

REPORT TO AUDIT COMMITTEE

DATE

14th April 2016

REPORT OF Interim Director of Finance.

ITEM

SUBJECT **Internal Audit Annual Fraud Report**

SUMMARY

The purpose of this report is to inform the Audit Committee of the Council's Internal Audit Section's work on fraud and corruption, the outcomes of the work from its investigations and the outcomes of the National Fraud Initiative.

RECOMMENDATIONS

1. That the Audit Committee notes the content of this report.

FINANCIAL IMPLICATIONS
CLEARED BY

No
K Inman

PARAGRAPHS
66

BACKGROUND PAPERS

CONTACT POINT FOR ACCESS

TEL NO.
0114 27 35587

AREA(S) AFFECTED

**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: K Inman
Legal implications
YES /NO Cleared by:
Equality of Opportunity implications
YES /NO Cleared by:
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Corporate
Relevant Scrutiny Board if decision called in
Is the item a matter which is reserved for approval by the City Council? YES /NO
Press release
YES /NO

Sheffield City Council
Report to the Council's Audit Committee
Fraud and Investigations
April 2016

Purpose of the Report

1. This report is to “those charged with governance” in the case of Sheffield City Council the Audit Committee, to show the work that has been undertaken within Internal Audit regarding Counter Fraud and Investigations and how this fits into the national picture. It will provide assurance on the work undertaken.
2. This is the first Internal Audit report on the work undertaken by Internal Audit on investigating fraud and corruption since two significant changes occurred in the way that this type of work is organised.
3. The creation of the Single Fraud Investigation Service (SFIS) by the Department of Works and Pensions (DWP) in February 2015 has removed the requirement for Local Government to investigate housing benefit fraud. This was by far the largest element of fraud investigation undertaken by the Council. At the same time the resources that SCC used in CAPITA to undertake this work was transferred to DWP. This reduced the Council’s overall workload, but also the resources available to undertake investigations.
4. Following the demise of the Audit Commission, their roles relating to fraud in Local Government have been split, with the Cabinet Office taking on the areas related to the National Fraud Initiative (NFI) and CIPFA being charged with developing an overall strategy for fraud across Local Government and developing the tools and training to allow this to be done in an effective manner.
5. Previously there was a requirement for the Council to take part in a national survey on fraud undertaken by the Audit Commission called protecting the public purse. We were informed that this exercise would not take place. However at short notice two bodies came forward to undertake this exercise, each producing their own version. Due to the short notice and the work involved, a decision was taken not to take part in either exercise in 2015.

6. At the end of the report we have provided a checklist similar to previous years to provide the Audit Committee with assurance on the robustness of the Council's Counter Fraud arrangements.

Introduction

7. The current level of fraud reported in Local Government is approximately £200 million; the actual level is estimated to be much higher than this at anything up to £2.1 billion. The total public sector fraud is estimated at £22 billion. The most significant areas by value is housing benefits and housing tenancy fraud together accounting for 65% of the total. The most prevalent frauds committed relate to single person discount fraud which make up over half of the reported frauds (but are of smaller value).
8. These levels are significant and obviously reduce the resourcing available for front line services.
9. Sheffield City Council has robust processes to try to prevent and detect fraud. These have been reviewed and are included in the appendix to this report. The work of Internal Audit will also reduce the prevalence of frauds, by ensuring services and processes have robust controls in place.
10. The report highlights the work of Internal Audit in the current year and proposed developments that are going to be undertaken going forward.

Work undertaken in 2015/6

11. The volume of investigations undertaken by the Council significantly decreased as housing benefits work is no longer undertaken by the Council. The volume of cases undertaken by Internal Audit however has remained fairly static. In the current year, Internal Audit directly undertook 15 investigations reported to us by management. These were investigations which by their nature required specialist Internal audit skills and direct input. We were also involved in giving advice on a further 20 cases where the investigations remained with management.
12. These cases covered all areas of the Council from false claims for services/benefits (blue badge applications) to theft and falsification of mileage claims. In all cases these were dealt with efficiently and following investigations appropriate sanctions were applied where the issues were found to be proven.
13. This led to a number of dismissals and other sanctions. In no case was it found that the losses were significant (in relation to the services being processed) or that there was evidence of organised fraud. Where issues were identified during the investigation these were reported to management for action. In addition, where warranted further work was

undertaken in the form of additional reviews. This has led to three recent high opinion reports being produced in relation to the Cycle Assistance Scheme, Activity Sheffield and Corporate Mail which have been (or will shortly) be distributed to the Audit Committee.

