

Borough Council of
**King's Lynn &
West Norfolk**



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

**Tuesday 27 May 2014
at 5.30 pm**

Meeting Rooms 1, 2 and 3
King's Court
Chapel Street
King's Lynn
Norfolk PE30 1EX



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Borough Council of
**King's Lynn &
West Norfolk**



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.
Telephone: 01553 616200
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16 May 2014

Dear Member

Resources and Performance – Audit and Risk Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 27 May 2014**, at **5.30 pm** in **Meeting Rooms 1, 2 and 3, King's Court, Chapel Street, King's Lynn, Norfolk** to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. Apologies for absence

To receive any apologies for absence.

2. Minutes

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on 29 April 2014 (previously circulated).

3. Declarations of Interest

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

4. **Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

5. **Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

6. **Chairman's Correspondence** (if any)

7. **Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Panel has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

At the Cabinet meeting held on 6 May 2014 the following responses were made to the recommendations from the Resources and Performance Panel meeting held 29 April 2014, on the following item:-.

Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and The Fraud Response Plan

That the Panel support the recommendations to Cabinet as follows:

RESOLVED: That Cabinet recommends that Council agree the proposed Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan and Whistleblowing Policy.

Cabinet Response: "The Panel's recommendations were duly taken into account when Cabinet considered the item."

8. **Q4 Progress Report** (pages 1 to 8)

The Committee are invited to note the report which shows the Internal Audit activity for the quarter January to March 2014 against the Strategic Audit Plan 2013/14.

9. **Corporate Risk Monitoring Report (October 2013 to March 2014)**
(pages to 9 to 18)

The Committee will receive the report which presents the changes to the Risk Register since the last monitoring report in October 2013 and gives details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

10. **Annual Report of Investigations Unit** (pages 19 to 26)

Members are invited to note the report which provides Members with information regarding the work undertaken during the 2013/2014 financial year and looks forward into 2014/2015.

11. **Audit and Risk Committee Work Programme** (pages 27 to 28)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

12. **Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Monday 9 June 2014**.

To: Panel Members – Councillors P Beal (Chairman), H Humphrey (Vice-Chairman), J Collop, P Cousins, I Gourlay, M Langwade, C Manning, A Morrison, J M Tilbury, A Tyler, D Tyler, G Wareham, T de Winton, A Wright and Mrs S Young

Portfolio Holders:

Agenda Items 8, 9 and 11

Councillor N Daubney, Leader

Agenda Item 10

Councillor Adrian Lawrence, Portfolio Holder for Housing and Community

Appropriate Officers: The following officers are invited to attend in respect of the Agenda item shown against their name:

Item 8: Kate Littlewood, Audit Manager
Item 9: Kate Littlewood, Audit Manager
Item 10: Sarah Munson, Fraud Investigations Manager

Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Press

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS:
Tel.: 01553 616252	
Email: kate.littlewood@west-norfolk.gov.uk	
OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 27th May 2014
Subject: Internal Audit Plan 2013/14 –progress report for the quarter January to March 2014.

Summary	This report shows the Internal Audit activity for the quarter January to March 2014 against the Strategic Audit Plan 2013/14.
Recommendation	Members are asked to note the report on the Internal Audit workplan for January to March 2014.

1.0 Introduction and Background

- 1.1 The Strategic Audit Plan 2013/14, endorsed by the Audit and Risk Committee on 26th March 2013, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirement under section 4(1) of the Accounts and Audit Regulations 2011 for the Council to ensure it has a sound system of internal control.
- 1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit and Risk Committee on the internal audit activity and performance relative to this plan.

2.0 Audit work in the quarter January to March 2014.

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are also sent to the Chief Executive, Deputy Chief Executive, the Chief Financial Officer and the external auditors, Ernst and Young. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.

2.2 *Reports issued during the quarter*

The following audits have been completed during the last quarter and reports issued as described above:

- **Creditors and Payments**
- General Ledger upgrade and Chart of Accounts
- **Business Rates Retention Scheme**
- **Council Tax, including Council Tax Support Scheme**
- **Inventories and Asset Management**
- Theatres
- Black bin recycling (MRF and Duratrust) Follow-up

A summary of the reports is attached as **Appendix 1** and the full versions are available under the relevant year to members of the Audit & Risk Committee on InSite.

