

**To the Chair and Members of the AUDIT COMMITTEE**

**ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2014/15**

**EXECUTIVE SUMMARY**

1. This report provides information on the work of Internal Audit during 2014/15 and its overall opinion on the Council's system of internal control. The report also refers to the formal review of the effectiveness of Internal Audit required to be completed in accordance with the Accounts and Audit Regulations 2011.

**Head of Internal Audit Annual Report 2014/15**

2. It is a requirement of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced by the Head of Internal Audit on the work undertaken by the Audit Section. The report for this year covers details of work done during 2014/15.
3. Headlines from the annual report, which is attached at **Appendix 1**, are as follows:
  - Internal Audit's net expenditure in the year was £500,516 compared with a budget of £523,590, with the underspend being largely due to the maternity leave of one member of staff. During 2014/15, Internal Audit had an establishment of 11.46 full time equivalent (FTE) staff which is among the lowest levels of staffing when compared with similar sized authorities in South and West Yorkshire. The establishment figure includes resources to undertake the internal audit programmes delivered to St Leger Homes and the Doncaster Children's Services Trust.
  - The service delivered 1,902 (95%) actual chargeable days against a budgeted total of 2,009. The main reasons for the shortfall being additional time outside of the plan to perform grant and performance certification work and additional time lost to administration due to processes relating to the Enterprise Resource Planning system.
  - Approximately 21% of Internal Audit time was used responsively to address issues which arose during the year. This is consistent with the same 21% in the previous year.
  - There is a satisfactory level of implementation of internal audit recommendations, with 85% either being completed or in progress and on time.

- The service was rated as ‘satisfactory’ or ‘very satisfactory’ in 100% of client surveys received.
  - The Service has achieved good overall performance against its key performance indicators.
  - A self-assessment against the new UKPSIAS confirms compliance with the standards.
  - Internal Audit supported schools to submit their Schools Financial Value Standard returns to the Department of Education by providing help and support to School Governors and staff on the requirements. All Doncaster maintained schools successfully completed and returned their submissions by the stipulated deadline.
  - The Service carried out a range of investigations during the period, some of which resulted in disciplinary and / or Police action.
4. Based upon the audit work undertaken it has been possible to complete an assessment of the Council’s overall control environment. This assessment takes account of the work of the External Auditor and the result of any external inspections carried out. **The Head of Internal Audit is able to confirm that the Council’s system of internal control for 2014/15 was adequate and operated satisfactorily during the year.**
5. Internal Audit has identified five items at this stage to be considered for inclusion in the Council’s Annual Governance Statement (AGS). Items which were included in the 2013/14 AGS were:
- Health and Safety
  - Respite Care.
- Items to be considered for the 2014/15 AGS are:
- Core Financial Processes – Debtors
  - Core Financial Processes - Creditors (Procure to Pay) System
  - Doncaster Markets.
6. Some further weaknesses have been highlighted by Internal Audit’s work during the year and these have been brought to management’s attention. The weaknesses do not change Internal Audit’s overall opinion on the control environment.

### **Review of the Effectiveness of Internal Audit**

7. The Accounts and Audit Regulations 2011 include a requirement for local authorities to:

*“... undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control” Reg 6(3), and:*

*The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal*

*control...*” Reg 6(4).

8. No further guidance has been issued by CIPFA about how authorities should fulfil this requirement. We will comply with any CIPFA guidance when this is issued. For this year the review of the effectiveness of Internal Audit has been informed mainly by:

- Internal Audit’s annual report
- Customer satisfaction
- An external audit review of Internal Audit, the outcomes of which were reported to the Audit Committee in January 2011
- A self-assessment against the United Kingdom Public Sector Internal Audit Standards.

9. The main features from these reports that contribute to this statutory review of Internal Audit are summarised below:

#### Internal Audit Annual Report

10. The annual report is referred to above.

#### Customer Satisfaction

11. At the end of every completed audit, clients are asked to feedback their rating of the auditor’s performance. Based upon the team’s customer survey responses, the service was rated as ‘satisfactory or very satisfactory’ in 100% of all surveys received.

