

TITLE	Business Assurance Progress Report
FOR CONSIDERATION BY	Audit Committee on 25 September 2013
WARD	None Specific
STRATEGIC DIRECTOR	Julie Holland, Interim Head of Business Assurance & Democratic Services

OUTCOME / BENEFITS TO THE COMMUNITY

The Business Assurance Progress Report details the Business Assurance Activity between the 1 April 2013 and 30 June 2013. This is an update on the progress towards the formation of the Head of Internal Audit Opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control. This assurance supports the council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

The Audit Committee is asked to note the Business Assurance Progress report.

SUMMARY OF REPORT

The report summarises the work completed by the Internal Audit and Investigations during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Head of Internal Audit to provide details of the work of undertaken this financial year and highlight any areas of weakness the committee should be aware of.

Background

The Business Assurance plan provides details of the planned Internal Audit and Investigations activity each quarter. This progress report enables the Audit Committee to hold the Head of Internal Audit to account and facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigations activities.

Analysis of Issues

The Business Assurance Progress report provides the committee with assurance over the key governance, risk management and internal controls operating in the Council. The committee should ensure that the coverage, performance and results of Business Assurance activity are clearly communicated to the Audit Committee and any additional assurances are identified by the Committee.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable.

Cross-Council Implications (how does this decision impact on other Council services and priorities?)

Not applicable.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

None.

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**WOKINGHAM
BOROUGH COUNCIL**

◆ **Business Assurance**
Successfully Improving Governance

BUSINESS ASSURANCE

PROGRESS REPORT

Quarter 1

2013/14

Wokingham Borough Council

13 September 2013

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1. INTRODUCTION

- 1.1 This report summarises the main findings arising from the Business Assurance (BA) work completed in the period 1 April 2013 to 30 June 2013. There are two main strands to this work: Internal Audit (IA) and Investigations.
- 1.2 IA provides an independent appraisal and consultancy service that underpins good governance, which is essential in helping the council achieve its strategic objectives and realise its vision for the borough of Wokingham. It is also a requirement of the Accounts and Audit (England) Regulations 2011 that the council undertakes an adequate and effective IA of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 1.3 Investigations are responsible for providing a comprehensive range of investigation services to all key stakeholders. Our primary objective is to meet the Chief Finance Officer's statutory obligation to prevent and detect fraud and corruption against the council. This includes benefit fraud, whistleblowing allegations and other types of corporate fraud such as Housing Tenancy Fraud.
- 1.4 The Investigations team also helps to drive improvements in performance across the council by investigating any serious breaches of the council's policies including the staff code of conduct. Other main areas of their work include delivery of the Government's National Fraud Initiative (NFI) and providing anti-fraud and anti-corruption awareness training to staff and Members.
- 1.5 BA would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the council during the year to date.

Purpose of the Business Assurance Progress Report

- 1.6 This report presents the council's Chief Executive, Directors and Audit Committee with information on all BA work covered and assurance in this respect during the period 1 April 2013 to 30 June 2013. It also provides an opportunity for the Interim Head of Business Assurance and Democratic Services to highlight to the council's Corporate Leadership Team (CLT) and Audit Committee any significant issues that they need be aware of.

2. EXECUTIVE SUMMARY

- 2.1 The scope and scale of change in the council continues to impact on the work of BA. The team are displaying flexibility to ensure delivery is achieved. There are no significant findings from work completed this quarter that identifies risks that the committee need to be aware of.
- 2.2 The Investigations team have had an exceptional quarter and have well exceeded the Q1 overpayments target and continue to focus on achieving the 2013/14 sanctions target.
- 2.3 The Investigations team have designed a risk based proactive work plan. This allows the Investigation Team to focus resources on the highest fraud risks to the authority. The Internal Audit approach continues to evolve to adapt to clients expectations.

3. ANALYSIS OF BUSINESS ASSURANCE ACTIVITY: 1 APR 2013 to 30 JUN 2013

3.1 2013/14 IA Work

3.1.1 The individual IA reviews carried out in the 1 April 2013 to 30 June 2013 period are listed at Appendix A, which details the assurance levels achieved and provides an analysis of recommendations made (in accordance with the recommendation priorities outlined at Appendix C).