14. In addition Internal Audit was made aware of five more significant issues though whistle blowing procedures (four internally and one externally). These issues were all discussed with the Director of Finance and based on the allegations received more significant investigation. In all cases there was potential for significant fraud; however in all cases there was no evidence of fraud taking place and no action was recommended against employees. Again reports were produced to highlight where procedure could be tightened. These were agreed by management and have been included in the normal audit work plan for 2016/17 where the level of risk warrants this.
15. Four pieces of counter fraud work were undertaken and these did not identify any instances of fraud being undertaken.
16. In addition there was additional work on data matches relating to the NFI exercise which are reported later.

The Anti-Fraud plan for 2016/17

17. As can be seen from the Internal Audit plan for 2016/17 approximately 12% of the plan or 191 days is allocated to anti-fraud matters.
18. The plan covers 5 areas.
 - Time for investigations (this is an allocation of time from which individual investigations are allocated).
 - Time to review and update the Council's anti-fraud arrangements.
 - Time to undertake work on the National Fraud Initiative providing the required data sets that will be matched for checking in the following year.
 - Time to undertake an annual review of the Housing Benefits processes.
 - A limited number of four reviews to review areas from an anti-fraud perspective which have been risk assessed as having a higher potential to fraud. This can be for a number of risk factors such as cash handling, or where control weaknesses were identified in the past. In the current year this will include, staff expenses payments,

Right to Buy applications, petty cash expenditure and the completion of gifts and hospitality and declarations of interest.

19. At present, based upon the level of referrals in the past few years the resourcing should be adequate. However if the number of investigations should increase or become more complex, than resources may need to be reallocated in this area.

National Fraud Initiative (NFI)

20. This is a biannual exercise, which is organised through the Cabinet Office previously the Audit Commission. The Council is mandated to supply a number of data sets covering such areas as payroll, pensions, creditors, debtors, housing tenants, supported care home residents, blue badge holders, insurance claims and the electoral roll.
21. A national exercise is undertaken to collate this information electronically and where appropriate to provide data matches. These could be frauds or error, but in most cases are a result of issues like timing differences in the data.
22. The National Fraud Initiative (NFI) for 2014/15 is now all but complete. The required data sets were submitted in 2014, this resulted in a significant number of data matches which were received in early 2015. The matches were distributed to the relevant sections across the Council and Capita who are responsible for checking these matches, taking the appropriate actions (recovery and sanctions) and for recording the outcomes onto the central NFI database
23. Internal Audit have provided support where required and have monitored and followed up actions until the cases were closed. At the end of March 2015 only a small number of cases remain to be resolved. Internal Audit have checked the outcome and provide the required declaration that the exercise has been undertaken appropriately.
24. The summary of the work undertaken was that a total of 15,666 potential matches were received back by the Council for potential investigation, of these 6,148 were the more significant recommended matches.
25. A total of 5037 matches have been processed to date with a further 48 (more complex cases) still in progress. The difference between the 5037 case and the 6148 recommended matches is due to blue badges. It was decided that due to resources only 1548 of the total 2663 matches were examined as there were only eight potential issues found in the 1548 checked, this approach was appropriate.

26. The results of this work were as follow:

- 168 errors were identified.
- 23 frauds/ fraud referrals were made.
- 7 Blue Badges holders were confirmed as deceased.
- 1 taxi driver licence was revoked
- 49 National Insurance Numbers (NINO) were corrected.

27. The total value of the errors identified was £155,174.18 (including £134,731 housing benefits overpayments in recovery).

28. The Cabinet office have taken responsibly for this exercise going forward and have initiated contact for the data sets to be provided for the next exercise later this year.

29. There is now the facility to request additional matching exercises where this is appropriate. This facility will be taken up where appropriate.

Other Potential Fraud Issues.

30. The Council has a number of standard processes which detect and remove potential frauds. Although these have the potential to be frauds, they dealt with as errors and are excluded from fraud recording.

31. Examples of the types of issue that we are referring to above are:

Insurance Claims – We have a number of instances where false or exaggerated claims have been submitted to the Council. These were found during checking procedures and were refused payment.

