

# READING BOROUGH COUNCIL

## HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	29 JANUARY 2015	AGENDA ITEM:	3
TITLE:	AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	CHAIRMAN OF AUDIT & GOVERNANCE COMMITTEE
SERVICE:	FINANCE	WARDS:	N/A
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### 1. EXECUTIVE SUMMARY

1.1 This report provides the Audit & Governance Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2014.

1.2 The report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit.
- Advise you of significant issues where controls need to improve to effectively manage risks.
- Provide details of forthcoming audit reviews and the status of programmed audits
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

1.3 In addition the report provides details of the work the Council's corporate investigations team and internal audit have undertaken since April 2014 with respect of investigations into benefit, housing tenancy fraud and other corporate investigations.

### 2. RECOMMENDED ACTION

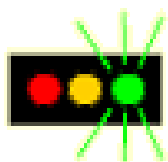
2.1 The Audit & Governance Committee are requested to consider the report

### 3. ASSURANCE FRAMEWORK

3.1 Where appropriate each report we issue during the year is given an overall assurance opinion. The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the terms of reference agreed at the start of the audit; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture. The audit assurance opinion framework is as follows:

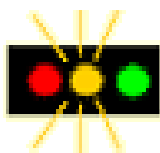
#### Definition

**Substantial**



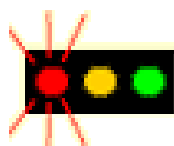
A Substantial opinion will be given where controls are generally operating effectively, however minor control weaknesses may have been identified. There are however, no high risk (priority 1) recommendations being made.

**Conditional**



A conditional opinion will only be given if the areas where the controls are missing or not consistently applied do not represent a significant risk to the system as a whole. Where a conditional opinion is given the report should clearly explain the area or areas to which the conditional opinion relates.

**Limited**



Risk that objectives will not be met, or are being met without achieving efficiency, effectiveness and/or value for money. A limited opinion will only be given where controls are not applied, consistently and effectively

3.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make.

3.3 It is management's responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner. We intend to follow up those audits where we have given limited assurance.

#### 4. SUMMARY OF AUDIT FINDINGS

		RECS			Assurance
4.1	LSTF (Cycle Hire)	0	0	3	

4.1.1 Reading has been awarded over £25m from the Department for Transport's Local Sustainable Transport Fund (LSTF) to deliver local improvements to encourage economic growth and reduce carbon emissions. The funding comprises £4.9m for a LSTF Small Project and £20.7m for a LSTF Large Project. The Large Project is being delivered in partnership with Wokingham Borough Council, West Berkshire Council and NHS Berkshire West. The LSTF Small Project funding will support the implementation of measures across the Borough to improve walking, cycling and public transport choices.

4.1.2 Proper governance arrangements were established from the outset of the LSTF programme, which enabled the Council in partnership with neighbouring Authorities to secure funding. Programme management and effective monitoring has ensured the successful delivery of projects to date.

4.1.3 Our audit review focused on examining the governance arrangements of the LSTF and reviewing the procurement and project management arrangements over the Cycle Hire Scheme.

4.1.4 In relation to the Cycle Hire scheme, a sound and fair procurement process, which complied with both local and national procurement guidelines, was followed. Full and complete records had been retained outlining the process followed through to the final award decision. Sound programme and project management arrangements were found to be in place to ensure the successful delivery of the scheme. Projects risks were appropriately identified and managed accordingly.

		RECS			Assurance
4.2	Licensing	0	8	2	

4.2.1 The Council has a statutory duty to enforce licensing throughout the Borough. The Licensing Section sits within Regulatory Services and is responsible for giving advice on and issuing licenses and undertakes enforcement work to check compliance with the various licence conditions. A restructuring of the service has moved the administrative functions of the team to Customer Management Services. Although this has brought about efficiencies, we did pick up on some issue over conflicting priorities, which have arisen as a result of the new reporting lines. For example, the introduction in new charges, were not promptly communicated to the administration team and caused a delay in applying the revised fees. Following the audit discussions will take place between

the Regulatory Services and Customer Services on how to improve the flow of information and operational practices.