#### Review of Internal Audit

12. The Head of Internal Audit has undertaken an annual self-assessment as required by the standards. Internal Audit is compliant with the standards with one exception; the standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed.

#### Conclusion

13. It is concluded that:

- Internal Audit has effectively planned its work and has completed sufficient work to be able to provide an opinion to the Council on its system of internal control.
- Based on the planning and completion of audit work described in the annual report, customer feedback, review by external audit and self-

assessment against the new UKPSIAS standards, it can be confirmed that there has been an effective internal audit during 2014/15.

## RECOMMENDATIONS

### 14. The Audit Committee is asked:

- To note the Internal Audit Annual Report for 2014/15, including confirmation that the Council's system of internal control was adequate and operated satisfactorily during the year.
- To support the conclusion that there was an effective internal audit in place for 2014/15.
- To note the Head of Internal Audit's self-assessment that the service is compliant with the UKPSIAS.

## WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

15. Effective Internal Audit arrangements add value to the Council in managing its risks and achieving its key priorities of improving services provided to the citizens of the borough.

## BACKGROUND

16. This report provides the Audit Committee with information on the performance of and outcomes from internal audit work and allows the Committee to discharge its responsibility for monitoring Internal Audit activity and provides an assessment on the system of internal control.

## IMPACT ON THE COUNCIL'S KEY PRIORITIES

17. Internal Audit assesses how effectively the Council is managing risks that threaten the achievement of the Council's objectives. Any improvement in the management of the risks will have a positive impact thereby increasing the likelihood of the Council achieving its objectives. Internal Audit's work is, therefore, relevant to all priorities but in particular the following:

Priority	Implications
We will deliver modern value for money services.	Internal Audit adds value to the organisation through a systematic, disciplined approach to evaluate and improve the effectiveness of the Council's Services

We will provide strong leadership and governance, working in partnership.	The work undertaken by Internal Audit improves and strengthens governance arrangements within the Council and its partners.
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## RISKS & ASSUMPTIONS

18. The implementation of internal audit recommendations is a response to identified risks and hence is an effective risk management action.

## LEGAL IMPLICATIONS

19. There is a statutory obligation on the council to provide an adequate and effective internal audit of its accounts and supporting systems of internal control.

## CONSULTATION

20. There is consultation with managers at the outset, throughout and at the conclusion of individual audits in order to ensure that the work undertaken and findings are relevant to the risks identified and are accurate.

This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

## BACKGROUND PAPERS

21. Internal Audit TeamMate files, United Kingdom Public Sector Internal Audit Standards (UKPSIAS), Local Government Advisory Note, Internal Audit Customer Survey Responses, Internal Audit Management Information System.

## REPORT AUTHOR & CONTRIBUTORS

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**ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2014/15**

**1. Purpose of the Report.**

- 1.1 The purpose of the report is to present the Head of Internal Audit's annual report, which supports the Council's annual governance assessment and its Annual Governance Statement.
- 1.2 The report also contributes to the requirements of the Accounts and Audit [England] Regulations 2011, for the Council to conduct an annual review of the effectiveness of Internal Audit.

**2. Introduction.**

- 2.1 The report has been prepared by the Council's Head of Internal Audit. The aim of the report is to provide information on the role of Internal Audit and the work undertaken during the past year, and to support the statement prepared by the Head of Internal Audit on the Council's System of Internal Control.
- 2.2 It is not the intention of this report to give a detailed summary of each of the audits that have been undertaken during the year but to provide a broad review of the Council's control arrangements.