Housing Tenancy Fraud – We have a number of investigations within the Council which have led to properties being returned to the Council for re-tenanting, these may well have been as a result of fraud. The key aim is the recovery of the property and therefore there is little incentive in obtaining the additional evidence required to prosecute the fraud once the property has been returned. The resources are focused on property recovery.

Bank Mandate Fraud – We have had a series of bank mandate frauds which simple checking have prevented being processed. The potential cost for these is significant. We have reported these issues to the police; however the response from the relevant forces across the country has been weak. This is primarily due to the fast movement of the crime. These frauds are all reported on line to Action Fraud for follow-up by the police.

Thefts – We have had a number of instances of suspected thefts in the Council which the police have agreed for us to investigate and deal with through the council's due processes. The police deal with these as low level instances and often the cases will not meet the higher burden of proof required for criminal prosecution by the Crown Prosecution Service.

Timesheet Fraud – We have had a number of these cases which have been dealt with through the Council's processes, often leading to dismissal, but which do not meet the criminal prosecution threshold required by the police.

32. All of these issues highlighted are classed as suspicious incidents; these however were not prosecuted or reported as fraud (except bank mandate fraud). It could be that other Councils have similar cases, or that they classify cases differently.
33. The types of fraud that are included in the "non-benefit fraud" category primarily consist of; council tax fraud, procurement fraud, abuse of position, payroll pensions and expenses fraud, disabled parking concession fraud, false insurance claims and social care fraud.
34. It is noted in the report that the largest number of tenancy related frauds are identified in London. This is primarily because the incentive for such activity is far larger due to the disparity between the cost of social housing rents and private property values in the capital.
35. The increase in discounts available could increase this fraud in Sheffield and as such Right to Buy has been included in the 2016/17 Internal Audit plan.

Checklist for those responsible for governance.

36. A checklist similar to previous years is included at Appendix A. This highlights the Councils processes compared to best practice. CIPFA is developing a new process that will be used for this exercise in future years.
37. The tolerance of fraud within an organisation is a key element of a counter fraud framework. SCC has formally adopted a Policy Statement on Fraud & Corruption that underlines a zero tolerance to such acts. Fraud awareness training has been provided to services throughout the Council. An e-learning course has been developed and made available to assist any identified staff development requirements.
38. It is noted that Internal Audit are currently conducting an audit of the investigation processes across the Council. The outcome of this should

show how embedded the fraud management processes are into Councils processes. Any issues raised will lead to future developments.

Developments in fraud investigation across the council.

39. The Council remains committed to having strong controls in place in its systems to prevent fraudulent claims and to have control mechanisms to minimise their impact where they do occur. Claims of fraud are examined and where there is evidence, they are investigated in line with the Council's due processes. Whilst resources are increasingly under pressure, it is a key requirement that losses through fraud are minimised and monies recovered to support front line services.
40. The Council has bought a new platform for eLearning and the fraud course will shortly be updated and rolled out across the Council. Supporting policies on Money Laundering etc. will also be updated as part of this development work.

