

2014/15 SHARED AUDIT AND INVESTIGATION SERVICE SERVICE MANAGER, SHARED AUDIT AND INVESTIGATION ANNUAL REPORT

Introduction

1. The 2014/15 Internal Audit Plan was approved by the Audit Committee initially 4 February 2014, revised on 23 September 2014. The emphasis on developing the Audit Plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and was targeted at assisting the Council in achieving its key objectives.
2. This report has been prepared to meet the requirements of the CIPFA / IIA Public Sector Internal Audit Standards (PSIAS), introduced with effect from 1 April 2013 for the Chief Audit Executive (Service Manager, Shared Audit and Investigation Service) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement (AGS). The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and;
 - the results of the quality assurance and improvement programme.
3. The body of this report also includes a summary of the performance of the Investigation Team.

Internal Audit Opinion

4. Internal audit was provided in-house for the first six months and via a shared service with the Royal Borough of Windsor and Maidenhead hosted by WBC since 1 October 2014. During the year, Internal Audit has undertaken audits of key financial systems (in order to compliment the work of External Audit), as well as focusing on the Council's identified key strategic and key operational risks.
5. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating controls, is that there is Reasonable assurance that the council will achieve its objectives. Based on audits completed during the year and taking into account other sources of assurance, including External Audit, most key controls are in place and are operating effectively, with the majority of residual risks being reduced to an acceptable level and reported concerns being predominately of a moderate impact. A small number of exceptions were identified and these have been summarised in the body of this report .Where appropriate, following audit reviews, managers have agreed actions to ensure that their controls are sufficiently robust and operating as prescribed.

6. To support the overall opinion, for the audits completed, where an audit opinion was appropriate (Audit Opinions – Appendix A (I)), Two reviews resulted in the Limited assurance opinion being given. This indicates that the Council's overall internal control environment, risk management and governance arrangements are basically sound. It should be noted that the overall opinion is a statement of the audit view of whether the objectives are being met; it is not a statement of fact.
7. Details of the work undertaken by Internal Audit to support this opinion are contained within this report and in the 2014/15 Progress Reports provided quarterly to the Committee.
8. There have been no restrictions imposed on the scope of the work of the Internal Audit function.

PERFORMANCE SUMMARY

9. The revised 2014/15 Internal Audit Plan agreed by Audit Committee in September 2014 provided for 492¹ audit days, of which 446 (90.65%) were delivered. In terms of reports 43 reports were issued in draft by the 31 March 2015 which equates to 89.58% of reports. There were 128 days carried forward from the 2013/14 plan.
10. Key highlights of audit and investigation activity during the year were:-
 - Assurance given to management on controls in place that mitigate the Council's key strategic risks and identified operational risks.
 - External Audit has continued to be able to place reliance on the work of Internal Audit, thereby keeping the External Audit fee to a minimum.
 - Continued review of the delivery of audit and investigation services to ensure that synergies between the audit and investigation teams and efficiencies are maximised.
 - Additional management / Member requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
 - Moved to Shared Internal Audit Service with RBWM and still substantially delivered the audit plan.
 - Internal Audit have undertaken a lean review and aligned the audit methodology and processes for both the partners.
 - Successful transfer of Housing Benefit cases to Single Fraud Investigation Service (SFIS).
 - Creation of shared service with RBWM for investigations with successful recruitment for vacant posts transferred from RBWM.
 - Development of WBC Fraud Plan detailing proactive work priorities.
 - Commissioned by Oxfordshire County Council and in early 2015/16, Buckinghamshire County Council to undertake specific investigation work.
11. Appendix A (II) presents the progress made against the 2014/15 Internal Audit Plan. It shows audits completed or in progress as at 31 March 2015, and the audit opinions given. There were two Limited assurance opinions over the entire year.

¹ The plan included days for VAT and Information Governance but external assurance was available in the form of an HMRC compliance check and the Information Commissioner's Office Information Risk Review. The approved plan amounted to 508 days.

12. The two audits that resulted in Limited assurance opinions relate to Housing Rents and Debtors. These are summarised below.

Housing Rents: - There was a significant IT system control weakness around access controls in the Housing Rents system, which lead to the ability of unauthorised officers to potentially make amendments to the system data which could lead to financial and legislative risks and open up the council to fraud.

Debtors: - There has been an increase of £1.34m in the level of debt aged over 30 days old owed to the council. This has been exacerbated by issues in relation to the collection of debt owed to the Council resulting from the introduction of WISER. Formal reporting is being introduced to increase senior management oversight.

13. The implementation of a new Enterprise Resource Planning (ERP) WISER has had a widespread impact on key financial systems. As expected when moving from an established system to a new system there has been an impact on the related control effectiveness. Pressure has manifest in the change and increased workload. The overall opinion on core financial control has reduced from Good to Reasonable this year.
14. The number of retrospective purchase orders remains at a high level and has been impacted by the migration of data into WISER. This is being closely monitored by management and reported to Audit Committee.
15. **Additional Work Requested by Members / Management:** Contingency days have been used to respond to three Management requests. Those not previously reported are summarised at Appendix A (III).
- Retrospective Purchase Orders (Previously reported)
 - Keep Mobile Follow Up activity
 - Additional Troubled Families Programme Grant certification.

