

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**05 April 2016**

**Report of the Chief Audit Executive**

**Part 1- Public**

**Matters for Information**

**1 INTERNAL AUDIT AND COUNTER FRAUD UPDATE**

**This report provides Members with an update on the work of both the Internal Audit function and the Counter Fraud function for the period 1 April 2015 to 29 February 2016.**

*Internal Audit Update*

**1.1 Introduction**

1.1.1 The Accounts and Audit Regulations require the Council to *undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control*. Proper practice is defined by the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS. The PSIAS requires Internal Audit to *report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan*.

**1.2 Progress against the 2015/16 Internal Audit Plan**

1.2.1 The Annual Internal Audit Plan (the Plan) for 2015/16 was approved by this Committee on the 7 April 2015. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2015/16 against that Plan.

1.2.2 The Plan reflects all work to be undertaken by the team during the financial year, containing both assurance work and consultancy work. Of the 36 items on the Plan, 29 are audits that will result in an assurance opinion. The remainder of items on the Plan relate to consultancy items, follow-up of recommendations due or allowances for the provision of control advice, etc.

1.2.3 At the time of reporting of the 29 audits, one was cancelled due to the area being subject to Scrutiny Review; the outcome of the review has resulted in the audit being re-scoped and carried forward to 2016/17. This was replaced by additional consultancy work assisting on benchmarking to inform the review of car parking

charges. Of the 28 remaining, final reports and agreed management action plans have been issued in respect of 11 with a further 12 complete and at draft report stage (See **[Annex 1]** for definitions of audit opinions). Five audits are currently underway and nearing completion. A summary of the current status of all audits on the 2015/16 Plan including a summary of findings where finalised, is attached to this report at **[Annex 2]**.

- 1.2.4 In accordance with the PSIAS, and to provide assurance that issues identified in audits undertaken have been addressed through agreed actions, Internal Audit follow-up implementation of all recommendations made. Up to 31 January 2016 84 outstanding recommendations were due for implementation, of these 60 have been completed, 10 have revised dates agreed (1 of which was high risk) and 4 have been superseded. The remaining 10 cannot be closed off at this time; of these we are awaiting a response from the Service for 6 and for the remaining 4 further clarification is needed. This includes instances of verbal confirmation where evidence is awaited or where the Service has queried the original recommendation due to change of circumstance, etc. Detail is provided at **[Annex 3]**. In addition, at the January Committee meeting the lack of a formal Policy on Corporate Credit Cards was queried, a Policy has been drafted and is in the process of being finalised. A further verbal update will be provided to the April meeting.

### ***Fraud Update***

## **1.3 Prevention and Detection of Fraud and Corruption**

- 1.3.1 This section of the report provides details of the Council's activity in preventing and detecting fraud and corruption in the year 2015/16 to date.
- 1.3.2 The Council proactively takes part in the National Fraud Initiative (NFI). This is a nationwide data matching exercise, comparing computer records held by the Council against computer records held by other councils and other bodies. Where a match is found it does not necessarily indicate fraud in all instances; it does however highlight an inconsistency in the information held which requires further investigation and could be attributed to either fraud or error.
- 1.3.3 Data in relation to a Council Tax Single Person Discount matching exercise was submitted in December with results received in January and a total of 708 matches to be reviewed. To date 146 cases have been closed with no further action required, 91 are subject to further investigation and 471 are pending review.
- 1.3.4 Following the transfer of Housing Benefit Fraud investigation to the DWP proactive work in relation to preventing and detecting fraud, and managing the risk of fraud, has been enhanced. This involves a broader scope identified through an assessment of fraud risk in relation to all Council services. The Team continue to investigate allegations of fraud for the Council Tax Reduction Scheme, Discounts and Exemptions in relation to Council Tax and NNDR and other allegations

relating to TMBC services. A Plan for 2016/17 has been drafted and is presented to this meeting as part of the Annual Audit and Counter Fraud Plan under separate cover. To demonstrate TMBC's ongoing commitment to prevent and detect fraud, and to provide a framework against which to measure good practice, I have assessed our level of compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, which contains five key principles:

- Acknowledge the responsibility of the governing body for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate counter fraud and corruption strategy.
- Provide resources to implement the strategy.
- Take action in response to fraud and corruption.

1.3.5 Based on the above assessment I believe that TMBC's current approach to fraud and corruption complies with all of the above principles; however this is a developing function and 2016/17 will be fundamental to embedding the role of the team.

## **1.4 Investigating Fraud**

1.4.1 The Fraud Team is responsible for investigating allegations of fraud and corruption, whether this is through internal fraud or external stakeholders or customers, as well as assisting with disciplinary investigations as and when required. The Team works closely with a number of external agencies including the Department for Work and Pensions (DWP), the UK Border Agency, Kent Police and NHS Fraud to progress investigations.

1.4.2 In 2015/16 to 29 February the Investigation Team closed 294 cases; open Cases relating to Housing Benefits were passed to the DWP on 2 February. There are 10 open investigations. **[Annex 4]** summarises the results of investigations concluded in 2015/16 to date including where on 10 March 2016 David Rothwell was given a 12-month prison sentence (six months to be served in custody and six months released on licence) for defrauding the council and the DWP of approximately £110,000 due to failing to inform us that he had started work in 2004.

## **1.5 Legal Implications**

1.5.1 The Accounts and Audit Regulations place a statutory requirement on authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practice is defined as that contained within the Public

Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note to the PSIAS.

- 1.5.2 The Council has a legal duty under s151 of Local Government Act 1972 and the Accounts and Audit Regulations to ensure that there are appropriate systems in place to prevent and detect fraud.

The Local Government Act 1972 provides the Council with the ability to investigate and prosecute offences committed against them.

## **1.6 Financial and Value for Money Considerations**

- 1.6.1 An adequate and effective Internal Audit function provides the Council with assurance on the proper, economic, efficient and effective use of Council resources in delivery of services, as well as helping to identify fraud and error that could have an adverse effect on the finances of the Council.
- 1.6.2 Fraud prevention and detection is an area subject to central government focus with initiatives such as Protecting the Public Purse, National Fraud Initiative and Fighting Fraud Locally maintaining a high profile. The message coming from these initiatives is that effective fraud prevention and detection releases resources and minimises losses to the Council through fraud.

## **1.7 Risk Assessment**

- 1.7.1 This report, summarising the work of the Internal Audit function, provides a key source of assurance for the Council on the adequacy and effectiveness of its internal control arrangements.
- 1.7.2 Failing to have an efficient and effective Counter Fraud function could lead to an increased level of fraud. This report, summarising the work of the Counter Fraud function, provides a key source of assurance for the Council on the adequacy and effectiveness of its counter fraud arrangements.

Background papers:

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Nil

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