3.1.2 Internal Audit activity has focused on work to support the Renaissance/Change and Improvement process. This represents a significant amount of work undertaken at the request of the Director of Change and Improvement. This work has involved assisting the following areas with their benchmarking process, leading to options to explore and cost comparisons:

- Insurance (pilot)
- Senior Management Structure Models
- People Hub
- Safeguarding & Social Care
- Tenant Services
- Finance
- Human Resources
- Democratic Services
- Highways & Transportation
- Development Management

3.1.3 In addition a significant amount of residual work was completed in Quarter 1. Details can be found in Appendix A. The results of this work were reported to the Audit Committee in July.

3.1.4 Internal Audit has been involved in reviewing Early Years Funding. A review by an external consultant of all providers in the Borough was commissioned by the Early Years team. Internal audit have worked with this consultant to transfer knowledge and will be conducting future reviews in this area following a similar model to our schools assurance programme.

3.1.5 The Audit Committee will be aware of the impact of Renaissance/Change and Improvement on the entities available for audit (including management time) and the introduction of WISER on the potential for Internal Audit activity at WBC this period. As a result Internal Audit has sold a significant number of days to other local authorities to generate income and ensure that Internal Audit capacity is utilised effectively while it is inconvenient to audit in the council.

3.2 2012/13 Benefits Fraud Investigations

3.2.1 Between 1 April 2013 and 30 June 2013 there have been **four sanctions**, including **one successful prosecution** for benefit fraud.

3.2.2 On 27 June 2013, at Reading Magistrates Court, Michael Plumridge (67) formerly of Little Glebe, Sonning, pleaded guilty to eight charges of dishonestly claiming benefits from both the Department for Work and Pensions (DWP) and Wokingham Borough Council (WBC). His wife, Sylvia Plumridge (68) pleaded guilty to six charges of dishonestly claiming benefit from Wokingham Borough. They both pleaded guilty to one charge of fraud in order to obtain a council house from WBC.

3.2.3 When sentencing both Sylvia and Michael Plumridge to a 12 Month Community Order with 240 hours unpaid work, the Deputy District Judge stated that the hearing had brought home just how serious these offences are and that they were stealing from the public purse. She also ordered them to pay £1,235 (£617.50 each) to cover the cost of the

investigation and prosecution which was undertaken by Wokingham Borough Council's Shared Legal Solutions.

3.3 2013/14 Other Investigations

3.3.1 There have been 7 other investigation referrals during Q1:

- Two internal cases were not investigated following risk assessment;
- One case relating to Housing Tenancy is ongoing;
- One case relating to Housing Tenancy has been closed with no further action;
- One case relating to Council Tax Single Person Discount has been closed with no further action;
- One case relating to Council Tax Single Person Discount has not been investigated following risk assessment; and
- One case relates to Direct Payments and is ongoing.

3.4 Deferred IA Reviews

3.4.1 There have been no deferred Internal Audit reviews in the period.

3.5 Key Performance Indicators

3.5.1 KPI 1 - Client Satisfaction Score

The client satisfaction score out of 100% based on client feedback from post audit engagement questionnaires.

There have been a low number of post audit questionnaires returned in the period. The overall client satisfaction is **79.0%** for questionnaires returned in the reporting period.

The benchmark is 67% which equates to 'agree' against the four key criteria that comprised the previous performance indicators. Above this figure requires 'strongly agree' to one or more of the statements.