- 4.2.2 The way in which fee setting is conducted is currently subject to an appeal at the Supreme Court and our audit highlighted concerns that the service would not be able to substantiate the methodology used to calculate fees and charges. Officers have raised the potential risks with the restitution of fees and have been working with finance on a detailed modelling for Taxi and Premises Licensing fees, which separate out administrative and enforcement costs.
- 4.2.3 There is an existing Corporate Enforcement Policy and subject to the outcome of the appeal a new enforcement strategy may be required which will take into account a reduction in enforcement resource.
- 4.2.4 A key issue for the service is the storage, retention and destruction of electronic records in the Civica APP database (FLARE<sup>1</sup>) and on personal and shared drives. This issue may not be unique to the Council's licencing function. Discussions have taken place with Civica and a system audit is due to be carried out. A report detailing the matter will be presented to the Digital Information Board.

	RECS	Assurance
4.3 Deferred Payment Scheme	0 2 3	


- 4.3.1 A deferred payment means that someone can 'defer' their payment of residential care charges until after their death. The deferred element of the care charge is the total value of residential care less the assessed contribution and typically results either in a charge being put on the clients property, or a solicitor undertaking to settle residential care debt from the funds made available from the sale of a property and other financial assets.
- 4.3.2 Agreements can only be entered into if the client has sufficient mental capacity to make such a decision, or there is a legal representative (power of attorney) to make such a decision on their behalf. Failing this, an interim agreement is put in place. At the time of the audit there was only one client recorded as having a deferred payment arrangement and 15 clients having an interim agreement.
- 4.3.3 There are inherent (financial) risks to the Authority as a result of non-payment and although there are systems in place to monitor client contributions and the level of deferred debt, there is inconsistent approach to record keeping, for example not all information is held or notated on the primary social care system (Frameworki<sup>2</sup>). We

<sup>1</sup> FLARE is an integrated IT solution for regulatory services, including Environmental Health, Trading Standards, Planning, Building Control, Streetcare, ASB, Highways and Parks.

<sup>2</sup> Frameworki is the electronic recording system on which social care staff record information on their contacts and activity relating to individual service users

recommended that the format of record keeping should also be standardised to provide a consistent approach.

- 4.3.4 With the implementation of the Care Act in April 2015, management have confirmed that a full review of the policies and procedures around this area is underway. The review will involve the debt recovery team and their role in the process. This is expected to be completed by end of March 2015 and will address the recommendations made in the report. A progress reports will come back to CMT in June 1015.

		RECS			Assurance
4.4	Access to Records	0	3	1	


- 4.4.1 The Authority maintains personal data in the form of Social Care records for everyone who has contact with Social Care Services. Under the Data Protection Act 1998, individuals have the right of access to their personal data. The authority is required to keep an individual's social care records confidential and to process the information fairly.
- 4.4.2 A Subject Access Request (SAR) needs to be made in writing and must be responded to within 40 days of receiving it. However, there is no central point of contact regarding subject access requests to ensure that the approach is consistent and completed within the specified timescales.
- 4.4.3 The Customer Relations Team (CRT) is currently the single point of contact for closed Children's Services requests (these are fully processed) and Adult Social Care requests (these are acknowledged, logged and passed to the relevant team to process, but not monitored). It is our opinion that there is a specific need to adopt a corporate approach to subject access requests throughout the authority, perhaps with further detailed guidance for Social Care, to ensure that they are being recognised and dealt with appropriately and consistently.
- 4.4.4 The maximum nominal charge is also required by Legal Services to complete requests, however it is not charged for Social Care records. Consideration needs to be given to bringing forward a proposal for charging as part of the annual review of fees and charges.
- 4.4.5 The preparation of files is a resource intensive process where records are large and the case is complex. The Access to Records Social Worker is part time and the only person within RBC who prepares these closed cases, this is a potential risk to the authority in terms of business continuity and resilience in the event of unforeseen circumstances.
- 4.4.6 There is a desire to raise the profile of the requirements of the Data Protection Act, in particular in relation to social care records. New draft guidance on Data Governance has been prepared and it is intended that this is adapted into guidance for use across the Council. A handbook for
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staff will also be produced from the same document; again to be adopted across the Council.

