

**TITLE OF REPORT:** Internal Audit Update

**REPORT OF:** Darren Collins, Strategic Director, Corporate Resources

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### **Purpose of the Report**

- 1 This report provides an update to the Committee on activity undertaken by the Internal Audit and Risk Service.

### **Background**

- 2 The Strategic Director, Corporate Resources is delegated with the authority to maintain an adequate and effective system of internal audit as set out in the Council's Constitution. The terms of reference for the Internal Audit Service are included in the Council's Financial Regulations and the Audit Charter provides a further level of detail in this area.

### **External Auditor Appointment**

- 3 As reported to Committee 30 January 2017 the Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors for all local government and NHS bodies in England. The transitional arrangements come to an end on 31 March 2018, when the Council will be required to move to a local appointment of an external auditor.
- 4 At the previous Committee members were asked to review the three different options available to the Council for the local appointment of external auditors prior to recommendation by Cabinet to Council for approval. These options were:
  - Option 1: Make a stand alone appointment by setting up an Independent Auditor Appointment Panel;
  - Option 2: Joining with other councils to set up a Joint Independent Auditor Appointment Panel / local joint procurement arrangements;  
or
  - Option 3: Opting-in to a sector led body that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an Independent Auditor Panel.

- 5 On 7 February 2017 Cabinet agreed to recommend to Council the proposal to opt-in to a national sector led body to undertake the appointment of an external auditor on behalf of the Council. The report will be presented to Council for approval 8 March 2017.

### **Counter Fraud Work**

- 6 The Government's latest figures state that fraud costs local authorities an estimated £2.1 billion a year. To support and further develop the counter fraud work currently carried out by the Internal Audit and Risk Service an invest to save budget option was included in the 2017/18 budget to create two dedicated Counter Fraud Officer posts from 1 April 2017.
- 7 These posts will carry out proactive anti-fraud and corruption work, targeting the areas which have been identified nationally as being at a high risk of fraud, and include:
  - Council tax discounts and exemptions
  - Council tax benefits
  - Non-domestic rates relief
  - Blue badge scheme misuse
  - Procurement fraud, including links to organised crime
  - Tenancy fraud (domestic and commercial)
  - Employee corporate fraud
  - Direct payments
  - Insurance fraud
- 8 Other work will include increased awareness training throughout the Council, drafting of a Council Counter Fraud and Corruption Strategy, review and refresh of the Council's Counter Fraud and Corruption Policy and Fraud Response Plan and provision of increased support to management to prevent and detect fraud.
- 9 The Committee will be kept up to date of progress and outcomes in relation to the Council's Counter Fraud provision through future reports.

### **National Fraud Initiative (NFI)**

- 10 The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 11 The Council submitted data in support of the 15 data sets included in the NFI exercise 10 October 2016. The data covers payroll, pensions, trade creditors' payment history and standing data, housing (current tenants) and right to buy, housing waiting lists, housing benefits, council tax reduction scheme, council tax, electoral register, student loans, private supported care home residents, transport passes and permits (including residents' parking, blue badges and concessionary travel), insurance

claimants, licences (market trader, taxi driver and personal licences to supply alcohol) and personal budget direct payments.

- 12 The data matches were released 26 January 2017. A total of 6,304 matches were identified, of which 1,344 are 'recommended' matches which have been prioritised for investigation. Progress against the matches will be monitored and reported to the Committee as appropriate.

### **Recommendation**

- 13 It is recommended that the Committee note the contents of this report.

**Contact name: Craig Oakes Ext - 3711**