INTERNAL AUDIT AND INVESTIGATIONS

Annual Report
For the year ended 31 March 2016

1.   ANNUAL ASSURANCE

1.1   Introduction

1.1.1   The Accounts and Audit (England) Regulations require each local authority to maintain and adequate and effective system of internal audit of its accounting records and of its system on internal control in accordance with proper practices. Proper practice is defined within the Public Sector Internal Audit Standards[1] and corresponding Local Government Application Note[2].

1.1.2   The Public Sector Internal Audit Standards requires the Head of Internal Audit (Chief Auditor) to provide a written report to those charged with governance, to support the Annual Governance Statement, which should include an opinion of the overall adequacy and effectiveness of the Council's control environment. The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.

1.1.3   Reporting the work of Internal Audit to the Audit and Governance Committee provides the Committee with an opportunity to review and monitor its activity and gain assurance that its internal audit function is fulfilling its statutory obligations. This is an essential component of corporate governance. The Audit and Governance Committee receives quarterly reports regarding internal audit and fraud activities and outcomes during the year.

1.2   Purpose and scope of this report

1.2.1   The coverage of this report:

   a)   includes an opinion on the overall adequacy and effectiveness of the council's risk management systems and internal control environment
   b)   discloses any qualifications to that opinion, together with the reasons for the qualification
   c)   presents a summary of the audit and anti-fraud work from which the opinion is derived, including reliance placed on work by other assurance bodies
   d)   Draws attention to any issues the Chief Auditor judges particularly relevant to the preparation of the Annual Governance Statement.

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[1]   Public Sector Internal Audit Standards – Applying the CMIIA International Standards to the UK Public Sector. Institute of Internal Auditors, April 2013.
[2]   CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards

2.   ANNUAL ASSURANCE STATEMENT

1.1   Control Environment

2.1.1 The management of the Council are responsible for ensuring that the organisation operates in accordance with the law and proper standards, that public funds are safeguarded, properly accounted for and used economically, efficiently and effectively.

2.1.2 The management of the Council is also responsible for ensuring that there is a sound system of internal control, which includes arrangements for managing risk. The three key elements of the Council's control environment compromise; *internal control*, *governance*, and *risk management* arrangements. These three elements help ensure that the Council's strategies, plans, priorities and objectives are met and that policies and procedures are complied with in order to minimise risk to a reasonable level.

2.2   Internal Audit Effectiveness

2.2.1 As a prerequisite for giving an assurance opinion on the overall adequacy and effectiveness of the Council's control environment, the Chief Auditor is required to confirm the effectiveness of the internal audit service and its resultant fitness for purpose to carry out work that informs the annual assurance opinion.

2.2.2 The Internal Audit Service last carried out a self-assessment in 2013 to ensure that the Internal Audit Service is effective when compared against the Public Sector Internal Audit Standards (PSIAS). A further self-assessment will be undertaken in the summer of 2016, with the findings reported to the Audit and Governance Committee in September 2016. The PSIAS, which came into force in April 2013, require an external assessment to be completed once every 5 years. It is the intention of the Service to have an external assessment completed via peer review in 2017, the results of which will be reported to the Corporate Management Team (CMT) and the Audit and Governance Committee.

2.2.3 The Chief Auditor undertakes periodic reviews of the quality of internal audit work completed and also reviews all draft and final reports issued. In delivering the Internal Audit Service, the planning, conducting and reporting on reviews have been completed in conformance with the requirements of the PSIAS, published by the Chartered Institute of Internal Auditors and the subsequent Local Government Application Note in respect of PSIAS published by CIPFA.

2.2.4 The Head of Finance (Sec 151 Officer) and Managing Director also periodically review Internal Audit work and discuss issues as necessary with the Chief Auditor through regular one-to-one meetings.