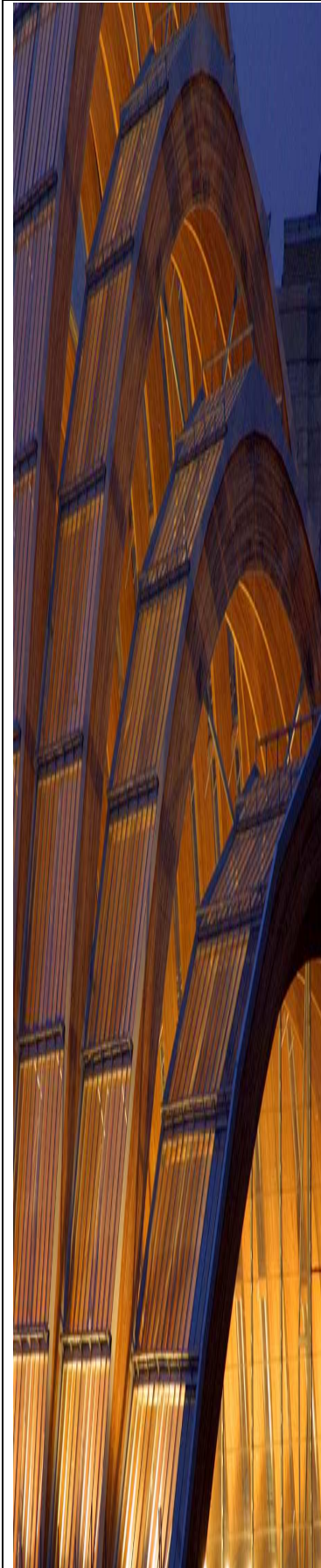
Training and Staff Development

41. With the transfer of staff to DWP the number of trained fraud investigators has diminished within the Council. It was agreed by the finance leadership to fund the training of two current members of Internal Audit to CIPFA's Accredited Counter Fraud Specialist (CACFS) from within the current training budget. Due to changes in staffing in the service one individual was trained and qualified during the year. Additional training will be reviewed on an on-going basis.

Recommendations

42. That the Audit Committee notes the content of this report.
43. That the Audit Committee notes the completed checklist for those responsible for governance (Appendix A).

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Governance Checklist for Fraud 2015/16

**Sheffield City Council
April 2016**

**Prepared by Internal Audit
on Behalf of the Audit
Committee**

Introduction

In previous years the Audit Commission has included a checklist appended to the Protecting the Public Purse report. This checklist identifies to Members the key elements that are required to manage the risk of fraud across the Council. The Checklist has been updated for the current year. It is noted that CIPFA have in the past couple of weeks produced a new set of guidance and control matrices which will be used in the future and will be presented to the audit committee going forward.

The checklist allows councils to evaluate their arrangements. This document seeks to evaluate the arrangements in place within Sheffield City Council

This document has been prepared by Internal Audit to highlight to the Councils Audit Committee which is referred to as “those charged with governance” that the Council has in place adequate arrangements for the mitigation, detection and investigation of fraud that may occur within the Council.

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	✓	
<p><u>Actions</u></p> <p>The Policy Statement - Fraud & Corruption incorporates a message from the Chief Executive which clearly states the 'zero tolerance' approach of the authority. It incorporates the fact that any instances of fraud or corruption will be treated as gross misconduct. The Policy Statement forms part of the Corporate Code of Conduct for Employees.</p> <p>The 'zero-tolerance' message was included in fraud awareness training events which were delivered to managers/employees across SCC. This message was also incorporated into a fraud awareness course available to staff via e-learning.</p>		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	✓	
<p><u>Actions</u></p> <p>The following fraud related strategies, policies and plans are in place:</p> <ul style="list-style-type: none"> Financial Regulations 2015 Code of Conduct for employees Policy Statement – Fraud & Corruption (Appendix to the above) Money Laundering Policy Whistleblowing Policy Regulation of Investigatory Powers Act Policy Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments) Finance Service Plan (including specific counter-fraud related deliverables) Fraud Response Plan Risk Management Toolkit Fraud Risk Management guidance Annual Governance Statement (Fraud Risks) Fraud awareness e-learning module. 		

	Yes	No
3. Do we have dedicated counter-fraud staff?	✓	
<p><u>Actions</u></p> <p>Service Managers are responsible for the investigation of fraud within their respective areas. Internal Audit has accredited officers available to investigate larger scale allegations and provide advice to managers.</p> <p>Internal Audit has a limited resource for Fraud investigation as outlined in the Annual Plan. Presently there are two qualified fraud investigator in the service.</p> <p>There are dedicated officers in trading standards and in housing to investigate housing tenancy fraud</p>		
4. Do counter-fraud staff review all the work of our organisation?		✓
<p><u>Actions</u></p> <p>Internal Audit maintains a resource to address fraud issues e.g. policy issues, serious allegations etc. and the Internal Audit plan contains a small number of counter fraud exercises to review specific fraud risks.</p> <p>Service Management has the primary responsibility for internal fraud investigation (with the support of Human Resources).</p> <p>Internal Audit operates a risk based approach to auditing and key risks are identified for inclusion in the audit plan in conjunction with Service management. Internal Audit considers fraud risk for inclusion in the scope of each audit review.</p> <p><i>Internal Audit are currently undertaking a review of the investigation process and its application across the council to ensure that these are undertaken in an efficient and effective manner.</i></p>		
5. Does a councillor have portfolio responsibility for fighting fraud across the council?		✓
<p><u>Actions</u></p> <p>Ben Curran is the Cabinet member for Finance and Resources. His responsibilities align to the resources portfolio which encompassed Internal Audit. There is no specific responsibility delegated to the post to cover fighting fraud across the Council. All members of the Cabinet are responsible for fraud in their area, and are held to account by the Council as a whole.</p> <p>The Audit Committee receive reports on Fraud arrangements across the Council.</p>		