		RECS			Assurance
4.5	Entitlement & Assessment	0	4	1	

4.5.1 Customer Services was restructured together with Revenues, Benefits and Income Management to develop a more stream-lined function. These functions have been reorganised into two core functions; Customer Contact and Income & Assessment. The Income & Assessment function is responsible for the recovery of income and for validating any entitlement to benefits or council tax support. As a consequence of restructuring a set of consolidated procedures are being drawn together to confirm processes for applying changes to council tax and housing benefit standing data.

4.5.2 Work-loads remain high and pressures exist in balancing the need to process claims on a timely basis, with the necessity to maintain checks and balances to verify entitlement.

		RECS			Assurance
4.6	Health & Safety Review	0	5	1	

4.6.1 Health and safety law place duties on organisations and employers, and directors can be personally liable when these duties are breached. The Corporate Management Team has both collective and individual responsibility for health and safety.

4.6.2 A great deal of progress has been made over the past 18 months by the Council in driving improvements in the control of health and safety risks; however there are areas which could be further improved to ensure everything is being done to corporately manage health & safety risks.

4.6.3 The Council has a comprehensive suite of policies and procedures relating to health and safety, which includes appropriate descriptions of roles and responsibilities for relevant staff. In addition to having a Health and Safety Policy, the Council has produced a policy statement which sets out its aims in respect of health and safety and an action plan confirming how these will be achieved.

4.6.4 New permanent and fixed term contract staff receive health and safety induction and training, although use of the iTrent<sup>3</sup> system should be improved to better record the mandatory training required under the H&S Policy.


4.6.5 Directorate H&S Action plans for 2014/15 have now been updated following the audit review to take into account the transfer of services under the

<sup>3</sup> HR/Payroll Database

Council's Reshape Programme and have been reviewed to ensure they cover all the objectives of the Council's Health & Safety Action Plan.

4.6.6 The Council needs to build on the improvements made by continuously monitoring completion of health and safety audits and local safety practices for high risk services, review lessons learned and improve attendance at health and safety Committees.

4.6.7 Work has already begun on implementing the audit recommendations and an improvement plan has been agreed by the Corporate Management Team.

		RECS			Assurance
4.7	Public Health	0	6	1	

4.7.1 The Health & Social Care Act 2012 has given local authorities a much stronger role in shaping services and improving the health of local people. A Joint Arrangement is in place between each of the Berkshire authorities for the provision of Public Health Services, with a single Director of Public Health employed by the host authority, Bracknell Forest Council.

4.7.2 Suitable governance arrangements were found to be in place overseen by a Public Health Advisory Board, whose primary role is to ensure that the performance and activity of contracts are monitored.

4.7.3 The Council has produced a Health & Wellbeing Strategy, which sets out the Councils local priorities. The Health & Wellbeing Board supports the achievement of these priorities, particularly through setting the strategic context through which health and wellbeing services are commissioned, and thereafter managed.

4.7.4 In support of the strategy an action plan has been developed, which sets out individual actions against each of the goals and objectives set out in the strategy. Whilst the action plan is a clear indication of the ongoing monitoring and progress towards the aims of the strategy, we recommended that clear targets and deadlines are set with specific responsibility for each of the tasks.

4.7.5 Due to a surplus in the Public Health budget, existing council services which delivered against the Public Health outcomes framework were also funded. However all services supported by the Public Health Grant are appropriate and in line with the grant conditions.