2.2.5 The Chief Auditor is therefore able to report for 2015/16 a significant level of compliance with the Public Sector Internal Audit Standards and considers the Internal Audit service to be effective. No significant deviations from the Public Sector Internal Audit Standards have been identified which warrant inclusion in the Council's Annual Governance Statement. The main restriction to service delivery has been the vacancy within the team during 2015/16.

2.3 Basis of Assurance Opinion

2.3.1 Our assurance opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit plan for 2015/16, including our assessment of the Council's corporate governance and risk management processes. The Internal Audit Plan for 2015/16 was developed to primarily provide the Audit & Governance Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, governance and the management of risk.

2.3.2 The 2015/16 Internal Audit Plan, of 762 days, was approved by the Audit and Governance Committee in July 2015. This does not include the resources deployed on reactive and proactive fraud which is referred to in section 7. Progress reports from the Chief Auditor are presented to the Committee at quarterly meetings.

2.3.3 During the year there is some flexibility needed to react to changes in risk or accommodate changes in the needs of management; the focus of audits may therefore be changed or new audits included in the programme. The plan also makes provision for internal audit to accommodate requests for advice and guidance on specific issues or investigation of specific issues. Before any tasks are undertaken risks are considered to ensure that resources continue to be used in an efficient and effective manner and tasks that provide the greatest added value to the organisation are prioritised.

2.4 Annual Assurance Opinion for 2015/16

2.4.1 Based on the work the internal audit team has completed during the course of the year, which is set out in more detail below, *we have concluded that the system of internal control is satisfactory and processes to identify and manage risks are in place.*

2.4.2 The Council continues to face significant challenges; however the Corporate Management Team clearly understands these challenges and their continued impact on corporate governance. This is in turn reflected in the Council's Annual Governance Statement.

2.4.3 The Council has to secure further savings in the region of £18m in 2016/17 and has already embarked on significant transformation and change programmes. The Council will have to continue to change the way it operates to deal with reductions in funding and because of the amount of money the Council will have to save, through the course of 2016, councillors will be presented with further options and proposals to reduce spending. The Corporate Plan and the Budget provides an important framework for the Council to do this.

2.4.4 Whilst it is important for the Council to remain flexible and agile to ensure that changes are successfully embedded and savings are delivered, it is also vital that lines of responsibility and accountability are clear, both during the transition and into any new target operating model. This needs to include an effective framework for providing assurance (often referred to as the three lines of defence) to senior management, members and citizens: service management, corporate oversight and independent assurance provided by Internal Audit.

2.4.5 On occasions we have experienced difficulties in commencing and finalising audits during the 2015/16 financial year and likewise have on occasions detected reduced capacity in services to action audit recommendations. Given the risks presented via the significant changes being delivered and further cost reduction activity across the Council senior management needs to continue to closely monitor the operation of the Council's control environment through the transformation and change processes. It is also important that effective mechanisms for learning lessons are embedded. In continuing to provide ongoing robust assurance on the control environment Internal Audit will need management's support to ensure that reviews are undertaken as planned and management responses are prompt and appropriate. The message is consistent with prior reports and will continue to be a challenge into 2016/17.

2.4.6 There were a small number of reports issued as part of the agreed audit plan that identified specific areas where improvements were required. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.

2.4.7 This opinion takes into account of the work undertaken by the Audit and Investigations Team.

2.5 Inherent qualifications to the assurance opinion

2.5.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and therefore can only provide reasonable, not absolute, assurances of effectiveness.

3.   SUMMARY OF THE AUDIT WORK

3.1   An annual audit plan was produced by Internal Audit to cover the period 1 April 2015 to 31 March 2016, which was agreed with CMT and the Audit & Governance Committee. The Internal Audit Plan is developed to allow adequate coverage of the key risks faced by the Council.

3.2   Midway through the year the internal audit team were requested by CMT to review and update procedures in targeted areas to ensure proper processes are being followed and the Council can demonstrate it is spending appropriately. Our objective was to ensure procedures were fit for purpose, determine if procedures could be improved to reduce spend and/or control and work with services to update were appropriate. Although this impacted on planned audit work the requested work still required the control environment and governance process to be evaluated, but is not included in the report classification table on the following page.

