

<b>Item No.</b> 7.	<b>Classification:</b> Open	<b>Date:</b> 27 February 2017	<b>Meeting Name:</b> Audit, governance and standards committee
<b>Report title:</b>		Progress report on the work of the internal audit and anti-fraud teams for the period 18 October to 31 January 2017	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee note the progress report on the work of the internal audit and anti-fraud teams for the period 18 October 2016 to 31 January 2017.

## BACKGROUND INFORMATION

2. The progress reports summarise the work undertaken by the anti-fraud and internal audit teams to date relating to on-going anti-fraud initiatives and investigations and the results of internal audit work where final reports have been issued.

### **Progress report on the work of internal audit and anti-fraud for the period 18 October 2016 to 31 January 2017**

#### **Internal audit progress**

3. The following section sets out the internal audit assurance for the reports finalised in the period 18 October 2016 to 31 January 2017. The definitions of the assurance levels that have been awarded depending on the audit findings, associated risk and consequently the number of high, medium and low recommendations, are as follows:

<b>Assurance level</b>	<b>Opinion</b>
<b>Red</b>	Taking account of the issues identified, the council cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed. (This is a negative opinion)
<b>Amber / Red</b>	Taking account of the issues identified, whilst the council can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed. (This is a positive opinion)
<b>Amber / Green</b>	Taking account of the issues identified, the council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

Assurance level	Opinion
	(This is a positive opinion)
<b>Green</b>	Taking account of the issues identified, the council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. (This is a positive opinion)

4. The priorities of the recommendations made are:

Priority	Description
<b>High</b>	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
<b>Medium</b>	
<b>Low</b>	
<b>Suggestion</b>	These are not formal recommendations that affect our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

### Summary

5. The following table sets out the areas of work where reports have been finalised and the assurance levels achieved for the period to 31 January 2017.

Audit area	Red	Amber / Red	Amber / Green	Green	Totals
<b>Corporate audits</b>	0	1	1	0	2
<b>Departmental audits</b>	3	5	5	1	14
<b>IT audits</b>	0	2	0	0	2
<b>Key financial systems</b>	0	1	2	0	3
<b>Thematic reviews*</b>	0	0	4	1	5
<b>Totals</b>	3	9	12	2	26

\* The thematic audit figures include the overarching report for the council plus four reports issued to individual services.

6. The progress made in the implementation of the recommendations is monitored through the internal audit follow-up process and will be reported to the audit, governance and standards committee.

## Individual reports completed from 17 October 2016 to 31 January 2017

### Corporate audits

#### Governance

7. Two areas were reviewed as part of this audit, encompassing all departments of the council: schemes of management and risk management. In respect of the council's schemes of management these were not being maintained by departments, to ensure that they reflect the actual organisational structure of the council and accurate information on post holders with delegated authority. In four out of the five departments the schemes of management were not up to date. This is an area of governance control that has been raised in previous internal audit reports. In respect of risk management, the council does not have assurance that all risks have been identified and are being adequately controlled and monitored. The children's and adult's department had not been liaising with the corporate risk and insurance team and were not using the council's risks recording software, JCAD. Therefore, the corporate risk and insurance team does not have a record of all recorded risks in the council to enable a review to ensure all have been identified, mitigated as required and monitored. The latter issue has already been addressed and management agreed to implement all of the recommendations made by the end of May 2017.

Report issued:	Recommendations:				Assurance level:
30 November 2016	- Schemes of management	High: 2	Medium: 0	Low: 3	Amber/Red
	- Risk management	High: 1	Medium: 1	Low: 3	

#### Capital funding

8. Overall the controls in place in respect of monitoring and reporting of the capital programme were found to be complied with; however instances where controls could be further improved have been identified. Three medium recommendations were raised in relation to: documented roles and responsibilities of staff involved in monitoring and reporting of the capital programme; the need for an alternative process for evidencing monitoring of capital projects in the chief executive's department in the absence of a formal board and the need for project managers to be clearly stated for all capital projects. Low recommendations were made to further improve the design of controls in place and address minor lapses in compliance with existing controls. Management agreed to implement all of the recommendations by June 2017.