	Yes	No
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓	
<p><u>Actions</u></p> <p>The Annual Governance Statement provides a level of assurance that fraud risks have been identified and addressed.</p> <p>The Internal Audit Plan is endorsed by the Audit Committee on an annual basis and the Senior Finance manager (Internal Audit) produces an annual report which includes information on counter fraud activities.</p> <p>A bi-annual Risk Management report is submitted to the Audit Committee.</p> <p>Individual investigation reports are provided for serious incidents.</p>		
7. Have we assessed our management of counter-fraud work against good practice?	✓	
<p><u>Actions</u></p> <p>A full review of SCC practice compared against CIPFA's 'Red Book 2' was completed in 2013. A new code was produced by CIPFA at the end of March 2016 and we will review our practice against this. In preparation for this Internal Audit has undertaken a questionnaire with a quarter of Sheffield City Council staff to gauge their understanding of anti-fraud culture and where these need to be strengthened. Internal Audit have also attended National Anti-Fraud Network Conference and South and West Yorkshire investigators forums where best practice is shared and this is incorporated into our methods of working.</p>		
8. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	✓	
■ existing staff;	✓	
■ elected members; and	✓	
■ our contractors?	✓	
<p><u>Actions</u></p> <p>Fraud is specifically covered in the Officer Code of Conduct. It is a requirement that all agency staff must comply with the code and it is the appointing manager's responsibility to ensure that the individuals concerned are fully compliant with the code at the start of their appointment. Specific short term appointments such as those or polling clerks may not cover, the full code, but specific fraud issues pertinent to these posts are specifically raised with the individuals concerned.</p> <p>Additional training has been provided to key staff on request. In addition there is an online training programme for fraud. This will be updated shortly, now that the Council's eLearning platform has been updated. Member training will be reviewed following the next local election and Members will be given access to the eLearning package.</p> <p>A campaign will be launched to highlight to all staff and the wider public the Councils fraud identification and how to report fraud.</p>		

Fraud awareness is not currently included in the corporate induction programme beyond the requirement to read the Code of Conduct for employees (incorporating the Policy Statement – Fraud & Corruption).

Commercial fraud risks are addressed by a requirement for contractors to comply with all current legislation (and indemnity provision) being incorporated into the standard terms and conditions. In addition specific anti-competitive and anti-bribery conditions apply to the contracting process.

	Yes	No
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	

Actions

SCC maintains membership with Core Cities and the South & West Yorkshire fraud Investigators Group.

Internal Audit & Capita work directly with the Department of Work and Pensions, the Local Authority Investigation Officer Group and the National Anti-Fraud Network.

There is a Service Level Agreement (SLA) in place between the Council and Department for Works and Pensions (DWP) to cover the requirements brought in as a result of the new Single Fraud Investigation Service (SFIS)

The National Anti-Fraud Network (NAFN) and the Financial Crime Information Network provide bulletins on current fraud risks. Internal Audit staff are members of professional bodies such as CIPFA, Institute of Internal Auditors and CIMA. These bodies provide periodic updates in areas such as fraud risks. These updates are cascaded throughout the team as appropriate.

As CIPFA has now become the lead Accountancy Body for fraud governance arrangements in local Councils, following the demise of the Audit Commission. Internal Audit is closely monitoring developments and will use the new guidance produced by CIPFA to benchmark its services against.