2.3 *Work ongoing*

The following audits were ongoing at the end of the quarter and will be reported to the Committee in the next quarterly report:

- **Housing Benefits**
- **Car Parks**
- King's Court Shared Accommodation
- **General Ledger and Budgetary Control**
- Major Development Schemes
- Local Authority Company/ Trust
- Environmental Quality

The audits shown in bold are core audits.

2.4 *Other work carried out in the quarter*

Apart from the standard audits, Internal Audit also undertook other work during the last quarter including the following:

- Review and revision of the anti-fraud suite of documents.
- Review of the Amiens Project documentation in preparation for the external audit.
- Internal disciplinary investigation.

2.5 *Changes to the Audit Plan*

In February 2014 the Senior Auditor left the Council to retire early. He was a valued member of the team who specialised in IT audit and his services will be missed. The opportunity has been taken to increase resources by replacing the Senior grade, who worked 4 days a week, with an Auditor grade working full time.

The initial job advert and interviews planned failed to find a suitable candidate. The job was re-advertised in March 2014 and interviews held early in April. This time three excellent candidates were available and an appointment was made, of a very experienced and qualified auditor, currently working for the Home Office.

The new auditor will start on 1st August 2014 after giving 3 months notice. The delay in appointing a replacement will have an impact on the audit plan. At the moment the intention is to continue with the planned audits and re-assess the timings as required. Priority will be given to key audits and lower risk ones will be completed if time permits later in the year. If these are not completed by the end of the 2014-5 plan, they will be carried over to the next year's plan and given a higher priority.

The loss of the Senior Auditor's IT skills will be covered in two ways. Firstly it is intended to arrange an IT audit course in-house for all members of the team once the new Auditor has started, to raise the IT skills generally within the team. A reputable training provider has been contacted who provides such courses for up to ten people. The spare places on the course will be offered to colleagues at other Council's to reduce the overhead costs. Secondly, the current tender exercise for the audit contract with the South Norfolk Consortium includes an option for this Council to receive IT audit services if required.

3.0 Performance Indicators

3.1 Delivery of the Audit Plan – a target of 95% has been set to take in to account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table below summarises the position against the planned audits contained in the Audit Plan 2013/14.

2013/14 Status of Audits	Audit days used	Percentage of Plan (in days)
Completed and reported	294	70%
In Progress	73	17%
Removed from plan	59	13%
Planned for future quarters	0	0%
Total Planned Audits	419	100%

3.2 Audit Questionnaires returned with satisfactory scores – Satisfaction questionnaires are issued with the final report to the Executive Director for completion and return to the Audit Manager. Six questionnaires were issued in this quarter and at the time of writing the report three had been returned, all with satisfactory scores.

3.3 Planned audit time – a target of 68% has been set for the full year and for the year to date it has been 67%. This refers to the proportion of the total available time that is spent on planned audit work rather than management, training, general administration and holidays.

4.0 Work planned for the next quarter April to June 2014.

4.1 As well as completing the ongoing work listed in paragraph 2.3, including the project reviews, the following audits are planned for the next quarter:

Audit Title	Days
Procurement Review	8
Planning Support	10
Cemeteries and Crematorium	8
NORA – Joint Venture	10
Annual Governance Statement review	5
Water Management Alliance	5
PRP Calculation checks	3
Statement of Accounts review	5

5.0 Conclusion

- 5.1 Progress through the year has been satisfactory and will enable the Audit Manager to complete the Annual report to support the Annual Governance Statement as usual.
- 5.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed in Q4 2013-14	Overall Opinion
<p><u>Creditors and Payments</u> Report published in January 2014. There were 5 Medium recommendations:</p> <ul style="list-style-type: none"> • Staff should be reminded of the need to raise compliant orders and ensure they can be readily linked to the invoice. • Securely dispose of any manual order books that are no longer required. • Review access rights to the Creditors system as part of the General Ledger upgrade. • As part of the General Ledger upgrade, create a useable report to enable clear traceability of changes to suppliers standing data. • Ensure the reconciliation of the Creditor Ledger to the General Ledger is initialled and dated when completed. 	Substantial Assurance
<p><u>General Ledger upgrade and Chart of Accounts</u> Report published in January 2014. There was 1 Medium recommendation stating the need for a reconciliation between the master and transaction data on the old system and that appearing on the new system.</p>	Substantial Assurance
<p><u>Business Rates retention Scheme</u> Report published in January 2014. There were 2 Low recommendations to ensure the workflow tray in monitored, and establish if a report is available from Civica to review exemptions.</p>	Substantial Assurance
<p><u>Council Tax, including Council Tax Support Scheme</u> Report published in January 2014. There were 2 Medium and 1 Low recommendations. The Medium recommendations referred to the need to update the user security settings on the system, and to prioritise the outstanding visits relating to Council Tax accounts. The Low recommendation was to increase the level of monitoring of completed work.</p>	Substantial Assurance