**3. Legislation Surrounding Internal Audit.**

- 3.1 Internal Audit is a statutory requirement for all local authorities in accordance with Section 151 of the Local Government Act 1972 and more recently the Accounts and Audit [England] Regulations 2011. The main thrust of these statutes is that every authority shall have arrangements for the proper administration of its financial affairs.
- 3.2 The Accounts and Audit Regulations 2011 require councils to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further, councils must, at least once in each year, conduct a review of the effectiveness of its internal audit.
- 3.3 It is a requirement of the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) that an annual report is produced by the Head of Internal Audit on the work undertaken by the Audit Section.

**4. Reviewing the Service.**

**4.1 Internal Audit Resources**

Internal Audit's net expenditure in the year was £500,516 \*<sup>1</sup> compared with a budget of £523,590. Income was generated by providing a comprehensive Internal Audit service to St Leger Homes throughout the year and also to the Doncaster Children's Services Trust since October 2015.

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\*<sup>1</sup> Estimate at March 2015

During 2014/15, Internal Audit had an establishment of 11.46 full time equivalent (FTE) staff which is among the lowest levels of staffing when compared with similar sized authorities in South and West Yorkshire. The establishment will increase slightly to 12.08 (FTE) for 2015/16, of which 1 FTE is being funded temporarily by external government grant., increasing the overall available audit days to 2,084 days for the year. A careful approach to risk based planning and robust performance management of our resources is essential given the level of available resources, but it is the opinion of the Head of Internal Audit that current resource levels provide sufficient capacity to provide an adequate level of assurance to the Audit Committee and the Director of Finance and Corporate Services.

#### 4.2 Audit Work Undertaken

A breakdown of time spent in the year April 2014 to March 2015 is summarised below:

##### **Internal Audit Plan v Actual Days April 2014 to March 2015:**

<b>Strand</b>	<b>Activity</b>	<b>Planned Days</b>	<b>Planned Days</b>	<b>Actual Days</b>	<b>Actual Days</b>
Mandatory	Corporate	83		87	
	Core financial systems	204		190	
	Financial admin	141		124	
	Previous year completions	64		60	
	School financial admin	87	579	58	519
Must do work	Governance	103		34	
	Grant and performance Certification	63		115	
	IT Audit	102		73	
	Proactive Anti-Fraud and Error	50		48	
	National Fraud Initiative	15		10	
	Children's Trust	154		128	
	St Leger Homes	150		137	
	Financial System re-write	0	637	48	593
Follow-up work			92		117
Responsive and risk related work			701		673
Total Plan			<b>2,009</b>		<b>1,902</b>



Overall, 95% of chargeable time was delivered, with the main reasons for the shortfall being maternity leave, special granted leave, additional administration time regarding the new Enterprise Resource Planning system and time spent on internal projects to overhaul the financial systems work program.

There were variances across the original categories of work, but priority was given to ensuring sufficient work was completed to enable the Head of Audit to form an opinion on the internal control environment and be responsive to management for their requests for advice and support.

#### 4.3 Implementation of Recommendations

The Internal Audit Team continues to work closely with managers to encourage a high level of implementation of recommendations that are aimed at improving the level of internal control. The extent to which managers within the Council implemented recommendations within agreed timescales is as follows:

##### **Implementation of Recommendations:**

	<b>Number of recs</b>	<b>Implemented (number / %)</b>	<b>In Progress but still in time (number / %)</b>	<b>Not yet Implemented / out of time (number / %)</b>
2014/15	525	325 / 62%	120 / 23%	80 / 15%
<i>Comparable data for 2013/14 to 2010/11:</i>				
2013/14	724	484 / 67%	187 / 26%	53 / 7%
2012/13	--	57%	37%	6%
2011/12	--	52%	48%	0%
2010/11	--	45%	33%	22%

The above table demonstrates that since 2010/11 management overall is responsive to and takes action to implement audit recommendations.

The current year number not yet implemented (i.e. 80 recommendations) includes 8 major recommendations. Any major recommendations that are not implemented in line with agreed timescales are reported as part of the Council's quarterly performance and finance challenge process and consequently monitored through that process as well as being routinely reported to Audit Committee.