Report issued:	Recommendations:			Assurance level:
20 January 2017	High: 0	Medium: 3	Low: 2	Amber/Green

### Departmental audits

#### Client affairs

9. We identified that the control framework with regards to client affairs (deputyships and appointeeships) needed a fundamental review and key controls that should be in place reinstated. We found that the key control around reconciliation of client accounts had not been completed in full for the latest period, and there was a lack of control with regards to house visits to collect clients' possessions and recording of and review of financial items held on behalf of clients by the council. Two high and three medium

recommendations were made to address these issues. Low recommendations were made to further enhance the controls in place and improve documentation maintained with regards to clients. Management agreed to implement the high recommendations by the end of December 2016 and the remaining medium and low recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 2	Medium: 3	Low: 4	Red

### Deprivation of liberty

10. The deprivation of liberty team broadly complies with the key processes, assessment and authorisations required in respect of deprivation of liberty cases. However the team has regularly been missing statutory and locally set deadlines with respect to applications. The high recommendation was directed at addressing the issues raised in this regard. However, we note that although the council is experiencing difficulties in meeting statutory deadlines, comparisons with other councils show that Southwark Council is one of the better performing councils in the country and meeting the statutory deadlines is a national problem. We have already confirmed that the low recommendation has been implemented and management agreed to implement the high recommendation by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 1	Medium: 0	Low: 1	Amber/Red

### Pupil registry systems

11. The pupil registry systems have a set of robust processes and controls which allow the team to accurately capture pupil information during the school census and when receiving information from schools on which to update council systems. However, the processes and controls were not fully documented, leading to a reliance on local knowledge and key staff. The documentation needed also to reflect the introduction of new processes and a new e-form for the communication of changes in pupil circumstances from schools to the council in response to updated regulations from the Department for Education in September 2016. Two low recommendations were made to address the need for formal procedural documentation. Management agreed to implement the recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium:	Low: 2	Green

### Public health

12. Overall, although there is a strong framework in place, the audit highlighted that compliance can be improved. Four medium recommendations were raised to reflect the need to increase the number of value for money reviews to be undertaken, to ensure frequency of contract monitoring is increased for relevant contracts and action plans created, to monitor the performance of the tripartite agreement against a set business plan, and to consult with the board prior to the commissioning or renewal of contracts on behalf of Southwark. Low recommendations were raised to reflect minor compliance issues. Management agreed to implement all recommendations by the end of July 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 4	Low: 6	Amber/Green

### Funding panels

13. From our review of three funding panels: community services, learning disabilities and transition, and adult mental health services personalisation and placements, we found a generally sound framework for decision making by the panels. However in two cases the criteria against which the panels make decision was not documented, a medium recommendation was raised to address this point. The other three medium recommendations related to the need to strengthen the terms of references for the panels, approval of the revised terms of reference for the community services terms of reference and retention of key documents relating to the decisions made. Low recommendations were made to address minor compliance issues and to improve the recording and retention of supporting documentation. Management agreed to implement all of the recommendations by March 2017.

Report issued:	Recommendations:			Assurance level:
30 January 2017	High: 0	Medium: 4	Low: 7	Amber/Green

### Mosaic

14. Two audits have been carried out on the project management and governance arrangements in respect of the implementation of the council's new social care case management system, Mosaic.

### Mosaic phase one – children's services

15. In respect of Mosaic phase one - children's services, our review highlighted areas of lessons learned from the first phase, primarily relating to insufficient and routine project management and risk management. Our recommendations were grouped into three areas: priority issues in respect of phase one that should be addressed with respect to phase two – adults' services, lessons learned applicable to phase two and good practice to guide future projects, including system implementation. Priority issues identified from the audit related to inadequate reporting and monitoring of project risks and project status and no evidence of checks on the system back-up testing of client records by the provider. Lessons learned applicable to phase two included one high recommendation in respect of a lack of evidence with regard to the planning of and issues arising from data migration. Medium recommendations were also raised to address weaknesses in respect of a lack of formal succession planning, no formal training strategy and checks to ensure that all users were proficient in the use of mosaic in their role and a lack of support to staff in resolving queries around the system. Low recommendations have been made for predominantly administrative issues or minor lapses in compliance with existing controls. We noted that since the initial issue of the draft for discussion audit report that implementation of some of the actions raised has been undertaken for Phase 2 of the project (see below).

