

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

23 January 2017

### 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 April to December 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 2016/17 Plan

1.2.1 The Annual Internal Audit and Counter Fraud Plan (the Plan) for 2016/17 was approved by this Committee on the 5 April 2016. The purpose of this report is to provide Members with an update on the progress of the Internal Audit team in 2016/17 against the Plan and finalisation of any work brought forward from the 2015/16 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 items on the Plan, 24 were audits and two were proactive fraud reviews that would 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 One audit originally planned as an assurance review was changed to consultancy work, as discussed at the June Audit Committee meeting, to facilitate revision of

the current Risk Management Strategy and development of a Corporate Risk Register based on the Corporate Strategy. Training for the Committee on Risk Management is planned ahead of the January meeting, with the revised Strategy to be presented at this January meeting.

- 1.2.4 We have combined the scheduled audit of Complaints with the Programme Management Audit and will focus on the implementation of the new complaints system.
- 1.2.5 The team to date have issued final reports and agreed management action plans in respect of seven 2016/17 audits and two 2015/16 audits brought forward. One remaining audit brought forward requires additional follow-up work and will be reported in April. A draft report has been issued for a further three audits, with four audits currently underway and planning in progress for six more. The remaining work is scheduled across the rest of the financial year. A summary of the current status of all audits on the 2016/17 Plan and the brought forward 2015/16 work, including a summary of findings where finalised, is attached to this report at **[Annex 1]**. Definitions of Audit Opinions are provided at **[Annex 2]**.
- 1.2.6 We are in the process of following-up agreed management actions following audit work and will report on progress in April.

### ***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 2016/17 to date. The Council proactively takes part in the National Fraud Initiative (NFI), a biennial nationwide data matching exercise comparing computer records held by the Council against those held by other councils and other bodies. The next full round of data matching was completed in October 2016 with matches to be received in January 2017. An update will be provided at the April 2017 meeting of this Committee.
- 1.3.2 Annual data matching is undertaken between the electoral roll and Council Tax Single Person Discount, the most recent results were received in January 2016, 708 matches were received and all of these have been reviewed, 663 matches have been closed with errors found in 169 cases. There are 45 cases currently being actively investigated.
- 1.3.3 The Kent Intelligence Network, a government funded partnership led by Kent County Council, went live in September 2016. The partnership will deliver a data matching function across Kent designed to address key fraud risks identified by the partners allowing a more bespoke approach and broader scope than the NFI. The first round of data matching was undertaken in September and the results made available in October. 5 data mismatches were received, of which 3 were closed with no further action required and 2 have been referred to compliance. A further update will be provided to the April Committee.

- 1.3.4 Meetings are being set up with key stakeholders to take forward other proactive work in the 2016/17 Audit and Fraud Plan. A more comprehensive update on progress, key areas of fraud risk and work planned or undertaken will be provided to the April Audit Committee.

## **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.
- 1.4.2 In 2016/17 to date, the Fraud Team have closed 270 cases (this includes those carried over from the previous year) and received a total of 261 referrals including NFI; there are 39 ongoing investigations. The total amount of income due as a result of investigations to end of December is £55,037.31 with increased annual liability of £39,962.27. **[Annex 3]** summarises the results of investigations concluded in 2016/17 to date.
- 1.4.3 We issued the first Single Person Discount Caution given by Tonbridge & Malling Borough Council and we also charged a penalty on 2 concluded council tax reduction support investigations plus a further penalty following a DWP investigation.

## **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.
- 1.5.3 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. 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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