Included in the 80 not yet implemented are 35 overdue actions for Adults, Health and Wellbeing. A follow –up process has been established to better manage and monitor the implementation of these actions.

Internal Audit will continue to closely monitor progress on these and bring any relevant matters to the Audit Committee's attention in its progress reports to the Committee.

#### 4.4 Customer Satisfaction

At the end of every completed audit, clients are asked to feedback their rating of the auditor's performance. Based upon the team's customer survey responses, the service was rated as 'satisfactory or very satisfactory' in 100% of all surveys received.

#### 4.5 Performance Indicators

At its meeting in June 2013, the Audit Committee agreed the key performance indicators that should be reported to it relating to the performance of the Internal Audit service. The indicators are shown below along with current performance for the year April 2014 to March 2015.

<b>Performance Indicator</b>	<b>Target</b>	<b>April 2014 to March 2015</b>	<b>Variance</b>
Percentage of planned audit work completed	90%	89%	-1%
Draft reports issued within 15 days of field work being completed	90%	85%	-5%
Final reports issued within 5 days of customer response	90%	99%	9%
% of critical or major recommendations	100%	100%	-
Cost per Chargeable Day	£326	£314	-£12
Percentage of Customer Satisfaction Surveys rated satisfactory or very satisfactory	90%	100%	10%

Eleven draft reports were issued late in the year; due to delays primarily in completing the supervisor review and workload issues.

Only one final report was issued outside of the 5 day deadline, this was delayed as an investigation came in that took priority over the issue of the report.

Results relating to major recommendations and customer satisfaction remain extremely positive.

#### 4.6 Compliance with the UKPSIAS

The Head of Internal Audit is required to report on Internal Audit's compliance with the UKPSIAS. Basic requirements for this are as follows:

- a) The Head of Internal Audit periodically reviews the internal audit charter and strategy and presents it to senior management and the Audit Committee for approval.
- b) The Internal Audit service is organisationally independent.
- c) There is a Quality Assurance and Improvement Programme (QAIP), the results of which are reported to senior management and the Audit Committee. The results of the QAIP assessment carried out in 2014/15 noted only minor improvement requirements that will be presented to the July 2015 meeting of the Audit Committee.
- d) There is an external assessment of the service conducted every five years.
- e) All instances of non-compliance with the UKPSIAS are reported to the Audit Committee.

- f) The non-conformances are not considered to be significant deviations from the UKPSIAS and therefore do not require disclosure in the Council's Annual Governance Statement.

The Head of Internal Audit has undertaken an annual self-assessment as required by the standards. He has concluded that Internal Audit is compliant with the standards with the exception of the following item:-

- 1) The Standards require the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit. This does not currently reflect local government practice and is not regarded to be a material non-compliance issue and so no change is proposed.

It should be noted that an external assessment has not yet been undertaken as this only the second year that the standards have been in force and an external assessment is only required within a five year period.

#### 4.8 Compliance with the CIPFA Fraud Code of Practice

In December 2014, a new Code of Practice was published by CIPFA entitled "*Managing the Risk of Fraud and Corruption*". This guide and its associated application notes are designed to help organisations assess the risk of fraud and corruption and put in place robust arrangements to deal with it. Compliance with the code is yet to be assessed and will take place in May 2015. The results of this analysis will form part of the Annual Fraud Report to Audit Committee in July 2015.

Whilst many arrangements are in place in Doncaster Council, it is expected that the review of current practice to the code will result in an improvement plan and a series of actions to further improve the position.