Audits completed in Q4 2013-14	Overall Opinion
<p><u>Inventories and Asset Management</u> Report published in February 2014. There were 5 Medium recommendations:</p> <ul style="list-style-type: none"> • Ensure that access rights to Technology Forge, the asset register maintained by Financial Services, comply with the ICT Security Policy. • Ensure that changes of property ownership are fully documented. • Introduce a corporate approach to identifying and labelling assets and inventory items. • Prepare and issue procedures for the reconciliation of Asset and Inventory records. • Improve user skills in preparing and maintaining spreadsheets. 	Substantial Assurance
<p><u>Theatres</u> Report published in February 2014. There were 2 Medium recommendations. One was to ensure all Front of House Managers used the updated Income Sheet and the second was to ensure the key register was updated with signatures of all key holders.</p>	Substantial Assurance

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APPENDIX 1

Follow-up audits completed in Q4 2013-14	Original report	Follow-up progress
<p><u>Black Bin Recycling (MRF and Duratrust)</u> The report issued in August 2013 contained 1 High and 1 Medium recommendation. The High recommendation, to remind officers of the need to ensure Contract Standing Orders were complied with, was implemented at the time of the audit. The Medium recommendation referred to the need to monitor the situation in respect of finance. At the time of the follow-up this remained the same.</p>	<p>August 2013 Substantial Assurance</p>	<p>December 2013 Adequate</p>

AUDIT AND RISK COMMITTEE REPORT

TYPE OF REPORT: Audit	Portfolio: Performance
Author Name: Kate Littlewood	CONSULTATIONS: Senior Management Team
Tel.: 01553 616252	
Email: kate.littlewood@west-norfolk.gov.uk	
OPEN	

Committee: Resources and Performance – Audit & Risk Committee
Date: 27th May 2014
Subject: Corporate Risk Monitoring Report April 2014

Summary	This report presents the changes to the Risk Register since the last monitoring report in October 2013 and gives details of the risks falling into the ‘Very High’ category and the associated work to mitigate the effects.
Recommendation	To note the report.

1.0 Introduction and Background

- 1.1 The Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in October 2013.
- 1.2 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in Appendix 2.
- 1.3 The Risk Register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added. The risk reference numbers are not reallocated when risks are removed from the register, to enable the history to be maintained.
- 1.4 In February 2014 two new risks relating to Business Rates were identified that were considered to be sufficiently important to be added to the Risk Register before the next formal review date. These were raised with

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Management Team who discussed them and agreed to the new entries. They are noted below in paragraph 2.2.

- 1.5 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. Details of the 'Very High' risks are given in Appendix 1 together with a list of the 'High' risks.
- 1.6 The full Risk Register, as agreed by Management Team, is placed on InSite, within the Risk Management section on the Corporate Documents tab.

2.0 Changes to the Register

- 2.1 Apart from updates on progress for various entries, the main changes since October 2013 are listed below.

2.2 Added:

- 1) 5.11 – Business Rates appeals

Added in February 2014.

There are several appeals against the Valuation Office ratings on large businesses in the Borough. If any of these appeals are successful the Borough faces the prospect of making substantial repayments. Although some of these have been ongoing for some time, previously it would have been a Government risk. With the Business Rates Retention Scheme, the risk now transfers to the Council. Although the Rates Pool is in operation, there is still an element of risk that needs to be recognised. *The risk score was subsequently increased in the April review – refer to 2.4 below.*

- 2) 5.12 – Loss of major businesses

Added in February 2014.