Report issued:	Recommendations:			Assurance level:
19 July 2016	High: 1	Medium: 9	Low: 3	Amber/Red

### Mosaic phase two – adults' services

16. In respect of Mosaic phase two – adults' services, we found significant improvement in the governance framework and project management arrangements over the project. In

addition, a more significant role has been undertaken by service managers within adult services in system testing and identifying issues as the system was being implemented and tested and once it went live. However, the second report highlighted some issues that still need to be addressed. Four medium level recommendations were made in relation to ensuring an audit trail of risks, both open and closed, not evidencing authorisation to “go live” following testing, not undertaking a final report following correction of data which failed to migrate and the absence of formal agreement to the approach to training to establish the responsibilities of the various parties. Low recommendations were made for predominantly administrative issues or minor lapses in compliance with existing controls. There are plans for a full post implementation review to be undertaken in 2017 which is to be agreed and plan in conjunction with the children’s and adults systems board. Management agreed to implement all recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 4	Low: 5	Amber/Green

### Youth and play service

- Overall there was a severe deficiency of controls in place in respect of the council’s youth and play service. As a result of the lack of controls surrounding income collection there is an inability to trace and quantify the total income collected or expected. Six high recommendations were made to address fundamental weaknesses in respect of the following areas: commissioning of service providers; approval of fees and charges for 2016-17, inaccurate application of approved fees and charges for 2015-16, an absence of overarching procedures outlining processes surrounding the collection and recording of income, incomplete booking logs and records of cash transactions; and lack of reconciliations to confirm accuracy of income collected and banked. Seven medium recommendations were made in relation to: inability to evidence rationale behind VAT discounts; lack of sign-in and out book to confirm use of facilities; inadequate cash collection, recording, banking and reconciliation processes relating to income; lack of safe logs; and absence of local list and rotas of staff and volunteers at each centre. Low recommendations were made to address minor weaknesses in the design of existing controls or minor lapses in compliance with existing controls. The youth and play service has been going through a transition, moving from children’s and adults to environment and leisure in July 2016, and work has been on-going to put in systems and processes which will be looked at in the follow-up review. Management agreed to implement all recommendations by the end of January 2017 with the exception of one medium recommendation due to be implemented in April 2017.

Report issued:	Recommendations:			Assurance level:
21 November 2016	High: 6	Medium: 7	Low: 2	Red

### Pension administration

- A further audit of pension administration was undertaken in light of findings arising from the audit undertaken in 2015-16. The audit focussed on the controls over additional voluntary contributions, annual benefits statements and admitted bodies. The audit confirmed that the controls in place relating to the communication and application process for AVCs and in respect of the approval of contribution rates for admitted bodies were adequate and operating as intended. However, sample testing and discussions with management highlighted areas of weaknesses which could impact upon the accuracy of the pension data held by the council and consequently payments made based on this information. Two medium recommendations have been made to

strengthen controls in respect of the administration of additional voluntary contributions (AVCs). Sample testing identified instances where AVC request values could not be reconciled to payment values. Evidence of AVC requests, whether by email or application, was identified as not always being retained in order to confirm accurate deductions from employee payslips. The 2015-16 pension administration review also highlighted instances where this evidence had not been retained. One other medium recommendation was made in relation to need for appropriate documentation to be retained relating to the verification of underlying data held on the council's pensions system (Altair). Low recommendations have been to further improve the design of controls in place and address minor lapses in compliance with existing controls. Management agreed to implement all recommendations over the course of the year until August 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 3	Low: 5	Amber/Green

### No recourse to public funds

19. There was evidence from the processes examined that over the course of the last twelve months there has been on-going development and tangible improvement with the design and application of controls. The centralisation of the administration team with clear lines of responsibility has been key to progressing these developments. Improvements are particularly evident in the documentation and recording of new walk-in cases and in the controlled payment of fortnightly subsistence payments to clients. We identified however a number of key control weaknesses that impact on our ability to provide the council with assurances that expenditure is fully protected and that information held is likely to be accurate and complete. A number of these weaknesses (and associated risks) are well understood by the NRPF team and reflect the fact that the development of the structures and processes was very much 'work in progress' at the time of the audit. Three high recommendations were made relating to the need for a single point of reference case management systems to support the information and full reporting on the NRPF total caseload, monthly reporting and data analysis to support budgetary forecasts and commitment accounting, and improvements in controls to avoid duplicate payments of invoices being processed. The latter recommendation has been implemented and work is underway with regard to the other two high recommendations and a number of medium recommendations. To allow time for the new systems, processes and controls to become routine practice, a formal follow up of the implementation of all recommendations will be carried out in October 2017. In the interim, internal audit will continue the dialogue with the NRPF to ascertain the status of and support the implementation of the recommendations.

