READING BOROUGH COUNCIL

HEAD OF FINANCE

TO:	**AUDIT & GOVERNANCE COMMITTEE**
DATE:	**28 JANUARY 2016** **AGENDA ITEM:** **4**
TITLE:	**AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT**
RESPONSIBLE COUNCILLOR:	**COUNCILLOR STEVENS** **PORTFOLIO:** **FINANCE**
SERVICE:	**FINANCE** **WARDS:** **N/A**
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1.   EXECUTIVE SUMMARY

1.1   This report provides the Audit & Governance Committee and Corporate Management Team with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2015.

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.
- ▪ Track progress on the response to audit reports and the implementation of agreed audit recommendations
- ▪ Provides details of investigations undertaken since April 2015 with respect to 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 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:

Substantial	GREEN	**Substantial assurance** can be taken that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk exposure**.
Reasonable	YELLOW	We can give **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** expose until resolved.
Limited	AMBER	**Limited assurance** can be taken that arrangements to secure governance, risk management and internal control within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.
No assurance	RED	There is **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

3.2   Grading of recommendations

3.2.1 In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority	Current Risk
High	Poor key control design or widespread non-compliance with key controls. Plus a significant risk to achievement of a system objective or evidence present of material loss, error or mis-statement.
Medium	Minor weakness in control design or limited non-compliance with established controls. Plus some risk to achievement of a system objective
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration

3.4.2 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.

3.4.3 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 or 'no' assurance.

4.   HIGH LEVEL SUMMARY OF AUDIT FINDINGS

4.1   Adult Social Care Income | 2 | 5 | 0 |

4.1.1   A combination of national and local rules set out how individual care cost contributions are calculated. The Council's "Care and Support Charging & Financial Assessment Framework" sets out the Council's policies for charging for care and support and follows the Care and Support Regulations and Statutory Guidance issued by the Government under the *Care Act 2014*.

4.1.2   The purpose of this review was to provide assurance on the charging processes in place for Adult Care, including ensuring that financial assessments are undertaken on a timely basis.

4.1.3   At the time of the audit (Sep 2015) residential care assessments were relatively up to date and as a result of the changes emanating from the Care Act, a review of the deferred payment and interim funding processes had begun.

4.1.4   The highest priority risk identified in our audit review related to the potential loss of income to the Authority, due to the delay in assessing individual care cost contributions. This is because contributions for non-residential care have to be charged at the point of assessment and cannot be back dated.

4.1.5   Some of the factors contributing to the backlog have been due to the team taking a very active role in the introduction and upgrade of Framework-I to Mosaic which resulted in a number of IT process issues which slowed the assessment process down. However, there is also need to improve the quality and timeliness of referrals by Adult Social Care to allow the Financial Assessment and Benefits (FAB) team to carry out timely financial assessments.

4.1.6   As a response to our recommendations a backlog clearance plan has been put in place and resources redirected to the most pressing items, by prioritising those cases that may have the largest financial risk to the authority.

4.1.7   As the end of December residential assessments were up to date and the historic back log (over six months old) for non-residential assessments had been cleared, however the 'current' workload had increased to 146 cases (compared to 129 in September 2015).

4.1.8   Work is underway to review the end to end process working with the adult social care transformation team to seek to address the build-up of backlogs. This will cover the front door initial assessment through to invoicing and following a staff workshop a number of improvements to address process issues are to be developed.

4.2   School Audits

4.2.1   We have completed four school reviews this quarter as follows:

	Draft	Final	RECS			Assurance
E P Collier Primary School	Oct 15	Nov 15	0	2	1	Substantial
Geoffrey Field Infant School	Nov 15	Dec 15	0	0	2	Substantial
St Mary's & All Saints	Oct 15	Nov 15	0	2	5	Reasonable
Holybrook	Oct 15	Oct 15	0	0	4	Substantial

5.   **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 which we have planned to follow up, along with progress made to date are shown in the table below. A summary of the latest follow up review we've completed in the last quarter are detailed in the following paragraphs.