A major business closing would have an impact on the Business Rates retained by the Council. As with risk 5.11 above, the risk has moved from Government to the Council with the introduction of the Business Rates Retention Scheme.

- 3) 1.13 – Council Reputation

This has been introduced to replace two other risks, namely '1.5 – Houses of Multiple Occupation' and '1.8 – Food Safety'. These had previously been identified as being more of a service level risk and removal from the risk register was suggested. However there is a corporate risk element that needs to be recognized and it is suggested that it is the overarching risk to the Council's Reputation. This is concerned with ensuring that an incident does not occur for which the Council can be found to have failed in its duty of care. It is a different risk to that identified in 1.6 – Reputation Management, which is concerned with actual media reporting.

- 4) 4.2 – Loss of staff

A key risk identified in the Business Continuity (BC) Plan. Whilst the BC plan has an outline plan in place, this needs to be backed up by

identified resources that will be available at the time of crisis. For this, some arrangements need to be made in advance that can be called on in the event of the risk materializing.

5) 5.13 Loss of King's Court

The loss of King's Court has also been identified as a key risk in the BC plan. Work is already ongoing to identify alternative premises that can be called on when required.

2.3 To be removed:

1) 1.5 – Houses of Multiple Occupation (HMO's)

The risk relates to the inspection and enforcement programme to ensure HMO's are identified and checked to reduce risk to occupants. As noted above, this is seen more as a service level risk and has now been replaced by a new corporate risk '1.13 – Council Reputation'.

2) 1.8 – Food Safety

As with '1.5 – HMO's' above, the risk is seen as more of a service level risk and is replaced by the new corporate risk '1.13 – Council Reputation'.

3) 1.10 – Refuse and Recycling Contract

The contract is established and initial issues have been resolved. The risk is now considered to be a service risk.

2.4 Risk Rating Amendments

1) 1.4 – Emergency Response (External)

The Likelihood has been increased from 'Unlikely' to 'Possible', but the Impact has been reduced from 'Extreme' to 'Major'. Overall this has increased the risk score from 10 to 12 and the risk remains as a 'High'.

2) 1.9 – Incinerator

The Likelihood has increased from 'Unlikely' to 'Possible' in view of the Cory Wheelabrator plans to purchase the Willows site. The risk score increases from 6 to 9, but remains a 'Medium' risk.

3) 2.1 – Growing Economy

The Likelihood has been decreased from 'Possible' to 'Unlikely' as the economy in general improves. This reduces the risk score from 12 (High) to 8 (Medium).

4) 2.6 – Joint Venture

The Likelihood has been reduced from 'Possible' to 'Unlikely' as the development is underway and sales have been made off-plan, and the risk to the future viability of the project decreases, The overall risk score reduces from 9 to 6 but remains in the Medium risk category.

5) 5.4 – Financial Plan

The Likelihood has been decreased from 'Likely' to 'Possible' to reflect the results of the cost reduction plan. This has reduced the risk score from 16 (Very High) to 12 (High).

6) 5.11 – Business Rates Appeal

The Impact has been increased from 'Major' to 'Extreme'. This has increased the overall score from 12 (High) to 15 (Very High). If Centrica win their appeal, the Council could face a bill of £6m. In a similar case in Peterborough, the power station have won their case and this may be an indication of the potential outcome in Centrica's case.

3.0 Conclusion

The Risk Register continues to be actively monitored by Senior Management on a regular basis.

**CORPORATE RISK MONITORING REPORT
APRIL 2014**

Risk name: Capital Receipts	Responsible Director: Resources
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Ref	Description	Mitigation	Progress
2.7	Insufficient land and asset sales will be achieved to fund future capital projects due to the state of the market and the reduced land bank of the Council. A major land sale, with an enhanced price, is held on a conditional contract which is due to expire in October 2014.	Active marketing of property and assets. Investment in new assets.	Marketing of sites on Rightmove Commercial and Council website. Alternative investments in property being investigated.