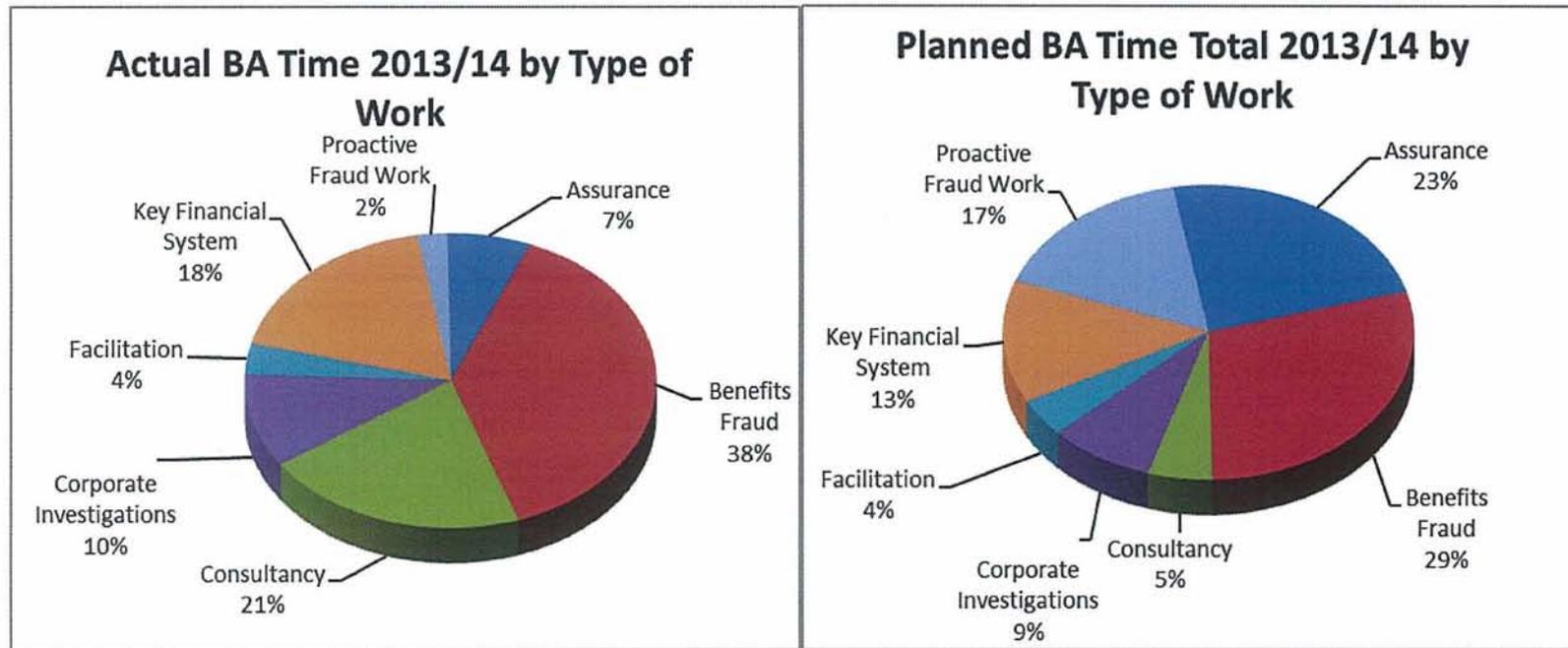
3.5.2 KPI 2 - Improvements to the Control Environment

Internal control and risk management improvements recommended to management not accepted or implemented.

There were 80 recommendations made in reports that were finalised in the period from the 1 April 2013 to 30 June 2013. **100%** of these were accepted by management. There has been limited follow-up activity completed against 2012/13 recommendations and therefore the implementation rate has not been calculated.

3.5.3 KPI 3 – Where the work of Business Assurance is focused

Comparison of actual and planned focus of BA by type of work undertaken:

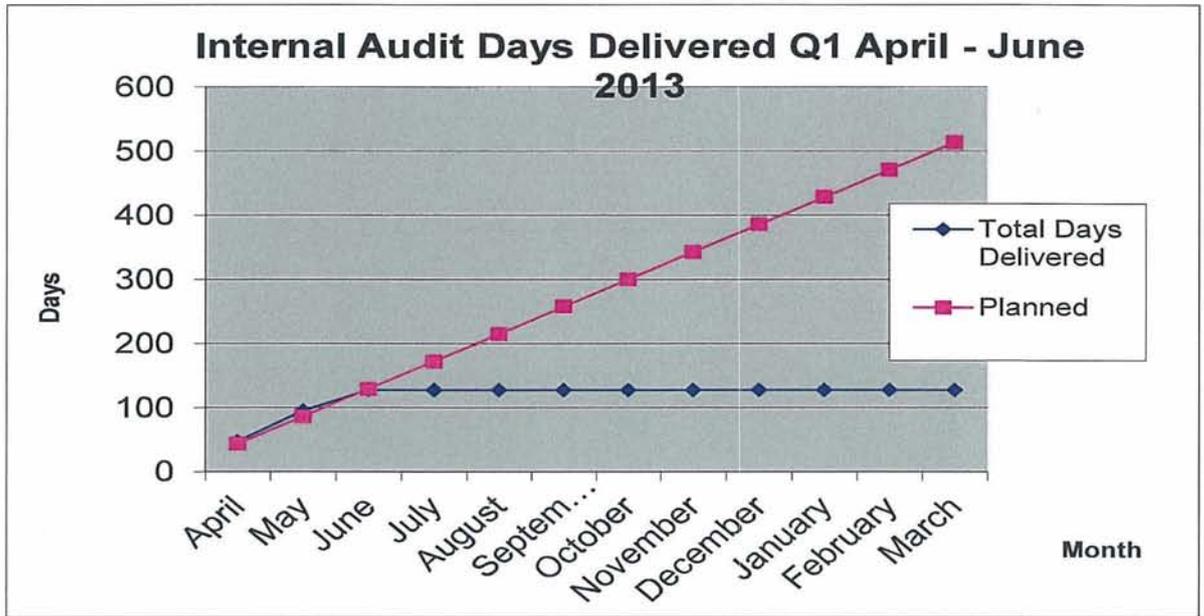


These two charts detail the distribution of days by type of BA work. This enables CLT and the Audit Committee to maintain an overview of where resources are being used.

Both charts detail BA work at Wokingham Borough Council and exclude any work provided to other local authorities/ external Clients.

Due to the request for RWP/Change and Improve work resources have been moved from planned assurance activity to consultancy work.

3.5.4 KPI 4 – Delivery of Internal Audit Days



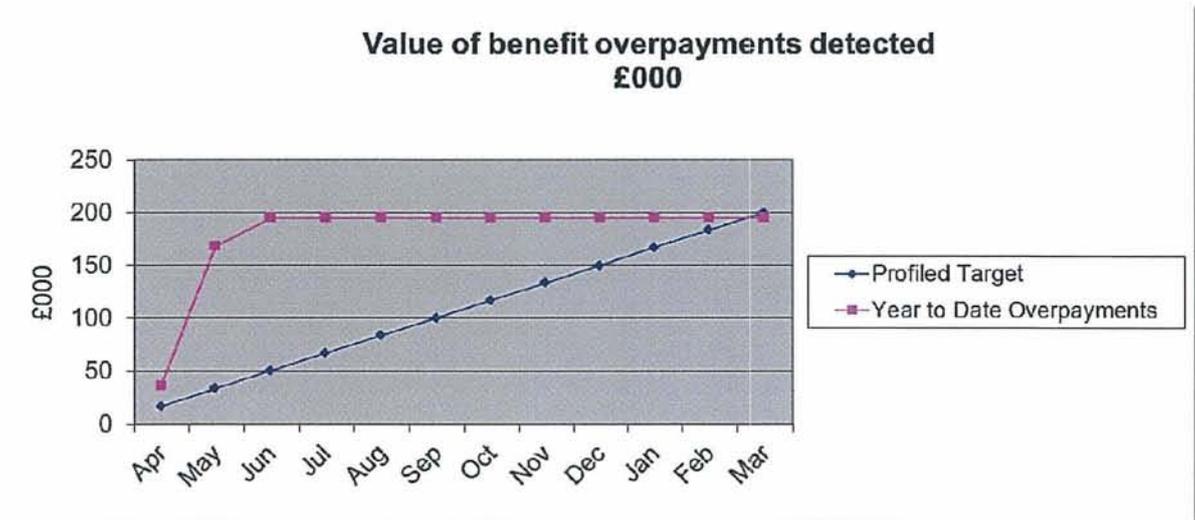
3.5.5 KPI 5 – Benefit Overpayments



The year's target for identifying overpaid benefits (this can be due to either fraud or error) is £200,000 for 2013/14.

Between 1 April 2013 and 30 June 2013 a total of £193,276.39 of overpaid benefits has been identified by BA, against the Q1 target of £50,000.