3.3   In addition there was a vacancy in the team throughout the second half of the financial year and although the post has now been filled, the audit plan was reassessed to factor in the vacancy and complete the additional work described above and as a result some planned audit reviews were delayed or postponed until the following financial year. A revised audit plan was submitted to CMT and the Audit & Governance Committee in September 2015.

3.4   The table below summarises the report classifications for the planned audit reviews undertaken in 2015/2016.

Report Classification (2015/16)	No. of Audits
Substantial Assurance	7
Reasonable Assurance	2
Limited Assurance	5
No Assurance	0
Projects in progress	3
Assurance N/A	1
Subtotal	18
Grant Claims certified	6
In year requests (inc audit investigations)	8
Recommendation follow up reviews	8
Total	40

3.5   Priority of Recommendations

3.5.1 At the time of writing we have made a total of 111 audit recommendations in our reports (both draft and finalised), of which 16% were classified as a high priority.

3.5.2 In the following section we have set out the key themes and findings identified during our audit work for 2015/2016.

3.5.3 Details of each individual report ratings and priority of recommendations for each audit can be found at Annex 1.

4.	KEY MESSAGES FROM PLANNED AUDITS

4.1   Some of the key areas for improvement identified during our audit work are set out below:

- Adult Social Care Income & Charging: Our audit review identified a potential loss of income to the Authority, due to the delay in assessing individual care cost contributions for non-residential care. Work was required to review the end to end process to seek to address the build-up of backlogs and improve the quality and timeliness of referrals for financial assessment.

- Key Financial Systems: The main area where improvements were identified through internal audit work was Accounts Payable. During the past year the Accounts Payable Team responsible for processing payments experienced a backlog which resulted in operational issues for some service areas. This issue was recognised by senior finance management and has now been cleared. Work is progressing to address system, through system releases and greater utilisation of system functionality. Our audit review highlighted areas for development in respect of process improvements.

- Following an audit of the RBC fuel dispensing system we made recommendations to improve control over the use of fuel for the Council's fleet of vehicles. Recommendations to impose restrictions to limit the volume of fuel dispensed at any one time and the volume of fuel dispensed within a set period of time were made. In addition to fuel usage restrictions it was also recommended that more needed to be done to manage and restrict the number of fuel keys - including override keys - and to develop better information on vehicle/equipment fuel usage such as fuel capacity (for identification of variations in fuel consumption), fuel efficiency and possible fuel misuse. A further follow up of those recommendations noted an exercise has been completed to review the usage of all existing fuel keys (vehicle & plant) and there has been an improvement of management information and monitoring is now in place.

- Following a review of the Council's fleet management we made recommendations to increase the frequency of checking of driver licences with respect to fleet vehicles and for staff using their own vehicles on Council business (these are known as the 'grey fleet'). We also recommended that the implementation and use of vehicle trackers for the council fleet needs to be reviewed, updated and then universally implemented. A further follow up of those recommendations noted good and ongoing progress in their implementation.

- Foster Care & Adoption Allowances: the audit highlighted the continued dependency upon high cost independent Foster Agencies. Recommendations were made to strengthen operational procedures, incorporating the governance arrangements of the Access to Resource Panel.

- As part of the work completed on spending appropriately (see section 5.1 below), procedures have been strengthened in a number of areas and establishment control has been improved. However, more work is required to strengthen the leaver process.

4.2   Implementation of Internal Audit recommendations

4.2.1   Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where "limited" assurance is given then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources and agreed recommendation target dates, but our aim is to complete the follow up within six to twelve months of completion of the audit.

4.2.2   The table below shows the number of recommendations which are now due to have been implemented, and the number and percentage of those which have been evidenced as implemented, by level of risk.