Report issued:	Recommendations:			Assurance level:
23 November 2016	High: 3	Medium: 4	Low: 1	Red

### Tenancy Management Organisations (TMOs)

20. Whilst there was a strong control framework in place regarding the monitoring of the Tenancy Management Organisations, compliance issues with these controls were identified throughout the audit. Eight medium recommendations were made to reflect; the need to retain evidence to support that monitoring spot checks and visits to validate monitoring information were being undertaken and that monitoring reports were discussed at committee meetings, or the type and amount of guidance being provided. This also included whether action plans were created to address when targets were missed, insufficient recording of committee meetings not attended and the scrutiny of meeting minutes, inconsistencies in the council held repairs spreadsheet and the

management agreements in regards to repairs. It was also noted that there should be increased financial training for officers to increase the skills base of officers and the allowances should be evidenced as reviewed. Three low recommendations were made to reflect minor compliance and administrative errors. Management have agreed to implement all recommendations by the end of April 2017.

Report issued:	Recommendations:			Assurance level:
7 November 2016	High: 0	Medium: 8	Low: 3	Amber/Red

### Housing solutions - homelessness

21. Overall, there is a strong control framework in place. However, inconsistencies and a lack of compliance in the application of these controls were highlighted throughout the audit. Eight medium recommendations were made to address: approval prior to the issuing of decision letters, use of the passport scanner and documentary evidence to support performance statistics reported. Additionally, the recommendations address the need for the completion and retention of housing applications, iWorld notes and supporting application documents and evidence. A further recommendation was raised to reflect the need for increased fraud awareness, particularly in regards to benefit fraud. Low recommendations were raised to reflect minor compliance and procedural issues. Weaknesses in relation to temporary accommodation and notifications were also identified; however, these are to be considered in more depth as part of the temporary accommodation audit in February 2017. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 8	Low: 6	Amber/Red

### Sales and acquisitions – right to buy

22. Overall the controls in place in respect of right to buy sales and acquisitions were found to be suitably designed; however areas of non-compliance were identified from sample testing undertaken. Additionally, we identified that there is risk of human error occurring as a result of most processes being manual and multiple mediums used to maintain records. One high recommendation was made in respect of the incorrect discount being applied when calculating the sales price of a property. As a result of this error and insufficient check on the accuracy of the discount calculated and applied prior to sign off, the council suffered a loss of income totalling £26,600. Four medium recommendations were made in relation to the retention of signature check forms, appropriate sign off of valuations prior to inclusion in s125 notices to tenants, and monitoring of timescales and maintenance of records. One low recommendation was raised to address a minor lapse in compliance with existing controls. Management agreed to implement all recommendations by the end of November 2016.

Report issued:	Recommendations:			Assurance level:
23 November 2016	High: 1	Medium: 4	Low: 1	Amber/Red

### Registrars – income

23. There was an inconsistent application of the controls that were in place. Five medium recommendations were made to address the need for; a safe log to be in place, income collected to be verified on a daily basis, a log of all z reports to be in place, the key to the safe to be securely stored, income collected to be banked as early as

possible, retention of banking slips, daily total sheets to be signed by officers and management and reconciliations carried out between the banking slips returned and the daily total sheets. Low recommendations were made to reflect the need for greater procedural guidance and reviews of compliance. Due to the closure of the Bullion Centre on 21 November 2016, there will be changes in the processes involved in the banking of income collected. These new processes will be reviewed as part of the follow up audit that will be undertaken. Management has agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 5	Low: 3	Amber/Green

## IT audits

### Cyber security

24. Whilst a range of key controls have been designed to manage the council's network security and cyber security arrangements, a number of improvements are required to the overall IT security framework. We made two high recommendations relating to: the lack of a council-wide information security management system, based on the best practice management controls incorporated in the ISO 27001:2013 standard; and the absence of a robust backup solution covering all key business systems. There is an increased risk that the council will not be able to restore business critical systems and data in the event of systems and data loss resulting either from systems failure or cyber-attack. We have made eight medium recommendations relating to: the lack of correct scoping in the council's software most recent vulnerability review, conducted in March 2016; an absence of clear action planning closure arising from network penetration test and software vulnerability health checks conducted in 2015 and 2016; the lack of a comprehensive set of information security policies which have been made readily available to all council staff; the absence of records confirming that all staff understand and have agreed to adhere to the council's information security policies and procedures, and processes for existing staff to undertake regular information security refresher training during their employment; the lack of a council-wide information asset register (as previously reported); a lack of communication processes to Capita and other key IT service suppliers regarding the council's standards regarding the user account creation, changes and disablement/deletion; the absence of a documented policy regarding the use of cryptography in safeguarding data; and the absence of appropriate audit logging arrangements, combined with monitoring and review processes. Management agreed to implement all of the recommendations by December 2017.