Risk Score:		
Impact	Major	4
Likelihood	Likely	4
Total score		16
Risk Category		Very High Risk

**CORPORATE RISK MONITORING REPORT
APRIL 2014**

Risk name: Business Rates Appeals	Responsible Director: Resources
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Ref	Description	Mitigation	Progress
5.11	A major business may successfully appeal against their valuation, resulting in the Council having to fund substantial repayments. There is no limit on how far back the repayments go, but the oldest dates from 2005, and no way of estimating the potential value.	The Council is a member of the Business Rates Pool which could provide a safety net by using funds from Central Government.	County and other District Councils have agreed to the principle of applying the safety net in such circumstances.

Risk Score:		
Impact	Extreme	5
Likelihood	Possible	3
Total score		15
Risk Category		Very High Risk

**CORPORATE RISK MONITORING REPORT
APRIL 2014**

Risks categorized as ‘High Risk’

- 1.4 – Emergency Response (External)
- 1.11 – Due Diligence
- 1.12 – Co-op Bank Financial Standing
- 2.5 – Empty retail properties/ Town centre decline
- 2.8 – Major Housing Developments
- 3.1 – Loss of ICT server
- 3.2 – ICT failure of backup.
- 4.1 – Health and Safety
- 4.2 – Loss of Staff
- 5.2 – Fraud and Corruption
- 5.3 – VAT
- 5.4 – Financial Plan
- 5.9 – Local Council Tax Scheme model
- 5.10 – Local Council Tax Scheme equality challenge
- 5.12 – Loss of major businesses
- 5.13 - Loss of King’s Court

**CORPORATE RISK MONITORING REPORT
APRIL 2013**

LIKELIHOOD	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange)	(16) (Red) 2.7	(20) (Red)
	3 Possible		(6) (Green)	(9) (Green) 1.2, 1.6, 1.7, 1.13	(12) (Orange) 1.11, 1.12, 2.5, 2.8, 4.1, 4.2, 5.2, 5.3, 5.4, 5.9, 5.10, 5.12, 5.13	(15) (Red) 1.4, 5.11
	2 Unlikely			(6) (Green) 1.9, 2.6	(8) (Green) 1.1, 2.1	(10) (Orange) 3.1, 3.2
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		IMPACT				

Risk Category	How the Risk should be managed
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

Likelihood

Score	Definition
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event is not expected to occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

Impact

Score	Definition
1 – Insignificant	<ul style="list-style-type: none"> • Little disruption to services • No injury • Loss of <£25,000 • Unplanned change in service delivery due to budget overspend <£100,000 • No effect on delivering partnership objective fully • No damage to BCKLWN reputation • No or insignificant environmental damage
2 – Minor	<ul style="list-style-type: none"> • Some disruption to services • Minor injury • Loss of £25,000 - £175,000 • Unplanned change in service delivery due to budget overspend of £100,000 - £500,000 • Little effect on achieving partnership objective • Minimal damage to BCKLWN reputation (minimal coverage in local press) • Minor damage to local environment
3 - Moderate	<ul style="list-style-type: none"> • Significant disruption to services • Violence or threat of serious injury • Loss of £175,000 - £500,000 • Unplanned change in service delivery due to budget overspend of £500,000 - £1m • Partial failure to achieve partnership objective • Significant coverage in local press • Moderate damage to local environment

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APPENDIX 2

4 – Major	<ul style="list-style-type: none"> • Loss of services for more than 48 hours but less than 7 days • Extensive or multiple injuries • Loss of £500,000 - £1m • Unplanned change in service delivery due to budget overspend of £1m - £3m • Significant impact on achieving partnership objective and significantly affects BCKLWN corporate objective • Coverage in national press • Major damage to local environment
5 - Extreme	<ul style="list-style-type: none"> • Loss of service for >7 days • Fatality • Loss of >£1m • Unplanned change in service delivery due to budget overspend >£3m • Non delivery of partnership objectives and BCKLWN corporate objective • Extensive coverage in national press and TV • Significant damage to local or national environment • Requires resignation of Chief Executive, Executive Director or Leader of the Council

REVIEW & DEVELOPMENT REPORT

Type of Report: Annual Report	Portfolio(s):- Performance
Author Name: Sarah Munson	Consultations:- Cllr E Nockolds David Thomason Kate Littlewood Jo Stanton
Tel: 01553 616560	
Email: sarah.munson@west-norfolk.gcsx.gov.uk	
OPEN	

PR&D Panel: Resources and Performance Panel – Audit and Risk Committee
Date: 27 May 2014
Subject: Annual Report of Investigations Unit

<p>Summary</p> <p>The Investigations Unit undertake work to prevent and detect benefit and revenues fraud. This report provides Members with information regarding the work undertaken during the 2013/2014 financial year and looks forward into 2014/2015.</p> <p>Recommendation</p> <p>To note the report</p>
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1. Purpose of the report

1.1 This report is intended to advise the Audit and Risk Committee of the work undertaken by the Investigations Unit during the 2013/2014 financial year.