Value of benefit overpayments detected £000

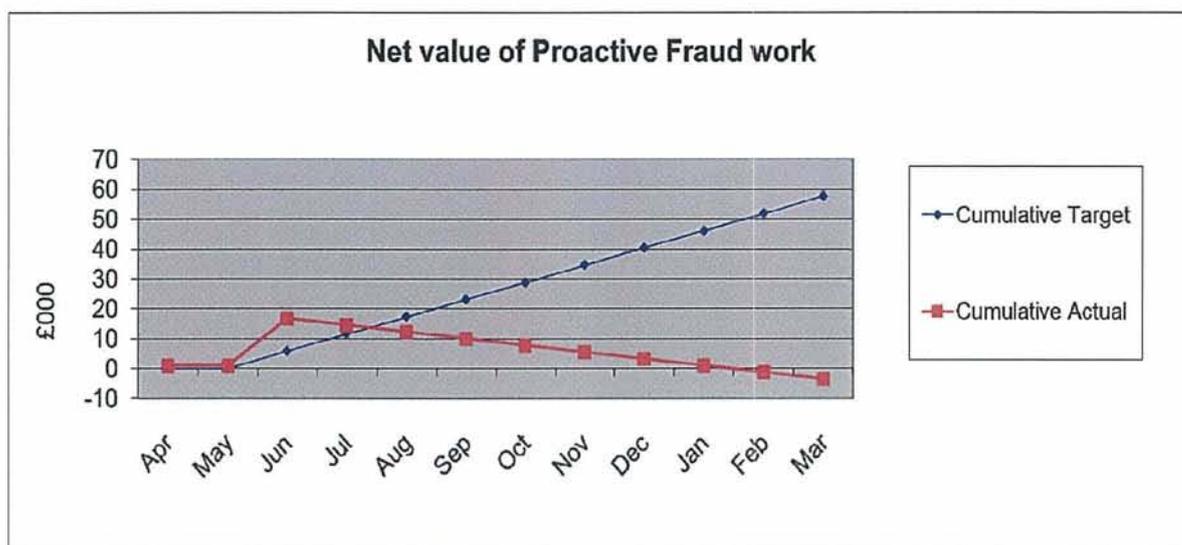


3.5.6 KPI 6 – Net value of Proactive work

The year's gross target for identifying non-benefit overpayments detected (this can be due to either fraud or error) is £80,000 for 2013/14. This is to be increased to £100,000 in 2014/15.

In order to determine the net benefit to the council we have subtracted our costs from the overpayments identified as a result of proactive work. This enables the committee to monitor the overall value generated by proactive fraud work.

Between 1 April 2013 and 30 June 2013 a total of £16,743.10 of non-benefit overpayment has been detected, against the Q1 target of £5,743.10.



3.5.7 KPI 7 – Sanctions Applied

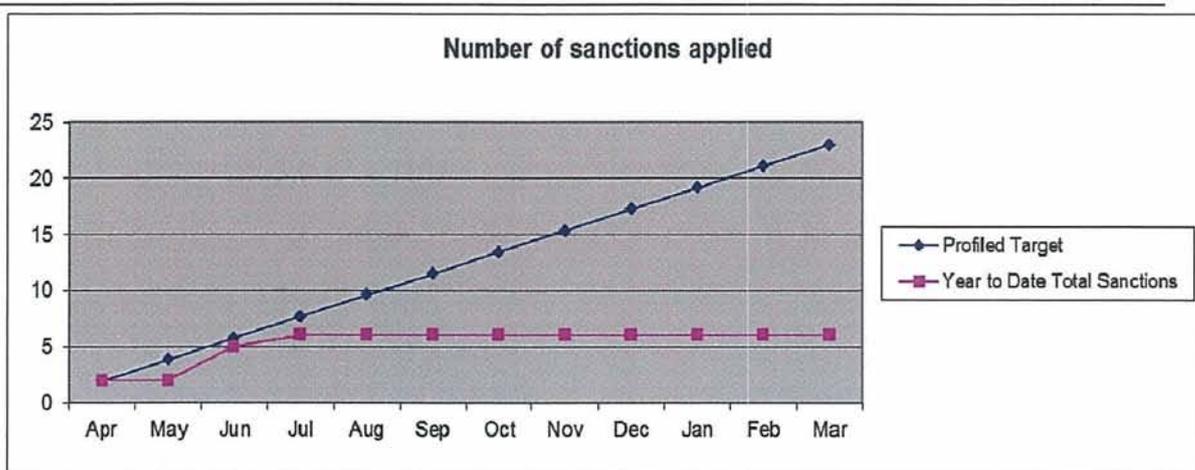
Where evidence indicates an offence has been committed in benefit fraud investigations, the offender can be offered:

A formal caution (a warning, but the offence must be admitted); or

An administrative penalty (which is a 30% fine on top of any overpaid benefit identified); or

The Council will prosecute (for more serious cases).