	Yes	No
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
<p><u>Actions</u> As 9 and 10 above plus:</p> <p>The Cabinet Office National Fraud Initiative (NFI) operates under formal arrangements and provides for the sharing of data between local authorities and other participating organisations. As part of the South and West Yorkshire investigators group information on fraud issues is shared on a regular basis. A shared portal has been developed by Cheshire Council to allow this to be undertaken in an easier way.</p> <p>Internal Audit maintains an informal working arrangement with South Yorkshire Police.</p> <p>We also use the online reporting system to Action Fraud.</p>		
11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓	
<p><u>Actions</u></p> <p>The annual Internal Audit Plan includes 'risk-based' audits based on a risk assessment and discussion with Service Directors. Each of these reviews includes an assessment of the internal controls within scope to identify instances in which they are not present or not working effectively. Auditors consider fraud risks for each assignment.</p> <p>Where appropriate recommendations are made to improve internal controls at the conclusion of each review, implementation is confirmed with the client and followed up.</p> <p>A small number of pro-active counter fraud reviews are included in the Internal Audit Plan that focus on activities where, due to the nature of the service, the risk of fraudulent activity is heightened. At the conclusion of appropriate re-active investigations, systems and controls are reviewed to identify weaknesses and to recommend improvements to prevent future instances of fraud both within the relevant service area and corporately.</p> <p>A number of audits were undertaken following investigations to provide assurance to service areas where flawed internal controls had been identified during the investigation process.</p>		

	Yes	No
12. Do we maximise the benefit of our participation in the Cabinet Office National Fraud Initiative and receive reports on our outcomes?	✓	
<p><u>Actions</u></p> <p>The Council has been a participant in the NFI since 1995. Data matches are circulated to all relevant service areas and Capita for examination and resolution. Internal Audit maintains a coordinating and advisory role in addition to responsibility for examination of some data matches and validates the outcomes prior to the conclusion of each exercise.</p> <p>SCC participated in the NFI Council Tax, single person discount data matching exercise for the first time in 2012 and is now an annual exercise. During the year Internal Audit reviewed the arrangements undertaken by Capita with regards to single person's discount, it was observed that their process was more robust than the NFI as it included additional data matches and filters. Going forward the Capita process will be used instead of the NFI process for this one aspect.</p> <p>SCC has taken part in a NFI pilot exercise to data match Self Directed Support (Direct Payments) with other local authority and central government data following the pilot this dataset is now included in the two yearly exercise.</p>		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	
<p><u>Actions</u></p> <p>SCC has adopted a detailed Anti Money Laundering Policy. This document includes an appendix which contains guidance to staff and is available via the Intranet. Incidents are reported to Internal Audit and in turn the Serious Organised Crime Agency where appropriate.</p>		
14. Do we have effective arrangements for:		
■ reporting fraud?; and	✓	
■ recording fraud?	✓	
<p><u>Actions</u></p> <p>Financial Regulations require Executive Directors to ensure that Internal Audit (on behalf of Section 151 officer) is notified of all incidents of financial irregularity. Internal Audit records each reported incident.</p> <p>Fraud attempts against SCC have also been reported to Action Fraud.</p> <p>Although the above controls are in place, full compliance cannot be assured.</p> <p>A key issue to be reviewed going forward is to identify and record not only proven fraud activity, but also areas which are serious issues are identified, but where actual fraud is indicated, but not proven.</p>		

15. Do we have effective whistle-blowing arrangements? In particular are staff:		
	Yes	No
■ aware of our whistle-blowing arrangements?	✓	
■ have confidence in the confidentiality of those arrangements?	✓	
■ confident that any concerns raised will be addressed?	✓	
<p><u>Actions</u></p> <p>SCC has adopted an extensive Whistleblowing Policy that contains an explanation on whistleblowing arrangements and the reporting access routes including the details of designated contact officers. The Human Resources Service maintains a central register of allegations. Whistle blowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.</p> <p>Although the above controls are in place, full compliance cannot be assured. It is noted that during the current year the number of whistleblowing actions with the potential to uncover fraud has risen. These are always dealt in confidence and followed up promptly.</p>		
	Yes	No
16. Do we have effective fidelity insurance arrangements?	✓	
<p><u>Actions</u></p> <p>SCC's fidelity insurance covers every employee to a limit of £10M.</p> <p>There is annual requirement to complete a pro-forma for the fidelity guarantee insurance. This is undertaken by the Insurance Section with input from Internal Audit. This has been recently completed for the forthcoming year and accepted by the insurance company.</p>		
Fighting Fraud with reduced Resources	Yes	No
17 .Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once the SFIS has been fully implemented?	✓	
<p><u>Actions</u></p> <p>The Internal Audit plan is produced on an annual basis, the formulation of this plan incorporates new and emerging risks including those associated with the current financial climate. The resources are under review as there is very little capacity in the system should a major incident (or a number of smaller incidents) occur.</p> <p>The staff transferred to SFIS only dealt with the Benefits fraud work which is being transferred. The level of remaining resource is adequate for the workload in the Internal Audit plan. In order to provide additional capacity and to provide the required resilience, funding has been allocated to train an additional fraud investigator.</p>		

