

Audit and Governance Committee

31 January 2007

Report of the Assistant Director of Resources (Audit & Risk Management)

Audit and Fraud Mid-Term Monitor

Summary

- 1 This report provides details of the progress made in delivering the internal audit and fraud work plan for 2006/07.

Background

- 2 The work of Internal Audit is governed by the Accounts and Audit Regulations 2003 (as amended) and the CIPFA Code of Practice for Internal Audit in Local Government. In accordance with the Code of Practice, the 2006/07 Audit and Fraud Plan was approved by the Audit and Governance Committee on 6 June 2006. The Plan included a programme of audit reviews and details of planned counter fraud activities. The total number of planned audit days was 1,340. However, there were still insufficient resources in the Audit team to allow all the systems or areas identified through the 5 year Strategic Audit planning process to be audited. As with previous year's Audit Plans, priority was therefore given to 'high' and 'medium' risk areas. The counter fraud activity plan was based on the resources available to the Fraud Team. The total number of days allocated to counter fraud activities in 2006/07 was 1,200.
- 3 In addition to the shortfall between available resources and the Strategic Audit Plan there was also a shortfall of 90 days against the total number of days included in the Audit Plan. It was proposed that this excess would initially be accommodated by variations which might occur during the year. However, it was also recognised that priorities would need to be reviewed during the year if this was not possible or if additional resources were not made available to the Internal Audit team.
- 4 It was also recognised that changes would need to be made to the Audit Plan through the year as a result of new or changed priorities and/or as new risks were identified. Any variations to the Audit Plan would be approved by the AD (Resources) ARM and then reported to the S151 Officer and the Audit and Governance Committee.
- 5 The Counter Fraud Activity Plan included details of;

- planned activities, including fraud detection and investigation;
- fraud awareness and training;
- proactive fraud work;
- joint working with other counter fraud agencies;
- resource allocation.

2006/07 Internal Audit Plan – Progress to Date

- 6 Two of the priorities for the service are to deliver at least 90% of the Audit Plan and to ensure that Internal Audit continues to retain its 'managed audit' status with the Audit Commission. These are the minimum requirements necessary to achieve a good score for internal control as part of the Use of Resources CPA assessment process.
- 7 Internal Audit successfully delivered 91.3% of the 2005/06 Audit Plan (compared to 90% in 2004/05). Whilst only 51% of the 2006/07 Audit Plan has been completed to date it is still anticipated that the 90% target will be achieved this year. This is because the current figures do not take into account a further 25% of audit fieldwork which is either complete or in progress. Details of the audits completed and the reports issued are given in Annex 1.
- 8 As noted in paragraphs 3 and 4 above, it has been necessary to make a number of variations to the Audit Plan to accommodate the shortfall in resources and to take account of changes in priorities. Details of the Audit Plan variations approved by the AD (Resources) ARM to date, are given in Annex 2. These variations take account of the 90 day shortfall in resources.
- 9 One investigation into a suspected financial irregularity within Neighbourhood Services has been completed in the year. In addition, 4 minor thefts and frauds have been investigated. Internal Audit has also undertaken two preliminary investigations following complaints received through the Council's Whistleblowing Policy. Annex 3 provides a summary of the audit findings for all the completed investigations together with details of the recommendations made to address any control weaknesses identified.

2006/07 Counter Fraud Activity Plan – Progress to Date

- 10 Counter fraud work has been undertaken in accordance with the approved Plan. Annex 4 provides a summary of the work completed. The majority of the work undertaken by the Fraud team during the year has continued to relate to the identification and investigation of suspected fraudulent Housing and Council Tax benefit claims. However, the team has also worked closely with Internal Audit on the internal fraud investigation detailed in paragraph 9 above. In addition, a number of other external fraud investigations have been conducted, including the identification of fraudulent blue badge use and Council Tax

single person discounts. Details of the investigations undertaken and, prosecutions and sanctions achieved in the year are given in Annex 5.

- 11 The Fraud team is also currently undertaking work on the Audit Commission's 2006/07 National Fraud Initiative data matching exercise. This is a national exercise which is undertaken every two years and is designed to detect fraud and error, particularly in respect of housing benefits, occupational pensions and student loans. Data from local authorities is matched against data provided by central government, the NHS and a number of participating private sector pension bodies. The data required by the Audit Commission was submitted by the due date of 13 October 2006 and the Fraud team is now waiting to receive details of the resulting data matches. In previous years, many of the initial data matches were found to be caused by erroneous data or simply timing differences between when the relevant datasets were obtained. It is expected that this will be the same this year, particularly as this exercise has included new datasets such as creditors and taxi driver licences. A number of the existing datasets have also been expanded to include new categories of data.

Consultation

- 12 Not relevant for the purpose of the report.

Options

- 13 Not relevant for the purpose of the report.

Analysis

- 14 Not relevant for the purpose of the report.

Corporate Priorities

- 15 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

- 16 The implications are;
 - **Financial** – there are no financial implications to this report.
 - **Human Resources (HR)** – there are no HR implications to this report.
 - **Equalities** - there are no equalities implications to this report.
 - **Legal** – the report includes details of prosecutions carried out during the year in accordance with the Council's Fraud and Corruption Prosecution Policy.

- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

- 17 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

- 18 Members are asked to;

- Note the results of the audit and fraud work undertaken to date in 2006/07.

Reason

To enable Members to consider the implications of audit and fraud findings.

- Note the variations to the 2006/07 Audit Plan, approved to date by the AD (Resources) ARM.

Reason

To enable Members to consider the delivery of the Internal Audit Plan.

Contact Details

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Report Approved



Date

18
2007

January

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- 2006/07 Internal Audit Plan
- 2006/07 Counter Fraud Activity Plan

Annexes

Annex 1 – Audits Completed and Reports Issued
Annex 2 – Variations to the Audit Plan
Annex 3 – Investigations into suspected fraud and corruption
Annex 4 – Counter Fraud Activity
Annex 5 – Investigations, Prosecutions and Sanctions (Housing and Council Tax Benefits)