2. Background

2.1 The administration of the national Housing Benefits Scheme by the Council is the biggest single service provided by the Council. In 2012/2013 just over £52 million was paid to 14,671 claimants on low incomes to enable them to pay their rent and council tax payments. The number of people currently claiming is 14,181. The Housing Benefit cost for 2013/14 was £40,641,026. The spend on Council Tax Support was £10,861,386. The Council's Investigation's Unit has the task of preventing and detecting benefit fraud. In October 2013 the Benefit

Investigations Unit merged with Internal Audit to create an Audit and Fraud Team.

3. Work undertaken in 2013/2014

3.1 Every year, the Investigations Unit receive fraud referrals from a number of sources. Each case is risk assessed for investigation. Some referrals were passed to the Department for Work and Pensions (DWP) as they involved Social security benefits. Referrals not investigated are logged within the Investigations Unit.

The table below details the number of referrals and investigations.

Referrals/ Investigations	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Referrals received	854	729	363	366
Referrals not investigated	192	213	108	105
Passed to DWP	144	102	52	55
Referrals investigated	518	414	203	206

3.2 The Unit has a Fraud Policy which sets out the Council's objectives and lays down guidelines on those cases that should be considered for prosecution. The Unit carry out regular Fraud Awareness training to staff in the Benefits Section, the Council Information Centre, Housing and other interested Departments.

3.3 Members of the public can contact the Investigations Unit using the free-phone telephone number 0800 281 879 or can complete a referral on-line via the Council's website. All information is treated in the strictest confidence.

3.4 Of the 414 cases that were formally investigated, 32 (44 in 2012/13) cases resulted in fraud being proven where formal action was taken, as the evidence gained was considered 'beyond all reasonable doubt'.

13 (16 in 2012/13) cases were taken forward for prosecution and the following sentences were given:-

- 2 year Conditional Discharge & £1,055.80 costs
- 16 month prison sentence
- 2 year Conditional Discharge
- 12 month Community Order with Women's Emotional Well-being Specified Activity Requirement & £50 costs
- £200 fine & £100 costs
- Community Order with 6 months supervision & 30 days requirement to undertake a Women's Well-being Activity
- 27 weeks and 1 day custody, having already served 2 weeks on remand
- 7 month prison sentence, suspended for 18 months due to poor health
- £150 fine & £100 costs
- 18 month Conditional Discharge

AGENDA ITEM 10

- 8 weeks custody, suspended for 12 months. 12 month Community Order with 200 hours unpaid work & £100 costs
- 90 hours unpaid work & £300 costs
- 2 year Conditional Discharge & £300 costs

Prosecution cases have been reported within the press.

In addition to the above, 10 (16 in 2012/13) cases were offered and accepted an Administrative Penalty. An Administrative Penalty is an alternative to prosecution at 30% of the total overpayment, which is added to the overpayment to be recovered.

Cases where an offence has been committed wholly, or an attempt is made, where an offence of benefit fraud has been committed, but the fraud is discovered and stopped before any overpayment of benefit is made, after 8 May 2012, the Council will offer a minimum penalty of £350 or 50% of the overpayment, whichever is greater (up to a maximum penalty of £2,000), as per the Welfare Reform Act 2012.

In cases of Council Tax Support from 1 April 2013, the Council will offer a minimum penalty of £100 or 50% of the overpayment, whichever is greater (up to a maximum penalty of £1,000) as per the Council Tax Reduction Schemes (Detection of Fraud & Enforcement) (England) Regulations 2013.

9 (12 in 2012/13) other cases were offered and accepted a Simple Caution. The purpose of a Simple Caution is to deal quickly and simply with less serious offenders, to save unnecessary appearance in a criminal court and to reduce the chances of re-offending. A Simple Caution is a serious matter, which should be recorded and used in the future if a person should offend again. It may be cited in any subsequent court proceedings.