Current risks and issues	Yes	No
Housing tenancy		
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓	
<p><u>Actions</u></p> <p>A revised lettings policy was presented to Cabinet on 20th March 2013. There is a vetting and validation process in place to confirm identity and eligibility of each individual prior to the letting of any property.</p>		
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	
<p><u>Actions</u></p> <p>Home visits and day to day contact with tenants provides assurance on occupancy however resources have been allocated to recover properties identified. The NFI process also identifies issues with tenancies.</p> <p>The 2016/17 Internal Audit plan includes a Counter Fraud review of the arrangements in this area.</p>		
Procurement		
20. Are we satisfied our procurement controls are working as intended?	✓	
<p><u>Actions</u></p> <p>Internal Audit conducted audits in this area in 2015/16. The reviews covered the Purchase to Payment review covering the creditors systems. Other reviews covered specific aspects of the process such as the procurement arrangements for the revised EU regulations. The audits resulted in Internal Audit issuing a 'Medium – Low' opinion on the risk of the service not achieving its objectives.</p> <p>Reviews of the Councils major contractors and tendering processed have not revealed any significant issues.</p> <p>Several audits have been included within the 2016/17 plan to examine this.</p>		
21. Have we reviewed our contract letting procedures to ensure they are in line with best practice?	✓	
<p><u>Actions</u></p> <p>Aspects of contract letting feature in the Internal Audit annual plan. Internal Audit conducted the following reviews; Commercial Services, Use of Consultants, Contract Waivers. All audits covering the letting or management of contracts now include testing in this area.</p> <p>A review of the areas of devolved procurement across the Council will be examined as part of the 2016/17 plan.</p>		

Recruitment	Yes	No
22. Are we satisfied our recruitment procedures:		
■ prevent us employing people working under false identities;	✓	
■ confirm employment references effectively;	✓	
■ ensure applicants are eligible to work in the UK; and	✓	
■ require agencies supplying us with staff to undertake the checks that we require?	✓	

Actions

The Council has in place controls to ensure that all of the above areas are covered, this included a requirement for the Council's Agency Staff provider to complete the appropriate propriety checking.

The number of appointments made by the Council has fallen significantly in recent years. Many of the Schools for instance have transferred to Academy status and these are now separate from the controls and auditing regimes of the Council.

Internal Audit has completed testing in this area as part of its normal auditing work, and no issues have been found in the performance of the controls linked to the above areas.

The National Fraud Initiative matches payroll records against Immigration records every two years and reports any instances of potential illegal working for investigation. The most recent NFI exercise reports were delivered in February 2015 and there were no Immigration matches identified.

Council tax discount	Yes	No
23. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	

Actions

A review of the new Council Tax Support which is Local Authority administered and replaced Council Tax Benefit was conducted in 2014/15 and no significant issues were noted.

The Council Tax and Business Rates systems (including discounts) are regularly reviewed by Internal Audit as part of the assurance provided on the Council's main financial systems.

A review of the Single Person Discount processes carried out by Internal Audit in 2015/16 showed that the Capita processes were more stringent than those in the NFI process (including more data matches and filter) and were being carried out effectively.

Other fraud risks	Yes	No
24. Do we have appropriate and proportionate defences against emerging fraud risks:		
■ business rates;	✓	
■ Right to Buy;		✓
■ council tax reduction;	✓	
■ schools	✓	
■ grants	✓	
<p><u>Actions</u></p> <p>Emerging fraud risks are taken into account in the formulation of the Internal Audit annual plan in addition to other identified risks. Examination of emerging risks is included in the scope of planned audits or scheduled for specific future review. For example, a specific review of the Council Tax Support and Hardship Fund was completed in 2014/15. The Social Fund and Local Welfare Assistance scheme has been identified for future audit. Risks relating to Business Rates will be included within the scope of the Main Financial Systems review (National Non Domestic rates) and the risks relating to schools were examined in a number of themed reviews in this area (note that academy schools are outside the scope of council governance and auditing regimes and should have their own arrangements in place).</p>		