Report issued:	Recommendations:			Assurance level:
17 January 2017	High: 2	Medium: 8	Low: 2	Amber/Red

### PCI compliance management

25. Whilst a number of controls regarding Payment Card Industry Data Security Standard (PCI DSS) compliance management to date were found to be adequately designed, a range of improvements are required to ensure progress towards full compliance with the standard is managed efficiently and effectively. We made two high recommendations, due to: the absence of a formal project framework for managing the PCI compliance process, including the allocation of project roles and responsibilities; and a lack of a comprehensive, documented analysis of all systems and departments across the Council that process debit and credit card information, to ensure that they

are all included within the PCI DSS self-assessment process and consequently compliant with the standard. We also made three medium recommendations, due to: the lack of a formal action plan to address areas of non-compliance in the latest completed quarterly report to WorldPay; the lack of sign off of the questionnaire required to achieve full PCI DSS compliance; and the absence of documentation within plans of all agreed dependencies affecting PCI DSS compliance. Management agreed to implement all of the recommendations by April 2017.

Report issued:	Recommendations:			Assurance level:
17 January 2017	High: 2	Medium: 3	Low: 0	Amber/Red

## Key financial systems

### Council tax

26. Overall the council tax team have well established procedures in place that support compliance with the control framework. Two medium recommendations were raised to address the lack of controls surrounding access levels in Northgate, with particular focus on abilities of staff residing in the borough. Whilst there are compensating controls in place, such as spot checks, to monitor transfers and awards, these only focus on a percentage of overall transactions undertaken within a period. Therefore, there is the risk of fraudulent transactions being undertaken in respect of council tax accounts of those staff residing in the borough. A further four medium recommendations were made in regards to: retention of discount and exemption requests; authorisation of disregards and refunds; retention of evidence to substantiate write-offs; and updating Northgate to reflect processing of write-offs. Low recommendations were made to address minor lapses in compliance with existing controls. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
10 November 2016	High: 0	Medium: 6	Low: 5	Amber/Green

### Housing rents

27. In the main an adequate control framework is in place for the raising, monitoring and collection of housing rents from council tenants. The majority of issues arising from the audit related to non-compliance with controls. Comprehensive document retention remains an issue as well as a high number of staff having access rights to amend property details. One medium recommendation was made around the need to review access rights and permissions for staff to be able to amend property and rent details. This was reiterated from the 2014-15 and 2015-16 internal audits. Two further medium recommendations were made in regard to the need for a formal reconciliation between the budget rent spread sheet and the IT stock report download and the need for secondary checks on transactions before monies are transferred. Low recommendations were made around minor compliance or control issues. Management agreed to implement all recommendations by the end of February 2017.

Report issued:	Recommendations:			Assurance level:
29 November 2016	High: 0	Medium: 3	Low: 7	Amber/Green

## Housing benefits

28. A lack of compliance with the control framework with regards to write-offs and manual adjustments was identified from the audit along with consistency issues in the processing of claims. The audit also identified that the control framework for both housing benefit payments and the universal credit pilot require strengthening. One medium recommendation was made in respect of one write-off payment with a value of just over £5,000 being administered without adequate authorisation (the case related to a deceased applicant). We have recommended that if the process is not to be followed for sensitive cases, this should be approved at the appropriate level in line with the corporate write-off policy. A further four medium recommendations have been raised in relation to: access to annual parameter data; consistency in recovery action of overpayments; consistency in completion of manual adjustment proforma; and consistency in required recovery action prior to writing off a balance. Low recommendations have been made to further improve the design of controls in place and address minor lapses in compliance with existing controls. Whilst good progress had been made in implementing recommendations made in the 2015-16 housing benefits audit, there were two medium category recommendations outstanding in relation to manual adjustments and reconciliation of write-offs. Management agreed to implement all recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
27 October 2016	High: 0	Medium: 7	Low: 7	Amber/Red