Formal Sanctions	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Total Sanctions	44	32	22	10
Prosecution	16	13	10	3
Administrative Penalty	16	10	7	3
Simple Caution	12	9	5	4

The table below details the 32 (44 in 2012/13) cases investigated. Their sources of referral are shown in Appendix A.

Fraud Type	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Working & claiming benefit	21	8	6	2
Undeclared capital	7	4	2	2
Living together	11	12	10	2

AGENDA ITEM 10

Undeclared income from Student Loan	2	1	1	0
Undeclared non dependant	0	1	0	1
Non residency	2	2	2	0
Contrived tenancy	0	2	0	2
Undeclared private pension	1	2	1	1

3.5 Of the 414 cases investigated, 132 (197 in 2012/2013) (including the 32 prosecution, penalty and caution cases), resulted in a 'positive outcome/saving'. Claims were corrected, following the Investigation's Unit intervention where Housing and Council Tax cases have either been stopped, or corrected and identified an overpayment that is not fraudulent.

The Investigations Unit have completed work regarding alleged Council Tax fraud. 20 Single Person Discount cases have been cancelled and are included within the table of details below.

The table below details the 132 cases investigated. Their sources of referral are shown at Appendix B.

Fraud Type	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Non residency	40	27	12	15
Undeclared income from Student Loan	2	4	2	2
Working & claiming benefit	60	34	17	17
Undeclared income	47	5	5	0
Contrived tenancy	0	3	2	1
Undeclared capital	7	8	2	6
Living together	10	14	6	8
Undeclared private pension	24	14	8	6
Undeclared Industrial injuries Benefit	0	4	1	3
Undeclared non dependant	6	10	7	3
Undeclared Invalid Care Allowance	0	4	3	1
Undeclared Incapacity Benefit	1	0	0	0
Council Tax SPD	0	5	0	5

4. Financial implications

- 4.1 In the past, the work of the Investigations Unit was directly funded by the government with rewards for achievements of targets. Costs towards fraud prevention and detection are now all included within the Administration Subsidy that the Council receives to administer the Housing Benefit Scheme.
- 4.2 The Investigations Unit though do still generate income in addition to the government funding through the costs awarded against proven cases and the repayment of overpayments of benefit.

The table below details the overpayments identified for recovery.

Designated Overpayment	Amount (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Fraud	163,509.34	130,091.09	91,754.73	38,336.36
Claimant	210,231.46	166,900.45	83,059.36	83,841.09
Local authority error	6,277.45	3,390.08	1,712.63	1,677.45
Admin Delay	1,087.01	1,052.24	1,044.10	8.14
Council Tax Support forward payment saved	0.00	3,032.56	0.00	3,032.56
Total	381,105.26	304,466.42	177,570.82	126,895.60

- 4.3 In many cases the individuals are on low levels of income but the Council will make arrangements for repayment of benefits to be made over a period of time. This does mean that the level of overpayments recovered in a period is not high. The percentage of monies recovered from the overall amount outstanding of overpayments in 2013/14 is 22.96% (25.2% in 2012/13).

5. Work plan

- 5.1 Benefit Investigations Unit Performance Measures for 2014/2015
- 135 Cases investigated with a positive outcome/saving
 - 35 Fraud sanctions
- 5.2 The Borough Council takes part in the National Fraud Initiative data matching, two yearly. The data match is administered by the Audit Commission. The Audit Commission were provided with the Council's Housing and Council Tax Benefit data. 1,386 possible matches were received on 29 January 2013, and this forms part of our ongoing work programme.
- 5.3 Pro-active drives will be completed when required, and considered necessary dependant on the time and circumstances. Pro-active drives can be completed upon a particular firm, employer or landlord.