Audit Title	Date of original audit	Follow up Completed	Status of recs at the time of follow up review
Licensing	Nov 14	Sep 15	Partial
Deferred Payment Scheme	Dec 14	Aug 15	Partial
Phoenix School	Nov 14	Sep 15	Implemented
Special Education Needs	Feb 15	Oct 15	Implemented
Home to School Transport	Feb 15	Nov 15	Partial

5.2   Special Education Needs (SEN) follow-up review

5.2.1   In April 2015 we reported to the Committee concerns over the growth in the number statements, which was not in line with National trends. At the time of the review we made five recommendations, with the highest priority risk identified relating to the need to develop strategies to reduce and control spend in the High Needs SEN Block.

5.2.2   The recommendations have been satisfactorily implemented. A strategic action plan to progress and implement government SEND reforms, the 'local offer', personal budgets and joint commissioning is in place to record and monitor developments.

5.3   Phoenix College follow-up review

5.3.1   Some shortcomings in the College's governance framework were identified following our audit review in January 2015. The college responded positively to the audit review with a clear action plan to address the audit

recommendations. Progress of the action plan was monitored by the Head of Service as part of the wider governance improvement process via a bi-monthly formal review meeting with the Chair of Governors and Headteacher. All recommendations have been implemented.

5.4   Home to School Transport follow-up review

5.4.1   In April 2015 we reported to the Committee concerns over the administration of the home to school transport service. At the time these were predominately paper based, and administered by a single officer under the supervision of a Service Manager. At the time of the review we made ten recommendations, with the highest priority risk identified relating to the storage of paper-based records, off site, to enable a quick response to urgent service related calls either before or after school. We concluded that administrative processes needed to be improved and complaints handling needed a corporate overview, with a more in-depth analysis of trends.

5.4.2   Our follow-up has concluded that although there remains some work in progress, improvements to operational and administrative processes have been made.

5.4.3   The service has progressed work to redesign the overall service provision so that the continued safe operation of the service for young people is more resilient, especially in the 7.30 – 8.30am time period.

5.4.4   A review of the eligibility criteria and operational transportation methodologies to assist budget and demand pressures has led to new operational and administrative initiatives.

5.4.5   The GIS Mapping system is now being used to consistently measure and check eligibility criteria.

5.4.6   An appointment of an additional staff member will now enable the team to be staffed, in the office, providing specific early and late coverage so that all calls will be answered by reference to master information.

5.4.7   The service has been unable to develop the use of a single database so that all information is stored in one place and is more readily available electronically. However a document register is now held to record whether documents are scanned to a secure drive or held manually.

5.4.8   Although a procedure has been established with corporate complaints about the handling of complaints against the service, this procedure has only been established for complaints regarding the Team. Operational complaints by parents, schools or transport providers still have to be made direct to the Team.

6   OTHER AUDIT ACTIVITY

6.1   The Purchase-to-Pay project has been established. The Chief Auditor is on the project board; however, in addition the Principal ICT Auditor is providing

advice and support to the project, which in time will include reviewing the controls being considered in the design of new systems and processes. Other projects which the Chief Auditor is involved with include the development of Oracle Fusion and establishment control (linked with spending appropriately below).

6.2 Spending Appropriately

6.2.1 Following a request from the Council's Corporate Management Team, Internal Audit are working with service managers to update/prepare procedure rules for each of the areas identified below and set out the consequences of not complying with the approved process. The purpose of these procedure rules is to ensure proper process is followed and the Council can demonstrate it is spending appropriately.

6.2.2 Initial list of areas to be reviewed is as follows:

- Establishment Control
- Payment Cards
- Training/ Courses/ Conferences
- Stationery
- Placements
- Flexitime
- Works to buildings

- ICT
- Legal Charges
- Graphic Design & Printing
- Agency Staff
- Placements
- Fuel
- Consultants/ Interim Staff

- Train Travel
- Air Travel
- Overtime/ Standby Rates
- Colour Printing
- Postage
- Care Packages
- No Purchase Order – No Payment

7. INVESTIGATIONS

7.1 Housing Benefit

7.1.1 Whilst the Council no longer investigates Housing Benefit fraud there have been a few residual cases with investigations and Legal services.

7.1.2 For the period April 2015 to November 2015 the total Housing Benefit overpayment figures for cases prosecuted (8 cases) is £65,602.