	Total Recs reviewed	Recs implemented	%	Recs partially implemented	%	Recs not implemented	%
Priority 3 (Low Risk)	21	12	57%	8	38%	1	5%
Priority 2 (medium risk)	35	16	46%	18	51%	1	3%
Priority 1 (High Risk)	8	6	75%	2	25%	0	0%
Total	65	36	55%	28	42%	2	3%

4.2.3   Based on the data in the table above, overall management has implemented or partially implemented 97% of all recommendations reviewed with 3% having not been implemented. It is crucial that Priority 1 (High Risk Recommendations) are implemented promptly if the Council is to improve its overall control environment and therefore we are pleased to note this level of performance has been maintained during 2015/16.

5.	ASSURANCES FROM OTHER SOURCES

5.1 In compiling this Annual Report, we have taken account of other sources of assurance in arriving at our overall opinion for 2015/16. These sources include, but are not limited to: the achievement of Public Services Network (PSN) accreditation for the Council, however it is noted that further work is required to maintain and keep up to date ICT Security Policies and develop an approach for dissemination of existing and new policies to staff. We have reviewed the draft AGS which adequately reflects the governance arrangements in place, the effectiveness of those arrangements and the identification of significant issues. Reports by officers to the various Council committees on matters including health and safety, treasury management, budget monitoring, complaints and human resources related matters. In particular KPMG's 2014/15 opinion stated that the financial statements give a true and fair view of the financial position of the Authority and the Group and of its expenditure and income for the year. In relation to value for money, KPMG also concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In addition regular communication has been maintained with the Council's new external auditors Ernest and Young throughout 2015/2016.

5.2 <u>Spending Appropriately</u>

5.2.1 Internal Audit were requested to undertake some targeted reviews during the year to ensure proper processes are being followed and the Council can demonstrate it is spending appropriately. Our objective was to ensure procedures were fit for purpose, could be strengthened to reduce spend and/or control and to also work with services to update procedures were appropriate.

5.2.2 Although these were not audit reviews where we would be providing assurance on the control environment, the work required the control environment and governances process to be evaluated, thus enabling the work to inform the annual assurance opinion on the Council's control environment. The areas covered to date and a summary of the work is as follows:

- *Courses/Conferences and Training:* Procedures have been developed so spend on learning and development activity is more closely monitored and a consistent approach to ensure that spend is appropriately is applied to all directorates.

- *Stationery:* Procedures have been implemented to centralise spend for stationery for Civic based services and remove budget lines for those services.

- *Procurement Cards:* Existing procedures encompass a good degree of control measures in order to comply with Lloyds' Bank terms and conditions. However despite this, application is poor and there are no monitoring measures to ensure compliance. Procedures were updated and reissued to card holders.

- *Purchase to Pay:* As from April 2016 the Council has implemented a 'No Purchase Order'- 'No Pay' policy – from this date services must raise an Oracle Fusion Purchase Order before ordering goods/services and suppliers must quote the purchase order number on their invoice and send directly to the Accounts Payable team. These changes are important as they will allow us to improve our financial control on expenditure and will also ensure suppliers are paid in a timely manner.

- *Establishment Control:* With continuing budget savings to find, having a better understanding and control over the shape and make up of our staffing establishment (the total number of roles/ jobs in the Council) is essential. Internal Audit have worked closely with the HR & Payroll and Finance teams to develop robust processes and controls around recruiting to vacancies and in special circumstances over establishment ensuring Budget Holders are accountable for managing their staffing complement including agency staff.

- *Consultants/Interim Managers and Ad Hoc Staff:* We've updated existing procedures to incorporate the employment and/or taxation liabilities. These are under review by HR and Legal.

- *Train Travel:* There are already written procedure notes in place that detail the corporate system for buying tickets in advance of train travel, and this guidance is generally comprehensive and up to date.