6. Work completed by Internal Audit on National Fraud Initiative matches

- 6.1 Since the last report to the Committee in November 2013, Council has submitted datasets to the National Fraud Initiative (NFI), relating to Housing Benefit, Council Tax and the Electoral Register using Flexible Matching Service. This enables some datasets to be matched as soon as they are submitted and the results returned immediately.
- 6.2 The following reports have been received back and are currently being reviewed and investigated:

Report Title	No. of Matches
Housing Benefit Claimants to Student Loans	18
Housing Benefit Claimants to In-Country Immigration	1
Council Tax to Electoral Register	981
Council Tax rising 18's	207

Work is ongoing to check each match to establish if there is a need to investigate more fully and progress will be included in the next six-monthly report. In each case the match does not necessarily indicate that a fraud has occurred, it simply highlights circumstances that need to be checked. A brief description of each of these is given below.

Housing Benefit Claimants to Student Loans matches could indicate undeclared income if students are receiving a Student Loan.

Housing Benefits Claimants to In-Country Immigration identifies housing benefit claimants who appear to be ineligible for benefits, because their leave has expired and they are not entitled to remain in the UK.

Council Tax to Electoral Register could show households that are claiming Single Person Discount, but have more than one adult registered at that address as being eligible to vote.

Council Tax rising 18's simply flags up households where a child is reaching their 18th birthday and therefore any Single Person Discount should be reviewed to establish if it is still applicable.

- 6.3 The work on the 2012/13 exercise has almost been completed with just the checks on the Creditors Standing Data to complete. A national report containing the full outcomes of the current exercise is due to be published in June 2014 by the Audit Commission. The next exercise is due to commence later this year with data submission due in October 2014 and the matches to be investigated will be available at the end of January 2015.
- 6.4 Currently the Audit Commission is responsible for the NFI. As from April 2015, after the Audit Commission closes, this responsibility will transfer to the Cabinet Office and the NFI will continue to operate.

APPENDIX A

REFERRALS – ‘BEYOND REASONABLE DOUBT’

Source of Referral	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Housing Benefit Data Matching Service	15	4	2	2
DWP	14	10	9	1
Hotline	0	1	1	0
Other Council	1	1	0	0
Housing Benefits Section	6	0	3	4
National Fraud Initiative	1	7	2	0
Overpayment Section	1	2	0	0
Investigations Unit	2	0	0	0
Press	0	1	1	0
CIC	2	2	1	1
Anonymous Letter	1	1	1	0
Housing Association	0	1	0	1
Other LA Section	1	1	1	0
Online Referral	0	1	1	0
CTAX Section	0	1	0	1

APPENDIX B

REFERRALS – POSITIVE OUTCOME/SAVING

Source of Referral	Number (2012/13)	2013/14	2013/14 (Apr to Sep)	2013/14 (Oct to Mar)
Housing Benefit Matching Service	139	48	28	20
DWP	14	14	6	8
Housing Association	2	3	2	1
Benefits Visiting Section	6	1	0	1
Hotline	5	8	2	6
Housing Benefits Section	7	8	4	4
Returned mail	13	17	8	9
National Fraud Initiative	1	10	6	4
Investigations Unit	3	3	1	2
Anonymous letter	0	1	1	0
CIC	2	2	0	2
CTAX Section	1	16	7	9
Police	0	0	0	0
Online Referral	1	1	0	1
Other LA Section	2	0	0	0
Press	1	0	0	0

AUDIT AND RISK COMMITTEE WORK PROGRAMME 2014/2015**29 April 2014**

- 5.30 pm: 1st Item - Fraud – (training/briefing session – all Members invited to attend):
- Single Fraud Investigation Service Update
- Cabinet Report: Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan

27 May 2014

- Q4 Progress Report.
- Fraud report – BEU and NFI
- Corporate Risk Monitoring Report (October 2013 to March 2014)

9 June 2014

- Final Accounts and Statement of Accounts for year ended 31 March 2013: Revenue Outturn, Capital Programme and Resources, Annual Treasury Report

22 July 2014

- Q1 Progress Report
- Annual Report
- Effectiveness Reviews
- Business Continuity

9 September 2014

- Special Meeting – to consider the Statement of Accounts 2012/2013
- Annual Governance Statement

25 November 2014

- Q2 Progress Report
- Fraud Report – BEU and NFI
- External Annual Audit Letter – to be presented by the Council’s External Auditor
- Mid-Year Treasury Report

24 February 2015

- Q3 Progress Report
- Strategic Audit Plan

24 March 2015

Forthcoming Items

Business Continuity/Emergency Planning Training (45 mins) – 1st item – training session – open to all Members) – date to be determined.