prosecution.

The Team identified overpayments amounting to £17,000 (10 cases) in relation to Council Tax Reduction and £10,000 (13 cases) in respect of Single Person Discount.

Fraud Awareness

The advertising in local publications ceased due in part to limited coverage and also the cost. Regular articles are now placed in each issue of the WDC "Wycombe Times" publication which is delivered to all households in the district.

We are continuing to use the notice boards in Council owned car parks in order to create further awareness of how the public can report suspicious fraudulent activity.

Future Aims for the Team

Continue to deliver the work programme as set out in the Tackling Fraud and Corruption plan

Demonstrate the value for money benefits that can arise through having a dedicated Corporate Investigations Team.

Prevention of fraud through better understanding internally.

Better publicity using Wycombe's Facebook page e.g. how to report a fraud

Audit Opinions

The following audit opinions are used when making an assessment of the effectiveness and adequacy of the systems of internal control.

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 of priority recommendations we provide an opinion as to the overall control environment. This is reflected in an audit opinion and this is based on four levels:

Level 1 - Strong controls are in place:

- 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.
- (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.
- (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.
(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.
(High risk of loss, fraud, impropriety, or damage to reputation)

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