## Other Income

29. As part of Southwark Council's objective to remove cash handling by 2017, a review of the results of the seven internal audits undertaken as part of the plans from 2015-16 and 2016-17 was undertaken to identify themes in the issues identified and summarise the recommendations made that related to cash handling processes. The audits have identified a range of findings with regards to the safeguarding of cash collected by services across the council and we have generally found a lack of controls to mitigate the risks of fraud and financial loss. The recommendations made by internal audit have routinely focused upon the need for better record keeping, reconciliation of cash to records held and council systems, and for improved security of cash held on site. Whilst we acknowledge that the materiality of the potential loss of cash is decreasing as the number of areas moving to alternative forms of online and / or electronic payments for council services increases, awareness and training may be required in those services where cash continues to be collected due the nature of services provided or the service users using those services. The main areas where control required improvement were in respect of banking of income, storage of income and the accuracy of fees charged.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: n/a	Medium: n/a	Low: n/a	N/A – summary report

## Thematic reviews

### Access to services – changes of circumstances - summary

30. This was a thematic review looking at practices across the council in regards to the verification of information relating to applicants when their circumstances change that may give rise to a discontinuation or change in the council's services granted to individuals. We found that there are control frameworks in place to capture a change in

circumstances but an inconsistent approach in completing, authorising and retaining official forms and support information which evidences the reason for the change. The main issue identified was the service-focussed approach to changes in circumstances, without the identification of other services that data might appropriately and usefully be shared with, consideration of the data protection legislation implications of the sharing of data and the reconciling of information held across the council on individuals / service users and businesses. One medium and four low overarching recommendations were raised to address the issues raised above. The council's corporate governance panel has taken an overview role in respect of the issues identified in the report, and internal audit is working alongside management to support future developments.

Report issued:	Recommendations:			Assurance level:
30 November 2016	High: 0	Medium: 1	Low: 4	Amber/Green

31. In addition to the summary report above, individual reports were also issued to the services involved in the thematic review and management action plans have been agreed to the specific recommendations made, as set out in the paragraphs below.

#### **Access to services – changes of circumstances – council tax**

32. The council tax service has a change in circumstances process in place but is failing to be consistent in applying it by not retaining relevant documentation on the system or establishing and using data available within the council to confirm data held. We made one medium level recommendation with regards to student exemption in that once a student's application has been verified for an exemption there are no further checks on the validity of their claim. Two low recommendations were made over the potential risk that inconsistent data is held on the council tax system as the team have not identified not identified other services, apart Housing Benefits, who may hold relevant data on tenants or residents that could be used to check exemptions or data held is correct. Also changes in circumstances documentation form or supporting evidence not being retained. Management agreed to implement all of the recommendations by the end of January 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 0	Medium: 1	Low: 2	Amber/Green

#### **Access to services – changes of circumstances – NNDR**

33. The NNDR service has a good control framework to update data on the system following receipt of evidence of a change in circumstances. However, it was established that there are no links between council services that capture data on businesses in the borough and therefore the council is not ensuring that it has a consistent record of or actually knows of each business in the borough. One medium and recommendation and one low recommendation have been raised to address this. Management agreed to implement the recommendations by the end of April 2017.

Report issued:	Recommendations:			Assurance level:
24 November 2016	High: 0	Medium: 1	Low: 1	Amber/Green

### Access to services – changes of circumstances – housing benefits

34. The housing benefit team has a good control framework in place for dealing with changes in circumstances however there are some issues to address over data sharing. Three low recommendations were made to address version control of the policy in place, updating records from information received on a timely manner and establishing if reports from DWP and HMRC can be shared with other services. Management agreed to implement all of the recommendations by the end of February 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium: 0	Low: 3	Green

### Access to services – changes of circumstances – residential services

35. The housing and modernisation department needs to review its current practices over changes in circumstances and data sharing to ensure it meets data protection legislation and ensures the flow of information is controlled. We made three medium recommendations with regard to data sharing within the council, authorisation of combined tenancy forms and retention of supporting documentation. Management agreed to implement all of the recommendations by the end of March 2017.

Report issued:	Recommendations:			Assurance level:
28 November 2016	High: 0	Medium: 3	Low: 1	Amber/Green

### Follow up work

#### Summary

36. Since our last report to committee we have followed up 68 recommendations. Of these: 47 (69%) have been addressed and 21 (31%) were in progress.
37. Where recommendations have not been implemented at the time of the initial follow-up review revised implementation dates are agreed with management and a further follow up review is scheduled.
38. The following high recommendations had not been implemented within three months of the agreed deadline.