16. Internal Audit regularly contributes to meetings of the Information Governance Group.

Governance

17. The Audit Team has undertaken a number of reviews related to governance. Key areas for management action were:
- In relation to Risk Management: service risk registers are not consistently in place.
 - In relation to Performance Indicators: Work is underway to enhance and align the current balanced scorecard against the Council Plan. However throughout the year the performance monitoring was not adequately aligned with the Council Plan.
 - In relation to corporate and service planning: The Council Plan was only finalised in September. (Service plans were in place for 2014/15)

Management have agreed actions in these areas.

18. **Public Sector Internal Audit Standards:** The current “Public Sector Internal Audit Standards” (PSIAS) came into effect from 1st April 2013. These standards recognise that a professional, independent and objective internal audit service is a key element of good governance and they encompass the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework. A PSIAS compliance assessment has been carried out for internal audit activities during 2014/15, taking the developments for the Shared Audit & Investigation Service with effect from 1st October 2014 into consideration.
19. The Internal Audit Service is assessed as “substantially compliant” for 2014/15. A number of areas have been identified where compliance could be improved. This includes work in progress to co-ordinate and update processes for the Shared Service going ahead.
20. These are set out in an Action Plan which accompanies this report at Appendix A (IV). This action plan reflects the actions to be taken by the shared service in the coming year to demonstrate improved compliance by April 2016.

Investigation Team

Housing Benefit (HB) and Council Tax Benefit (CTB) Investigations

21. The Investigation Team has continued to be successful in meeting its targets up until 1st November 2014 when the responsibility for housing benefit investigations transferred to Department of Work and Pensions Single Fraud Investigation Service. The target for 14/15 to November for overpayments was £117k. A total of £149k was identified at this time. By the end of 14/15 a total of £175k of overpaid housing benefit/council tax benefit/council tax reduction was identified. For 2015/16, only the council tax figures will be investigated and reported by WBC.

Results of HB and CTB Fraud Investigations 2011/12 to 2014/15 (to 31 March 2015)

Statistic	2011/12 (Outturn)	2012/13 (Outturn)	2013/14 (Outturn)	2014/15 (Outturn) *
Number of cases Investigated and Closed	£279K	£231K	£219K	£246K
Number of Cautions	8	7	5	10
Number of Administrative Penalties	15	8	5	4
Number of Prosecutions	12	11	6	12
Value of Housing and Council Tax Overpayments Identified	£414k	£291k	£388K	£175K
Value of Proactive work	-	-	£88k	£68k

* Housing Benefit investigations transferred to SFIS on 1st November 2014

Other Corporate Investigations Work

22. Oxfordshire County Council commissioned a specific piece of investigation work in 14/15. Additional work has been commissioned in 15/16 with Oxfordshire County Council and Buckinghamshire County Council.
23. The team are the initial point of contact for Whistleblowing allegations, either through the website, by letter or by telephone. Although no referrals did meet the criteria to be a whistleblowing referral, the team undertook initial risk assessment checks and forward to the appropriate team for resolution.
24. A total of 8 cases were risk assessed with the following outcomes:
 - 3 were passed to management
 - 2 were not investigated further due to insufficient information
 - 1 was proven and a sanction issued by relevant department
 - 1 was not proven
 - 1 is currently active
25. The team also conducted 2 investigations on behalf of the Monitoring Officer.

Proactive Work

26. The Investigation Team have continued to support the housing team to proactively prevent and detect Tenancy Fraud. The National Fraud Authority estimates each tenancy fraud costs the local authority £18,000. Outcomes for 14/15 are:-
 - Recovery of 1 property
 - 2 false applications being identified and refused
27. An exercise looking at Council Tax discounts was undertaken and from our very early work in this area, it has netted £2k of overpayments, which will give us a sound base to significantly increase this figure in 2015/16.
28. The team co-ordinate the council's involvement in the National Fraud Initiative and data was submitted from various services in October 2014. Work is currently being done analysing the results of the exercise.

Quality Assurance

29. Internal Audit Questionnaires: Internal Audit have changed the way that Customer Satisfaction is captured. Rather than individual post audit questionnaires Internal Audit have moved to an annual survey of key clients to ensure that there is a focus on the quality of the whole service. Results of this baseline survey will be reported to the September meeting.
30. **Corporate Investigations (Corporate and HB/CTB Investigations)** – Due to the nature of this type of work, Customer Satisfaction Surveys are not issued at the conclusion of each fraud investigation. However, quality assurance is monitored through external inspections of our procedures, compliments received and the low numbers of complaints.

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