These are referred to as 'sanctions' and BA has a target of achieving **23 sanctions** for 2013/14. From 1 April 2013 to 30 June 2013 a total of **4** sanctions have been applied, against the Q1 target of 6. Within Q1 2 Cautions, 1 Administrative Penalty and 1 Prosecution were applied. In total, 37 investigations were completed in the period 1 April 2013 to 30 June 2013.



Sanctions Forward Look

- One case has been prosecuted successfully out of the reporting period. Eleven investigations are currently awaiting prosecution, but they have not yet been heard in court due to factors outside of our control. In one case the claimant has fled to another country and a warrant for their arrest upon return to the UK has been issued.
- In one case the claimant has disappeared (work is ongoing with external agencies to try and locate them).
- In two cases Administrative Penalties have been offered and they are currently within the '28 day cooling off period', where the claimant has the right to refuse the sanction though should they chose to the next option would be prosecution.
- One further decision has been returned advising an administrative penalty.

3.6 Additional Business Assurance Work

- 3.6.1 Internal Audit have been involved in supporting the work around ensuring Public Services Network (PSN) – formerly GCSX, compliance as part of their role on the Information Governance Group. This has included piloting the council's approach to Document Marking.
- 3.6.2 Business Assurance have continued throughout this quarter to undertake work for external clients which has generated income for the Council. Total income will be reported at year end.

3.7 Business Assurance Key Developments

- 3.7.1 My appointment as Interim Head of Business Assurance and Democratic Services has led to a re-assignment of responsibilities in the team with greatest impact on the Investigations team. The investigations team's capacity during this interim period has been reduced by 1 FTE resulting in less pro-active anti-fraud work.
- 3.7.2 Within Business Assurance there are two vacant posts which are currently being filled by staff on lower grades and on fixed term contracts until the end of March 2014. This will be reviewed for 2014/15 and beyond as part of the council-wide restructuring. The Principal Internal Auditor post is also due to become vacant at the end of October. A recruitment process will begin imminently to replace with another fixed term contract.
- 3.7.3 There has been further exam success with two members of the team passing Chartered Institute of Internal Audit exams at Practitioner level. All auditors in the team are now either part or fully qualified Chartered Internal Auditors.

- 3.7.4 The Internal Audit team software Teammate is being upgraded to the latest version on a hosted platform that will increase resilience and the ability to share knowledge amongst the team.

4. FORWARD LOOK

- 4.1 All contingency days have been sold to external clients. Delivery will be carefully managed to achieve the team's targets for the remainder of financial year 2013/14. There will be additional assurance work required as a result of the implementation of WISER and the outcomes from the Renaissance/Change and Improvement process both in terms of direct impact on the team and the wider council with which we work. This has been factored into the Internal Audit Plan for 2013/14, however there is no additional internal capacity to deal with any unexpected issues.
- 4.2 There are no other matters that the Head of Internal Audit needs to bring to the attention of the Committee.

Julie Holland

Interim Head of Business Assurance and Democratic Services (and Head of Internal Audit)

13 September 2013

DETAILED INTERNAL AUDIT WORK UNDERTAKEN IN 2012/13Key:

- **VH** = Very High
- **H** = High
- **M** = Medium
- **L** = Low
- **NP** = Notable Practice
- **ToR** = Terms of Reference
- **BAC** = Business Assurance Contingency (ad-hoc requests for work, etc)

Residual 2012/13 IA Reviews (completed after 31 March 2013)

IA Ref.	IA Review Area	Status as at 23 August 2013	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
019	Scrutiny Arrangements	Draft report issued 25 June 2013	Reasonable	-	1	8	1	-	-
024a	Adult Social Care - Personal Budgets	Draft report issued 21 June 2013	Limited	1	3	2	1	1	-
024b	Adult Social Care - Direct Payments	Draft report issued 13 June 2013	Reasonable	-	2	1	1	-	-
040	Debtors	Final report 1 July 2013	Reasonable	-	1	6	2	-	Yes
041	Creditors	Final report 9 August 2013	Good	-	-	2	5	-	-
042	Payroll	Final report 19 June 2013	Good	-	-	4	-	-	-
044	Council Tax & NNDR	Final report issued 18 April 2013	Good	-	-	2	6	1	Yes
045	Treasury Management	Final report issued 11 June 2013	Good	-	-	5	-	1	-
054	Capital Accounting	Final report issued 4 July 2013	Good	-	1	2	6	1	-
055	Budgetary Control & Financial Reporting	Final report issued 3 May 2013	Good	-	-	1	2	1	-
058	Material Schools	Final report issued 8 April 2013	N/A	-	-	2	-	-	-
059	Corporate Governance	Final report issued 3 June 2013	Reasonable	-	2	8	1	-	-
063	Bank Reconciliations	Final report issued 21 May 2013	Good	-	-	-	4	1	Yes