Audit	Recommendation and results of follow up
Multi-agency safeguarding hub	<p>Recommendation - a membership application form should only be processed and access granted to the MAISy system once the form has been completed correctly and the appropriate signatures are present.</p> <p>Original implementation date – August 2016</p> <p>Follow up results - a sample of five new starters was selected and the application forms reviewed. It was found that in two instances, the application had not been approved by the multi agency safeguarding hub manager.</p> <p>Next follow up – February 2017</p>

Audit	Recommendation and results of follow up
Special guardianship orders	<p>Recommendation - a fundamental review of the SGO procedures, control framework and flow of information should be carried out. This needs to include the three teams involved in the SGO process to discuss ways in which cross team processes and communications can be enhanced to ensure that work is not duplicated and that sufficient and relevant information is being gathered and passed on efficiently. This should include a discussion on standardising the type of documents needed and apportioning responsibility for collecting each type, as well as setting out clear guidance for the regular review of the continuing validity of SGO payments being made. The new Kinship document and associated procedures and flowcharts should be regularly (at least annually) reviewed and ratified.</p> <p>Original implementation date – June 2016</p> <p>Follow up results – a comprehensive review will be undertaken to restructure SGOs and to update procedures and the kinship document. An SGO working group has been set up to review the position of SGOs within the council. Final recommendations should be presented to the permanence task force by November 2016.</p> <p>Next follow up – February 2017</p>
Learning disability payments	<p>Recommendation - For all learning disability care packages the learning disabilities team should ensure that all funding panel documents are scanned and retained on CareStore until such a time they are sitting within Mosaic, and where applicable, all funding panel documents are scanned and retained on CareStore (Mosaic once operational).</p> <p>Original implementation date – August 2016</p> <p>Follow up results - Only approximately a quarter of cases had been subject to funding panel review at the time of the follow up audit. Management has requested a follow up of this recommendation in April 2017, when current packages will have been reviewed.</p> <p>Next follow up – May 2017</p>
Income management – libraries	<p>Recommendation – The Kingswood House manager should liaise with the financial control and processes team to devise a practical system of issuing invoices to tenants in a timely manner (and subsequently chasing any aged debts). The Kingswood House manager should also ensure that aged debts are logged and recorded and a procedure should be drawn up to dictate when and how these debts should be chased.</p> <p>Original implementation date – August 2016</p> <p>Follow up results - A sample of five tenants was selected. It was found that invoices had been issued to all, however were not</p>

Audit	Recommendation and results of follow up
	raised prior to the payment date stipulated in the tenancy agreements. It was explained by the Kingswood House manager that this was due to the manager being on annual leave. Next follow up – February 2017

39. We will continue to report all instances where high level recommendations have not been implemented by their due dates. If the implementation date is exceeded by more than three months, this will be reported to the committee.

### Key performance indicators

40. The following table identifies the key performance indicators which are used to monitor the contractor and the service's performance:

	Target to 30 November 2016	Actual to 30 November 2016
<b>% of audits from the plan completed to draft report stage</b>	<b>100%</b>	<b>100%</b>

41. As mentioned at the previous committee our contract with RSM ended on 30 November 2016. I am pleased to confirm that RSM completed their assigned programme of work to draft by 30 November 2016, and that all reports have now been finalised and summarised above. The table below sets out projects completed.

Area	Original audit plan	Added	Cancelled
Corporate audits	2	0	0
Departmental audits	18	0	0
Key financial systems	5	0	0
IT audits	2	0	0
Thematic reviews	1	0	0
Schools	16	0	0
<b>Totals</b>	<b>44</b>	<b>0</b>	<b>0</b>

### Summary performance against KPIs

	Target performance	Actual performance
<b>% of returned audit satisfaction survey forms achieving an overall score of 'adequate' or above. A minimum of 15% returns is required</b>	<b>75%</b>	<b>80%</b>

	Target performance	Actual performance
% of recommendations in draft report accepted by audit sponsor / owner	90%	98%
% of high rated recommendations implemented by agreed implementation date	85%	50%

42. Implementation of high recommendations is below target at 50%; this represents seven recommendations that were not implemented by the due date. This is an area of continuing focus and we will continue to work with our new provider BDO and stakeholder services to improve.

### Anti-fraud

43. This section of the report provides an annual review of the anti-fraud work conducted between 1 April 2016 and 31 January 2017.

