

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 on 31st May 2018.

Due to the composition of the 2018/19 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.

We have appointed Mazars, who will be providing the Internal Audit Service for 2018/19.

Scheduling of the remaining programme is outlined below:

AUDIT REVIEW	START DATE
Air Pollution	Work in progress
Community Grants	Work in progress
Cemetery	Work in progress
Contract review - Grounds Maintenance operation.	Work in progress
Commercial Leases	22 nd October 2018
Treasury Management	5 th November 2018
Disabled Facilities Grants / Healthy Homes on Prescription.	10 th December 2018
Bed and Breakfast	12 th November 2018
Land Charges (tbc)	12 th November 2018
Main Accounting and Budgetary Control	19 th November 2018
Council Tax Support and Housing Benefits.	3 rd December 2018
Insurance	10 th December 2018
Council Tax and NNDR	14 th January 2019
Fixed Assets and Inventories	14 th January 2019
Parking Services	17 th January 2019
Human Resources and Payroll	4 th February 2019
Creditors	25 th February 2019
Corporate Debt Management & Income	25 th February 2019

AUDIT REVIEW	START DATE
Member and Officer Codes of Conduct	4 th March 2019
Section 106 & Community Infrastructure Levy	5 th March 2018

Attached at appendix A to this report is a description of the audit opinions that will be used when assessing the effectiveness of the system of internal control.

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. We are pleased to have received assurances from the various Service Managers as to the level of implementation of the agreed recommendations.

AUDIT REVIEW TITLE	OPINION	NUMBER OF RECOMMENDATIONS MADE.	IMPLEMENTED RECOMMENDATIONS
CORE FINANCIAL REVIEWS			
Council Tax Support and Housing Benefit	Strong controls are in place	1	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
VAT Review	Controls are in place, but improvements would be beneficial	4	4
Corporate Debt Management	Controls are in place, but improvements would be beneficial	6	6
Income Systems	Strong controls are in place	1	1
Creditors	Strong controls are in place	1	1
Payroll and Human Resources Review	Strong controls are in place	0	0
NON CORE FINANCIALS			
Commercial Leases	Strong controls are in place	2	2
Parking Services	Controls are in place, but improvements would be beneficial	2	2
Agency Staff and Consultants	Strong controls are in place	1	1
Rent Deposit Scheme	Controls are in place, but improvements would be beneficial.	2	2
Homeless Service	Controls are in place, but improvements would be beneficial.	4	4
Fixed Assets and Inventories	Improvements in the application of controls are required	4	4
Licensing	Controls are in place, but	5	5

AUDIT REVIEW TITLE	OPINION	NUMBER OF RECOMMENDATIONS MADE.	IMPLEMENTED RECOMMENDATIONS
	improvements would be beneficial.		
Local Lottery Scheme	Improvements in the application of controls are required	6	6
TOTAL		42	42

SUMMARY OF THE WORK OF RISK MANAGEMENT ACTIVITY

A new software package has been procured and once populated, will provide a clear oversight for the Council as regards the strategic and operational risks.

As part of the 2018/19 service planning process, Services were requested to review the operational risks that could affect service delivery with a view to recording those in the Services' operational risk register.

At a strategic level, a review of the content of the current strategic risk register was undertaken to align to the recently refreshed Corporate Plan, with a view to greater clarity and focus of the key strategic risks facing the Council. Any "former" strategic risks are to be recorded in the relevant Service based operational risk registers.

SUMMARY OF THE WORK OF THE CORPORATE INVESTIGATIONS TEAM

Background

The Team continues to review and refine operational processes in order to best maximise the resources available. This has resulted in the way in which the Team promotes itself both internally and externally 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 2018, 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 2017/18.

Type of Fraud	Categories	2018/19 TOTAL (Sept)	2017/18 TOTAL (Sept)
CTR	Number of referrals received	37	24
	Number of referrals investigated	25	15
	Number of referrals that failed the risk assessment stage	12	9
SPD, DISCOUNTS AND EXEMPTIONS	Number of referrals received	20	7
	Number of referrals investigated	18	7
	Number of referrals that failed the risk assessment stage	2	0
Internal Fraud	Number of referrals received	1	0
	Number of referrals investigated	1	0
	Number of referrals that failed the risk assessment stage of referrals closed	0	0
Tenancy Fraud	Number of referrals received	0	0
	Number of referrals investigated	0	0
	Number of referrals that failed the risk assessment stage	0	0
Housing Option Fraud (false allocation of social housing)	Number of cases received	7	1
	Number of cases investigated	5	1
	Number of referrals that failed the risk assessment stage	2	0
NNDR Fraud	Number of referrals received	3	5
	Number of referrals investigated	1	2
	Number of referrals that failed the risk assessment stage	2	3
Environmental	Number of referrals received	3	2
	Number of referrals investigated	2	2
	Number of referrals that failed the risk assessment stage	1	0
DPA requests from Thames Valley Police	Number of queries	34	59
DPA requests from other agencies	Number of queries	10	29

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 and 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.

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

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 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.

Successful prosecution

In September, the Team undertook a successful prosecution in relation to a false application for Council Tax Support (CTR). In addition to the repayment of the CTR amount, £3,378 the Court ordered the defendant to perform 120 hours unpaid work and 20 days of Rehabilitation Activity Requirement (range of interventions to support individual offenders behaviours) as well as awarding the Council a contribution to its costs of £2,159.

Council Tax Reduction and Discretionary Housing Payments

The monetary value of the overpayments identified as a result of an investigation into Council Tax Reduction was £5,644.

In addition the Team levied 3 penalties, equating to £1,310.

Council Tax Single Person Discount

The monetary value of Single Person Discounts to which there was no valid eligibility was £8,930





In addition, the Team contributed to the recovery of £11k National Non Domestic Rates.

APPENDIX A

AUDIT OPINION

Note 1 - Overall opinion

From 2018/19, the Internal Audit opinion used is based on 4 levels covering an evaluation of the internal control framework that key controls exist and are applied consistently.

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Note 2 - Priority ratings

Internal Audit priority ratings are based on 2 levels:-

- Priority 1- Fundamental: - action we consider essential to ensure that the Authority is not exposed to any immediate significant risk.
- Priority 2- Significant: - action we consider necessary to avoid exposure to significant risks.

It is management responsibility to ensure full implementation of the agreed action plan.