- *ICT (Equipment) Spend*: there are plans to link this to the central establishment, for improved control over the growing number of requests for temporary, agency, interim managers, to be provided with ICT. Leaver procedures are weak and gaining full accountability over stock levels is a problem because managers are responsible for procuring the new equipment and are not recharged directly for this (except for mobile phones). Internal audit will work with Business Improvement to develop procedures to control ICT spend, linked with establishment control.

5.3 Corporate Governance

5.3.1 In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- Assurance provided by the external auditors in their Annual Audit and Inspection Letter with regard to the Council's accounts and governance,
- Work completed by the internal audit team throughout 2015/2016
- The Council's annual governance statement and action plan

5.3.2 As in 2015/16, it has been necessary for the Council to continue to find significant budget reductions and further significant reorganisations and transformation programmes have been ongoing and will continue. It is intended that the new ways of working and digitalisation programme will reshape our support activities across the whole Council, reducing our employee cost by transforming the way we support front line services. During 2016/2017 we will look to assess the management of the risks associated with some of these changes and future planned changes.

5.3.3 Governance arrangements also need to be sustained by appropriate management information that can support key strategic and operational decisions. These decisions are needed to make longer-term savings whilst minimising impact on service delivery. They need to be based on high quality information that covers the entire organisation, in order to support the Council to prioritise activities and generate alternative ways of working that will be needed to achieve these goals.

5.3.4 The Council has recognised this and during 2015/16 introduced a new approach to performance monitoring to increase accountability on service areas. Internal audit recommendations, lessons learned, other inspections have been reported which we believe will further improve governance and accountability.

5.3.5 During the year the Council's Financial Procedural Rules (Regulations) were updated across their length. The Regulations provide the framework for managing the authority's financial affairs and apply to every Member and Officer of the Authority and anyone acting on its behalf. Work has also begun on updating the budget manual guidance for budget holders.

5.4   Risk Management

5.4.1 The Council Management Team (CMT) manages and reviews the Council's strategic risks and regular reports are provided through the year providing status updates on corporate risks to the Council's Audit & Governance Committee.

5.4.2 Internal Audit have used the Council's strategic register to inform the audit planning process and at the same time can provide assurance that appropriate measures are being taken to manage the Council's key business risks.

6. OVERALL PERFORMANCE OF INTERNAL AUDIT

6.1 Performance of the Internal Audit Service

6.1.1 The Public Sector Internal Audit Standards document the expected professional standards for internal audit in Local Government and are the applicable standards against which the quality of internal audit in local government is assessed. The Chief Auditor monitors compliance against the code, by either self-assessment and/or peer review.

6.1.2 Our performance during the year in relation to the performance indicators agreed for the internal audit service are shown in the table below: -

Key Performance Indicators	Target	Actual
Client Satisfaction	90% or above	90%
Production of final report within 2 weeks of receipt of management responses	100%	100%
Management responses received within 3 weeks of issue of draft report	75%	50%
Number of projects completed within agreed budgeted days relative to total number of projects undertaken	75%	60%
Number of audit projects completed relative to those in the (revised) plan	80%	76%
Actual spending of controllable budget	100%	96.95%
% Of working days lost to sickness	1.6%	2.95%

6.2 Quality

6.2.1 Quality control is achieved through:

- Preparation of a detailed audit plan according to an agreed risk assessment methodology and widely consulted upon throughout the Council.
- A documented audit methodology supported by standard working papers, and the review of each draft audit report by the Principal Auditor/Chief Auditor prior to issue.
- Working hard to ensure audits meet the requirements of our customers by giving them the opportunity to comment on terms of reference and timing of work, and by working with managers to identify solutions in areas where there is scope for improvement.
- Seeking feedback from our customers after each audit and fostering a culture of continuous improvement within the audit service.
- Undertaking an annual quality review with Directors/Heads of Service and senior managers on the Internal Audit service over the past year (results are summarised in section 6.4).