44. The anti-fraud team work is split in to two categories:

- Reactive work, which is the response to reports and allegations of fraud.
- Proactive work, which includes initiatives to identify fraud and to prevent fraud.

45. The anti-fraud work is conducted by two anti-fraud teams, who are:

- Anti-fraud services based in Finance and Governance, which investigates all cases involving the council's employees, agents, contractors, anyone else conducting business for or with the council, and members of the public. There are multiple types of fraud this could include, some of which are theft, council tax fraud, significant financial fraud, procurement fraud, grant fraud, national non-domestic rates fraud or evasion, false documents, identities and applications, and immigration offences.
- The special investigation team based in Housing and Modernisation, which investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy.

### Reactive anti-fraud work

46. The number of referrals received through the council's website, fraud email, fraud hotline and by letter for the two anti-fraud teams between 1 April 2016 and 31 January 2017 was 992.

47. Table 1 shows the number of cases that have resulted in a successful sanction for each of the two anti-fraud teams from 1 April 2016 to 31 January 2017.

**Table 1 – Sanctions**

Anti-Fraud Team	Number of Sanctions 16-17	Number of Sanctions 15-16
Anti-fraud services	15	15
Special investigations team	52*	46
Total	67	61

\*Housing management has recovered an additional 64 properties, and the special investigations team has undertaken an additional 15 preventative actions, which can include a right to buy being stopped or a tenancy succession claim being cancelled, for example.

### Proceeds of Crime Act

48. The Proceeds of Crime Act 2002 (POCA) provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK. This work acts as an important deterrent to show that crime against the council does not pay.
49. Between 1 April 2016 and 31 January 2017, work in this area, which has included Operation Bronze and Operation Strike, has resulted in the courts recognising that those we have prosecuted have benefited from their criminal conduct to the value of £837,523. This is compared to £97,628 awarded for the same period in 2015-16. A total of £73,476 has also been received from the proceeds of crime work during this period from available assets, against an income target of £125k.

### Proactive anti-fraud work

#### National Fraud Initiative (NFI)

50. Data for the 2016-17 biennial NFI cycle has been submitted to the Cabinet Office. The initial matches were released on 26 January 2017 and progress on investigations will be reported to committee in due course.

### Anti-money laundering and Right to Buy

51. The council has introduced additional forms to check the veracity of sources of funding in order to purchase properties under the right to buy scheme.
52. Between 1 May 2016, when the forms to check on potential money laundering were sent to applicants at the offer stage, and 31 January 2017, 118 forms have been sent. The following outcomes have been recorded for this period:

Outcome	Number
Funded from legitimate sources	51
Withdrawn by applicant on receipt of the money laundering form	5
Withdrawn following consultation with the council based on the information provided on the form.	1
Possible housing benefit fraud (referred to DWP)	4
Possible tenancy fraud (referred to housing special investigation team)	17
Under review and/or additional information requested	40

### **Fraud and verification**

53. Since August 2016, two fraud and verification officers have joined anti-fraud services from housing options to complement the team. Their primary role is to check the veracity of waiting list and homelessness applications which have raised a cause for concern, and conduct a review to enable housing management to make an informed decision on the applicant's eligibility to remain on the housing register.
54. Since 1 April 2016 to 31 January 2017, 195 applications which have been referred to the team have been reviewed, of these 113 have been recommended for removal removed from the housing register and 95 have been recommended as being bona fides.

### **iLatch**

55. As previously reported to committee, the council with a partner IT development company pioneered an online tenancy verification system to help in the fight against housing fraud, called iLatch.
56. iLatch has been shortlisted in the 'most innovative housing app/online tool' category in the Housing Innovation Awards 2017.
57. The Housing innovation awards, now in its sixth year, is all about celebrating that pioneering spirit and highlighting examples of inventive and original schemes and services.

### **Policy implications**

58. This report is not considered to have direct policy implications.

### **Community impact statement**

59. This report is not considered to have direct impact on local people and communities.

### **Resource implications**

60. This report is not considered to have direct impact on resource implications.

### **Consultation**

61. Consultation has not been undertaken.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

62. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

## APPENDICES

No.	Title
None.	

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Mike Pinder, Head of Anti-Fraud and Internal Audit	
<b>Version</b>	Final	
<b>Dated</b>	6 February 2017	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	N/A	N/A
Director of Law and Democracy	N/A	N/A
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		6 February 2017