4.7.6 Recommendations were made to help improve control over contract monitoring, risk and performance management.

#### 4.8 School Audits

4.8.1 We have undertaken five school reviews this quarter as follows:



	Draft	Final	RECS			Assurance
Thameside Primary School	Nov-14	Dec-14	0	3	8	
Caversham Primary School	Nov-14	Nov-14	0	1	8	
Phoenix	Oct-14	Nov-14	2	9	2	
Blagrove	Dec-14	Dec-14	0	3	4	
English Martyr's	Nov-14	Nov-14	0	4	7	

4.8.2 The audit of Phoenix College followed a direct request by the Head of Service. The college provides education to students whose main special needs and barriers to learning are emotional, behavioural and social. Phoenix College has held a consistent 3% brought forward figure on the budget over the last two years, and both staffing and pupil levels have also remained constant. Whilst the school has been judged as Good by OfSTED there were some shortcomings in the governance framework. The college has responded positively to the audit review with a clear action plan to address the audit recommendations. The Head of Service is monitoring progress of the action plan as part of the wider governance improvement process via a bi-monthly formal review meeting with the Chair of Governors and Headteacher.

## 5. PLANNED AUDIT FOLLOW UP REVIEWS

5.1 Internal audit will look to follow up those reviews which have been assigned limited assurance. Resources permitting we envisage that the follow up review will take place between 6 - 12 months after the initial audit or after the recommendations were agreed to be implemented (if later). Audit areas given limited assurance which we have planned to follow up are as follows:

Audit Title	Status
Agency Staffing Contracts*	
Learning Disabilities Commissioning	☹
Corporate Procurement*	
Coley Primary School	☺
Children & Adults Commissioning*	
Deputyship & Appointeeship*	

Key: ☺ - Implemented ☹ - Partly implemented ☹ - Not implemented

\*to be programmed in for follow up.

5.2 Learning Disabilities Commissioning - Follow up review



- 5.2.1 Since our audit review the principal focus of management action has been to instigate a targeted review of people with Learning Difficulties (LD) receiving supported living or residential care services and also of Ordinary Residence cases. The purpose of the review has been to ensure that care needs have been properly assessed, that services remain appropriate and also that these are provided in a cost effective way. To achieve this, a specific 'recruit to save' post has been created and it is this officer's primary task to review LD clients on a targeted basis.
- 5.2.2 There has been considerable effort to investigate and review the LD caseload, although the actual savings being delivered are not likely to meet the savings target figure originally set. There remain a large number of cases still to be reviewed and if additional potential savings are to be realised, further and specific management focus needs to be given to the future direction of these tasks.

## 6. INVESTIGATIONS

- 6.1 Benefit Fraud - This has been a period of transformation with the roll out of the Single Fraud Investigation Service (see section 7 below), however there are a number of ongoing Housing Benefit fraud cases which did remain with RBC. These are cases where legal charges have been laid or legal advice obtained.
- 6.2 For the period in question (Sept - Nov) we processed two Administrative penalties<sup>4</sup> to the value of £3,472. The total Housing Benefit overpayment was £6,945. Also there were two successful criminal prosecutions for benefit fraud within the period. The total overpaid Housing benefit on these cases was £12,450.99.
- 6.3 Since 1 April 2014 there have been twenty sanctions made up of ten prosecutions and ten administrative penalties. Total benefit overpayment on the sanctioned cases is to the value of £225,922. This figure shows all sanctioned cases and does not count any case where a decision not to sanction has been made.
- 6.4 In one ongoing case where the overpayment value is in excess of £32,000 we have begun proceedings under the Proceeds of Crime Act (POCA). The POCA application will, if successful, ensure that the full monies outstanding will be returned back to RBC within a specified period set by the court. The hearing is listed in crown for January 2015.
- 6.5 Housing/Tenancy Fraud Investigations - Since 1 April 2014 we have received twenty three referrals of Housing/tenancy Fraud and have assisted in the return to stock of six Council properties and two properties for Social Landlords within Reading. Over the last period (Sept-Dec 2014)

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<sup>4</sup> We can offer an administrative penalty in circumstances where it is felt that it would be more suitable to dispose of the matter without criminal proceedings being initiated. An administrative penalty is an alternative to prosecution. If we offer an administrative penalty and the claimant refuses it, we retain the right to prosecute.

we have investigated five referrals of allegations of tenants not resident (possible subletting), three are ongoing investigations and one of these cases of alleged fraudulent sub-letting is due to be heard at Crown Court in January 2015. There have been two investigations in respect of succession frauds, one of which was heard at County Court in November 2014, where the Council was successful in its application to have the property returned.