6.3   Customer Satisfaction Analysis

6.3.1   On completion of each audit review the client is asked to complete an online questionnaire to provide feedback on the conduct of the auditor and quality of the audit review.

6.3.2   Clients are asked to score our services on a scale of 1 to 4, 1 = unsatisfactory, 2 = Potential for Improvement, 3 = Good, 4 = Very Good. The performance figures below represent the customer satisfaction as a percentage of total respondents.

Pre Audit Arrangements

6.3.3   Our aim is that you are clear about the purpose and process of the audit. How would you rate our performance on:

No.	Statement	Performance %
1	Explaining the audit process	92%
2	Consultation and scoping the audit	90%

Audit Visit

6.3.4   Our aim is to perform the audit in an unobtrusive and professional manner. How would you rate our performance:

No.	Statement	Performance %
3	Conduct and professionalism of the Auditor	98%
4	The Auditor obtaining an understanding of your business needs	83%
5	Opportunity to discuss the findings during the audit	90%

Post Audit

6.3.5   Our aim is to provide information that is beneficial to you. How would you rate our performance on:

No.	Statement	Performance %
6	Usefulness of recommendations	83%
7	Clarity and fairness of the report	92%
8	Were your comments taken into account	92%

Adding Value

6.3.6 Our aim is to provide assurance on existing controls and to add value. Please indicate where the audit has added value:

No.	Statement	Performance %
9.a	Provide assurance on existing controls	93%
9.b	Identified areas of improvement	60%
9.c	Improved procedures and processes	40%
9.d	Highlighted areas of good practice	40%
9.e	Escalated issues to senior management	27%

6.4 Annual quality review

6.4.1 We undertook an annual survey in May 2016 asking Directors, Heads of Service and senior managers to assess the importance and quality of the service provided.

6.4.2 Questions were rated and scored on the following basis:

Importance		Performance	
Rating	Scoring	Rating	Scoring
High	3	Excellent	4
Medium	2	Good	3
Low	1	Adequate	2
No opinion	0	Poor	1
		No opinion	0

6.4.3 Managers were asked to rate a total of 41 questions against 6 service areas, the summaries of the findings are detailed below.

Importance		Performance
Average Importance Rate	Service Area	Average Satisfaction Rate
87%	Audit Service	78%
93%	Audit Staff	89%
92%	Conduct of Audits	90%
93%	Audit Reporting	88%
90%	Customer Service	85%
88%	Improving the Authority's Culture	81%
91%	**Average**	**85%**

6.4.4 In addition to the set questions, three free text fields were made available for individuals to provide further comments. A summary of the comments are shown in annex 2.

7. COUNTER FRAUD ACTIVITY

7.1 The Investigations Team that deals with benefit, housing tenancy, blue badge and internal fraud etc., have had a successful year and have once again demonstrated the value that they bring to Reading Borough Council. This is apparent when we take into account that the team have identified £405k from both overpayments and savings. The deterrent of this activity should not be underestimated. The following table contains details of successful outcomes by the Investigations Team:

	2015/16	2014/15
Housing tenancy Fraud		
Properties Recovered	3	3
Estimated saving from Recoveries[3]	£45,000	£45,000
Prosecutions Secured	2	1
Housing Benefit Fraud[4]		
Prosecutions	15	19
Other Sanctions (Caution/Add Pens)	0	11
Value fraudulent Overpayments Identified	£72,594	£293,467
Council Tax Reduction Scheme		
Prosecutions	0	17
add pens	34	0
value of fraudulent overpayments identified	£48,089	£21,467
Value of add pens	£22,590	0
Parking Fraud		
Blue badge referrals	47	
Blue Badges recovered	10	2
prosecutions secured	3	1
PCN's issued	17	2
estimated annual savings[5]	£1,000	£200
Adult Social Care		
estimated annual savings	£24,000	£0

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[3] Based on Finance's assessment that on average it costs the Council £15,000 per year to place a family in temporary accommodation.