7.2 Fraud & Error Reduction Incentive Scheme

7.2.1 Investigation officers are working very closely with Housing Benefit teams on the Fraud & Error Reduction Incentive Scheme (FERIS). The scheme is a DWP initiative and provides financial incentives (approximately £6.5k per month) to local authorities who reduce fraud and error in their Housing Benefit cases. A schedule of planned visits (45 per month) on current Housing Benefit claimants are undertaken to ensure claimant details held are accurate and up-to-date.

7.2.2 Investigations will look at any referrals coming from this work where the unreported change affects the rate of Council Tax support awarded. Investigations commenced these visits in August 2015 to date 46% of FERIS cases are producing overpayments of Benefit.

7.3   Council Tax Support

7.3.1   The Council Tax Support overpayment figure as at November 2015 is £26,279, which is made up of three prosecutions. 19 claimants investigated have been subject to Administration Penalties[1], with the total fines imposed amounting to £11,791.

7.4   Housing Tenancy

7.4.1   Since 1 April 2015 the team has assisted in the return to stock of 3 Council properties and 2 properties for Social Landlords within Reading.

7.4.2   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 (5x £18,000) in the region of £90,000 could have been saved as a result of tenancy investigations.

7.4.3   Investigation officers have been working with Housing to undertake a rolling programme of tenancy Audits (65 visits to date), which has led to further investigations into potential non-residency for two tenancies.

7.4.4   Since April 2016 we've received 13 referrals of suspected improper succession applications, one of these was returned recommending that the application is not proceeded with.

7.5   Blue Badge investigations

7.5.1   The misuse of Blue Badges undermines the benefits of the scheme, impacts upon the lives of disabled people, and costs local authorities money through the loss of parking revenue. Examples of misuse/fraud we have detected;

- Use of a deceased persons badge
- Covering up or changing expiry date
- Photocopying a badge
- Using a valid badge belonging to friend/family to gain free parking with and sometimes without, the badge holder's knowledge.
- Persistent misuse e.g. using someone else's badge to park for work every day.
- Using counterfeit or stolen badges.

7.5.2   In the period April 2015 through to September 2015, we worked closely with RBC Parking services and with the Parking Enforcement offices. We have seen an increase in the cases referred to us and have been actively involved in a number of badge seizures. In the period we have received a total of thirty-five referrals of inappropriate use. Seventeen parking notices have been issued for minor Blue badge offences and six Blue Badges have been seized

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[1] We 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.

and removed from circulation and we have successfully brought two prosecutions for Blue Badge fraud in Reading.

7.6   Document Identification Scanners

7.6.1   Following a successful trial period of 3 months document identification and assessment scanners have been deployed within Customer Facing functions of the Council. This will provide a robust solution that will increase the ability to identify fraudulent applications and to reduce the risk of penalty or fine.

7.6.2   For the 3-month trail of the ID scanner we deployed one scanner which was situated within Customer Services. Findings from the trail are as follows:

- Customer services scanned a total of 2,002 ID documents during this period.
- There were three occasions where the services did not proceed with the application due to the validity of ID supplied.
- One case where a licence was revoked.
- Ten claimants left the Civic without wanting their application progressed further.
- Time saved by front staff by using trust ID was 16.6 hours

7.7   Other Investigation Activity

7.5.1   One area we have developed over the years is the hand delivery or personal service of legal paperwork. Legal services have been utilising investigations staff in order to expedite the recovery actions of such cases. In the period we have delivered a total of 13 orders to the value of £44,890.

7.7.1   Internal investigations: We have 2 ongoing internal matters, two of these we have just completed stage 2 investigations.

8.   CONTRIBUTION TO STRATEGIC AIMS

8.1   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 contributing to the strategic aim of remaining financially sustainable.

9.   COMMUNITY ENGAGEMENT AND INFORMATION

9.1   N/A

10.   LEGAL IMPLICATIONS

10.1   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.

10.2 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.

10.3 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".

10.4 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.

11. FINANCIAL IMPLICATIONS

11.1 N/A

12. BACKGROUND PAPERS

12.1 N/A