- 6.6 It is difficult to quantify the financial implications of these types of investigations, however the national agreed figure of £18,000 is considered to be the average cost per Local Authority for retaining a family in temporary accommodation. Using this figure (8 x £18,000) in the region of £144,000 could have been saved as a result of tenancy investigations.
- 6.7 We have been awarded grant funding of £103,000 to provide an intelligence hub for partnership data sharing and cross boundary fraud prevention with Bracknell Forest Council, Civica Fraud Detection Solutions and a number of Housing Associations in the Reading and Bracknell area. We will work jointly in partnership to deliver proactive non-benefit fraud prevention, detection and deterrence through the sharing and matching of data. Data feeds such as tenancy, housing lists and Council tax will be cross checked and risk assessed to identify high risk cases for appropriate action.
- 6.8 Blue Badge investigations - In the period we have undertaken two proactive drives within the Town Centre. The purpose of these drives is to check the use of Blue Badges and locate any false, lost or stolen badges. It is also useful in identifying miss-use of badges.
- 6.9 Social Services Investigations - We have been involved in a complex investigation into payments made in respect of an Adult Care provider and have successfully prosecuted one claimant in receipt of personal budget payments on charges of fraud and false accounting.
- 6.10 lawful developments certificates - there have been two investigations of potential fraud where applicants have submitted fictitious supporting statements in order to secure an exemption from the need to apply for planning permission. We are working closely with legal on possible criminal charges for false statements.
- 6.11 Electoral Registration - We have been, and will continue, to work alongside officers from the Electoral registration service for the prevention and detection of electoral fraud.

## **7. NEW AUDIT & INVESTIGATIONS STRUCTURE**

- 7.1 As part of Welfare Reform, the Government have created a Single Fraud Investigation Service (SFIS) nationally and our investigation work on Housing and Council Tax Benefit was transferred across to the Department for Work and Pensions (DWP) along with some of our staff on the 1<sup>st</sup> December 2014.

- 7.2 The amendment of Housing Benefit and Council Tax Benefit claims remains with Councils along with the calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments.
- 7.3 The SFIS will not be responsible for investigating non-benefit and local taxation fraud such as Council Tax Single Persons Discount or Tenancy Fraud. Local Council Tax Support will not be included in SFIS and the responsibility for protecting this fund will remain with the Council.
- 7.4 The Reshape of the Audit & investigations team as a consequence of the Single Fraud Investigation Service has led to a reduction of 6 FTE posts, including one senior internal auditor post. The Council agreed to retain a small resource investigations resource, which has merged with the internal audit team.

## **8. LOCAL GOVERNMENT TRANSPARENCY CODE 2014**

- 8.1 The Government revised the Local Authority Data Transparency Code and has now made it mandatory for all local authorities to publish the following information about their counter fraud work, including:
- number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
  - total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
  - total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
  - total amount spent by the authority on the investigation and prosecution of fraud, and
  - total number of fraud cases investigated.
- 8.2 The Government have also recommended that local authorities should go further than the minimum publication requirements set out above and publish:
- total number of cases of irregularity investigated
  - total number of occasions on which a) fraud and b) irregularity was identified
  - total monetary value of a) the fraud and b) the irregularity that was detected, and
  - total monetary value of a) the fraud and b) the irregularity that was recovered.

## **9. CONTRIBUTION TO STRATEGIC AIMS**

- 9.1 Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **10. COMMUNITY ENGAGEMENT AND INFORMATION**

10.1 N/A

## **11. LEGAL IMPLICATIONS**

11.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

11.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.

11.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations 2011, in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices” .

11.4 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards Issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

## **12. FINANCIAL IMPLICATIONS**

12.1 Dealt with in the body of the report.

## **13. BACKGROUND PAPERS**

13.1 N/A