[4] On the 1 Dec 2015, responsibility (along with staff) for the investigation and prosecution of Housing and Council Tax Benefit transferred to the Department for Work and Pensions. These are residual cases which were progressed by RBC

[5] This is based on the average Penalty Charge Notice fee and does not take into account potential lost income through residential and other parking charges.

7.2 Housing Fraud

7.2.1 Housing fraud is now the most resource intensive function carried out by the team. The Council has recognised the need to maintain a resource of investigators given the risks of tenancy fraud. Although nationally tenancy fraud is the most widespread in the London area, where the differential between social housing rents and private housing rents is greatest, the prevalence of tenancy fraud is also applicable to Reading.

7.2.2 A significant development in recent years was the introduction of the Prevention of Social Housing Act 2013. This makes subletting a criminal offence and allows councils to prosecute those found to be subletting their property. Unlawful profit orders can also be applied to those who are found to have sublet their tenancies for a profit.

7.2.3 The team have also undertake a programme, with housing services to undertake checks into any suspect succession application submitted. These checks help to prevent persons with no entitlement in obtaining an RBC tenancy. Succession allows tenants to "pass on" their tenancies to close family members, providing the criteria are fully met.

7.3 Tenancy Fraud Hub – joint working

7.3.1 Following a successful bid for funding from the DCLG in 2015 the fraud hub was launched in January 2016. The bid provided the technology to set up an intelligence hub for proactive tenancy fraud prevention, detection and deterrence through the sharing and matching of data from both Local Authorities and registered Social Housing.

7.4 Benefit Fraud

7.4.1 This has been a period of transformation with the roll out of the Single Fraud Investigation Service; however there were 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.

7.5 Fraud & Error Reduction Incentive Scheme

7.5.1 Investigation officers are working very closely with Housing Benefit teams on the Fraud & Error Reduction Incentive Scheme (FERIS). The scheme is a DWP initiate 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.

7.5.2 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.

7.6   <u>Adult Social Care</u>

7.6.1 Over the period April 2015 to March 2016 the team have been involved with a complex investigation relating to allegations of overcharging by a residential care provide. Following a lengthy investigation the provider agreed to repay almost £24,000 back to the Council.

7.7   <u>Blue Badge (Parking Fraud)</u>

7.7.1 Blue badges or disabled parking permits are issued by Reading BC to persons with a genuine need to access facilities by car. However there are some people who are prepared to misuse or fraudulently acquire these badges. There is a significant cost to the Public purse as inappropriately used Badge holders may avoid car parking charges.

7.8   <u>Internal</u>

7.8.1 The investigation officers have assisted in 4 investigations into internal matters, two of which were dealt with under the Council's disciplinary procedure.

ANNEX 1: Detailed analysis of internal audit reviews 2015/16

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.

Title	Start	Draft	Final	Recs H	Recs M	Recs L
Waste PFI	May 15	Jul 15	Jul 15	0	1	7
Homelessness	Jan 16	Feb 16	Feb 16	0	2	1
Business Rates	Jul 15	Aug 15	Aug 15	0	0	2
Better Care Fund	Apr 15	Jul 15	Aug 15	0	1	0
E P Collier Primary School	Oct 15	Nov 15	Dec 15	0	2	1
Geoffrey Field Infant School	Nov 15	Dec 15	Jan 15	0	0	2
Holybrook	Sep 15	Oct 15	Oct 15	0	0	4
Early Years	Jun 15	Jul 15	Jul 15	0	0	3

REASONABLE ASSURANCE- 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.

Title	Start	Draft	Final	Recs H	Recs M	Recs L
St Mary's & All Saints Church of England	Oct 15	Nov 15	Dec 15	0	2	5
School Places Capital programme	Mar 15	May 15	Jun 16	0	7	4
Katesgrove Primary School	Feb 16	May 16	Jun 16	0	8	6
Creditors (Accounts Payable)	Dec 15	Apr 16		0	4	1
Additional Salary Payments	Apr 15	Jun 15	Nov 15	1	4	1

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.