067	Schools Financial Value Standard	Final report issued 12 June 2013	Reasonable	-	2	5	-	-	-
068	WISE Replacement Project	Project assurance work completed (ongoing to project implementation)	N/A	-	-	-	-	-	-
BAC 11	Optalis Financial Management	Final report issued 29 May 2013	Limited	-	3	8	1	-	-
BAC 12	Lessons Learnt Response to Major IT Incident Report	Draft report issued 13 May 2013	N/A	-	-	-	-	-	-

2013/14 Planned IA Reviews

IA Ref.	IA Review Area	Status as at 16 August 2013	Assurance Level	Priority					PAQ Received?
				VH	H	M	L	NP	
1	Staff Expenses	Fieldwork in progress	-	-	-	-	-	-	-
2	Cashiers Consultancy	Fieldwork in progress							
3	Early Years Visits	Initial work completed.	N/A	-	-	-	-	-	-
4	St Crispin's	Draft Report Issued							
5	Troubled Families Grant	First grant submission certified 29 July 2013							
6	Property	Fieldwork in progress							
7	Local Children's Safeguarding Board	Work yet to commence							
8	Optalis Follow up	Fieldwork in progress	N/A	-	-	-	-	-	-
9	Wiser Reconciliations	Awaiting data migration							
10	Major Project Governance	ToR drafted							
11	Housing Benefits	ToR issued							
12	Housing Rents	ToR issued							

INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

In our professional opinion the IA assurance levels and definitions are:

Assurance Level	Definition
Outstanding	There is outstanding management of the key risks to the council objectives. There is significant innovation or high levels of user satisfaction. There are examples of best practice. There is an appropriate control environment with due regard to the Council's risk appetite. There is positive assurance that objectives will be achieved.
Good	There is a good level of assurance over the management of the key risks to the council objectives. The control environment ¹ is robust with no major weaknesses in design or operation. There is good assurance that objectives will be achieved.
Reasonable	There is a reasonable level of assurance over the management of the key risks to the council objectives. The control environment ¹ is in need of improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains a risk that objectives will not be achieved.
Limited	There is a limited level of assurance over the management of the key risks to the council objectives. The control environment ¹ has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a significant risk that objectives will not be achieved.
No	There is no assurance to be derived from the management of key risks to the council objectives. There is an absence of several key elements of the control environment ¹ in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite ² and the residual risk ³ to objectives. There is a high risk that objectives will not be achieved.

1. **Control Environment** - The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the authority's objectives;
- the facilitation of policy and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;
- the financial management of the authority and the reporting of financial management; and
- the performance management of the authority and the reporting of performance management.

2. **Risk Appetite** - The amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

3. **Residual Risk** - The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

INTERNAL AUDIT RECOMMENDATION PRIORITY RATINGS AND DEFINITIONS

In our professional opinion the priority ratings and definitions of IA recommendations are:

Priority	Definition
Very High ●	The recommendation relates to a highly significant threat or opportunity that impacts directly on the council's corporate objectives. The action required is to mitigate a serious risk to the council. In particular it has a critical impact on the council's reputation, statutory compliance, finances or strategic priorities. The risk requires immediate senior management attention.
High ●	The recommendation relates to a significant threat or opportunity that impacts the council's corporate objectives. The action required is to mitigate a substantial risk to the council. In particular it has an impact on the council's reputation, statutory compliance, finances or key corporate objectives. The risk requires senior management attention.
Medium ●	The recommendation relates to a potentially significant threat or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the council. In particular an adverse impact on the department's reputation, adherence to council policy, the departmental budget or service plan objectives. The risk requires management attention.
Low ●	The recommendation relates to a minor threat or opportunity that impacts on operational objectives. The action required is to mitigate a minor risk to the council as a whole. This may be compliance with best practice or minimal impacts on the service's reputation, adherence to local procedures, local budget or Section objectives. The risk maybe tolerable in the medium to short term.
Notable Practice ●	The activity reflects current best management practice or is an innovative response to the management of risk within the council. The practice should be shared with others.