

Report For:	Audit Committee
Meeting Date:	Audit 10 October 2019
Part:	Part 1 - Open
If Part 2, reason:	Choose a reason



WYCOMBE
DISTRICT COUNCIL

SUMMARY

Title of Report:	Business Assurance Managers Annual Report 2018/19
Officer Contact: Direct Dial: Email:	Michael Howard 01494 421357 Mike.howard@wycombe.gov.uk
Ward(s) affected:	All
Reason for the Decision:	The Business Assurance Manager is required to provide a written annual report to those charged with governance, timed to support the Annual Governance Statement. This yearly report is used as part of the annual process.
Proposed Decision/Recommendation:	That: The Business Assurance Managers' Annual report is NOTED.
Sustainable Community Strategy/Council Priorities - Implications	Risk: N/A Equalities: N/A Health & Safety: N/A
Monitoring Officer/ S.151 Officer Comments	Monitoring Officer: The Business Assurance Manager's report contributes to the Council's suite of arrangements for good governance and management of risk.

	S.151 Officer: No direct financial implications. The positive assurance opinion set out in the report provides a clear view that material risks are well managed and there is a sound system of internal control.
Consultees:	N/A
Options:	None
Next Steps:	N/A
Background Papers:	N/A
Abbreviations:	

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 2018/19 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 2017/18 Annual report I reported that significant progress had been made in that a formalised programme board structure, based on the Council's new Corporate Plan has been introduced for 2018/19. The new structure regularised the governance arrangements around programme management and during 2018/19 the structure was reviewed and two Programme Boards were established which replaced the previous 5 Programme Boards, to which individual projects are 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.

Full details on the two factors that are used in forming the opinion as to the level of assurance are detailed in this report in Appendix A, with a summary below:

- Assurance as regards the Evaluation assessment of the internal control environment.
- Assurance as regards the Testing Evaluation:

The overall opinion has been derived based on the balance of audits that received either a Full or a Substantial rating on both aspects of the opinion. Of the 20 completed reviews one review had a Limited Assurance in relation to both aspects of the opinion and a further review had a Limited Assurance in relation to the testing aspect.

There were two reviews undertaken in the early part of 2018/19 which were not assessed under the dual opinion, one received an opinion that the application of controls was required, which is below the normal Substantial Assurance opinion, the other review received an opinion equal to a Substantial Assurance opinion.

These audits are agreed at the outset of each financial year with the Strategic Management Board 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 the purpose of this report is to provide an update of the audit reports that have been issued during 2018/19.

The original audit programme agreed by the Audit Committee at their meeting in May 2018, set out a programme of work consisting of 21 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:

An additional review in relation to Capital Programme Expenditure was undertaken in 2018/19.

The IT Infrastructure Assurance Review was not undertaken due to external review being commissioned by the Councils IT Service.

The Land Charges review was not undertaken due to the Teams commitment to the Elections function.

I am pleased to report that the audit programme was achieved and 20 audit reviews were completed.

The table below provides a summary of the audit reviews completed in 2018/19. It also shows the total number of recommendations made compared to the number of recommendations that have been agreed by Management in order to improve the internal control framework within individual Service functions.

AUDIT REVIEW TITLE	OPINION	Number of recommendations made.	Agreed recommendations
CORE FINANCIAL REVIEWS			
Corporate Debt Management and Income	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	4	4
Creditors	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	2	2
Payroll	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	3	3
Main Accounting and Budgetary Control	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	3	2
Council Tax and Business Rates	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	3	3
Council Tax Reduction and Housing Benefit	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	2	2
Treasury Management	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	2	2
NON CORE FINANCIALS			
Capital Programme Expenditure Review	Key controls exist but inconsistencies in application. NB – review was undertaken before the two tier opinion was in introduced.	4	4
Air Pollution	Improvements in the application of controls are required NB – review was undertaken before the two tier opinion was in introduced.	9	9

AUDIT REVIEW TITLE	OPINION	Number of recommendations made.	Agreed recommendations
Community Grants	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	5	5
Cemetery	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	6	6
Ground Maintenance Contract	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	5	5
Commercial Leases	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	2	2
Disabled Facility Grants and the Healthy Homes Pilot	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	5	5
Bed and Breakfast	Evaluation assessment - Limited Assurance Testing assessment - Limited Assurance	4	3
Insurance	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	5	4
Fixed Assets and Inventories	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	1	1
Parking	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	4	2
Member and Officer Codes of Conduct.	Evaluation assessment - Substantial assurance Testing assessment - Limited assurance	7	7 (all recommendations were agreed in principle however will included in the work programme for the new Unitary Council

AUDIT REVIEW TITLE	OPINION	Number of recommendations made.	Agreed recommendations
Section 106 and Community Infrastructure Levy	Evaluation assessment - Substantial assurance Testing assessment - Substantial assurance	4	4
TOTAL		80	75

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.

A Strategic Risk Register has been in place during 2018/19 with quarterly reporting to the Strategic Management Board and regular reports to the Audit Committee.

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.

During 2018/19, the Council has been using risk software to record and track both operational and strategic risks.

Corporate Investigations

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.

The Corporate Investigations Team consists of one part time qualified investigator (.65 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 (NNDR) and Housing & Homeless applications.

- table below indicates the number of referrals, by type that have been received by the Team, during 2018/9

Nature of referral	Number of referrals	Number of cases after risk assessment	% of referrals taken on for further investigation
Council Tax Reduction	73	45	62%
Single Person Discount	34	27	79%
False application to / allocation of social housing.	9	6	67%
False identity : Licensing, Environmental Health	7	5	71%
NNDR	6	3	50%
Internal fraud cases	1	1	100%
TOTAL	130	87	67%

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 online fraud referral process 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 2018/19, the Team applied a penalty in eight cases amounting to £4401.

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 2018/19, the Team undertook 2 prosecutions using the Fraud Act 2006, in relation to Council Tax Reduction. These cases resulted in costs of £2,494 & £2,159 and two Community Orders, the first of a 10 week curfew and the second of 120 hours of unpaid work and a 20 day Rehabilitative Activity Requirement.

The Team currently has a further 2 cases awaiting prosecution.

The Team identified overpayments totalling £44,464 of which £23,146 related to 20 cases of Single Person Discount fraud and 11 cases in relation to Council Tax Reduction amounting to £21,318.

NB Council Tax Reduction was introduced in 2013, therefore fraudulent cases relating to that period onward will increase in value.

Appendix A

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:

APPENDIX 1: AUDIT OPINION AND DEFINITIONS

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.