Title	Start	Draft	Final	Recs H	Recs M	Recs L
St Anne's Catholic Primary School	Feb 15	Feb 15	Mar 15	2	2	3
Adult Social Care Charging	Aug 15	Sep 15	Oct 15	2	5	0
Foster & Adoption Allowances	Oct 15	Jan 15	Mar 16	1	5	3
Receivership	Jun 15	Jun 15	Jul 15	2	4	1
Reading Girls School	Nov 15	Dec 15	Feb 15	6	10	5

ANNEX 2: summary of comments provided by individuals completing the annual survey

1.   **How can Audit better meet your needs -** 18 comments in this area

- Not sure it can, the service has always done what we needed it to do.
- I reckon you do a pretty good job!
- No suggestions
- This is restricted by resource.
- I have not experienced any gaps in service provision.
- A good robust service with adequate interaction with service teams/Heads of Service.
- More resources in the team would allow for more audits to take place - not a criticism of the team in any way - and fully understand that the audit plan sets out the top areas for investigation / audit each year based on the resources available.
- Continue to work through a programme that is agreed with our service heads
- We have a good relationship and advice is always given when sought.
- At present I think Audit perform well given the issues currently faced by most services
- Generally meet needs

- Ensure the HT is involved as well as the Bursar- don't just accept a Bursar's response, for example about Governing Body meetings. The HT is the appropriate person to respond to these questions because they know the answers.
- Deeper understanding of the business area and its constraints
- General advise is very good but some concern when a formal investigation is carried out which often doesn't seem to progress.

Suggestions
- Carrying out HBMS / SPD NFI Matches
- Being more visible
- I would appreciate knowing when to expect our next Audit. I started here in 2007 and have only just had my first audit!
- It might be worthwhile creating a simple when do you need to involve audit info sheet or similar to ensure services engage when required, not just as an afterthought

2.   **How can the quality of Internal Audit be measured -** 15 comments in this area

- Maybe a customer satisfaction survey directly after a piece of work has been completed?
- Reporting on effectiveness of following recommendations
- Follow up audit recommendations and escalate those that are not acted upon.
- A survey much like this one. A request for feedback following each audit undertaken/service/advice given - much like Northgate.
- setting Key performance indicators
- Outcomes after audits are complete are regularly measured and achieved where possible
- maybe seeking feedback at the end of the process?
- Completion of audits on time, actions clear, follow up of recommendations
- Managers review or effectiveness of recommendations
- on line feedback on each report reports responses submitted in time and post audit de briefing

- Staying within the brief.

Suggestions
- Objective feedback from service departments/benchmark against outcomes from other LA's/wider Public Sector.
- Determining whether services deliver value for money and are competitive (can win outside work).
- Corporate risk register shows governance to be improving

3. **Any other comments -** 9 comments in this area

Positive Comments
- I've always found the team to be very professional, approachable and easy to work with. Many thanks.
- good service, thanks very much.
- A professional service that is probably under resourced for the size of the organisation.
- Excellent/ Good Service, no complaints.
- Audit function is more important at current time to ensure serious holes are not left in terms of governance with the impending cuts.

Negative Comments
- Audit need to be aware that services don't have the level of authority that they would expect. Audit recommendations are not always easy to carry out.
- I have to admit the form was very arduous when completing which means it was very repetitive and not particularly focussed on what I was assessing as so many different parts to it.

Other Comments
- My experience relates to engagement whilst working for Leisure Services. I have worked alongside audit officers in dealing with disciplinary issues featuring elements of dishonest behaviour and alleged theft. Whilst I appreciate a desire to manage such investigations in-house, I do wonder if staff are as concerned by auditors as they may be by police engagement?
- Audit should attend service team meetings to advise on areas of work