### 5. Planning Processes.

5.1 The 2014/15 audit plan was derived from the following sources:-

- The Council's strategic and, where available, operational risk registers
- Financial information from key financial systems
- Other sources of assurance on which reliance can be placed
- Consultations with the Council's Directors and Assistant Directors
- Known upcoming significant changes to internal control environments or changes in key systems and key governance arrangements
- Known upcoming changes to the law or external environment
- External requirements (including requirements to audit and sign off of grant claims for the government)
- The development of best practice from regulatory or other bodies including those following external reviews/inspections of Council activities
- Consultation with by the Council's External Auditor
- Liaison with Heads of Internal Audit at other South and West Yorkshire authorities
- Views on the risk of fraud and error
- Review of key plans, reports and press coverage
- Cumulative audit knowledge and experience

## **6. Summary of Findings from Audit Reviews.**

### **6.1 Main Financial Systems**

As part of the annual audit plan Internal Audit undertakes a programme of reviews that covers the main financial systems of the Council. Internal Audit work in these areas is examined by KPMG, who seek to place reliance on this work to assist their own audit of the Council's annual accounts.

A significant amount of time has been spent reviewing the Debtors and Procure to Pay (creditors) systems particularly in relation to the Enterprise Resource Planning system. This work highlighted issues that needed to be addressed regarding significant backlogs in work.

### **6.2 Significant Issues Arising**

Internal Audit provides an 'opinion' on the control environment for all systems which are examined. A limited / no assurance opinion is given where one or more major / critical risks are identified in the area under examination.

There were two areas of work where reporting was finalised during the 2014/15 financial year that were included in the 2013/14 Annual Governance Statement which was published in September 2014. These were:

#### **a) Health and Safety**

Our audit concluded that Corporate Health and Safety Management arrangements were generally sound. However, we found a lack of prioritisation given by some managers and employees regarding their ownership and commitment to Health & Safety responsibilities, which was exposing Doncaster Council to major risks. As such, we were only able to provide limited assurance that risks are being effectively managed. In particular:

- Despite instructions to Managers to attend a H&S manager course, as at 31<sup>st</sup> July 2014 only 48% had attended or had booked to attend a course.
- Only 10% of all staff had completed the H&S e-Learning Health and Safety module.

Directors took strong action in ensuring the attendance of their managers such that over 95% of Managers have now attended the course.

#### **b) Respite Care Payments**

Weaknesses were identified in the processing of respite care payments to respite carers and the subsequent performance monitoring arrangements. A full review is has been implemented by management to identify and correct these weaknesses.

During 2014/15 the vast majority of areas audited received positive audit opinions. There were, however, three areas where significant improvements were needed, as follows:

#### **a) Core Financial Processes – Debtors**

The Council operated two Debtors (Accounts Receivable) systems during the year as the old system was transitioned onto the ERP platform.

### **Accounts Receivable Mainframe System – April to September 2013**

Our review of the old debtors system confirmed that the accounts receivable financial processes continued to be accurately and properly processed using the system.

### **Data Migration – 20<sup>th</sup> September 2013**

The old system was closed down on the 20<sup>th</sup> September, and the data migration to the new system took place between the 21<sup>st</sup> and 25<sup>th</sup> September 2013. It took 8 weeks to address matters arising from the migration and to implement additional actions relating to the migration. In this time, only a limited number of accounts / invoices could be raised on either system due to limited system access. Consequently, it was not possible during the audit

to verify that all accounts / invoices that needed to have been raised had actually been raised, although we found nothing to suggest significant amounts had been missed.

### **Accounts Receivable (E5 System) – September 2013 to March 2014**

The income management process was exposed to risks for all or part of the second half of the 2013/14 financial year, as a result of a delay in implementing the recovery cycle and a lack of available monitoring reports and on-going performance management. There was a resulting significant increase in year-end debtor levels.

### b) **Core Financial Processes - Creditors (Procure to Pay) System**

As with the Debtors system, the Creditor payments system was migrated onto the ERP platform during the year and so two systems were operated during the year.

### **Creditors One World System – April to September 2013**

Our audit confirmed the control activities within this system were working effectively during the period it was operating.

### **Data Migration – 27<sup>th</sup> September 2013**

Data migration from the outgoing to incoming system took place on the 27<sup>th</sup> September 2013, at this point the Creditor One World system was no longer able to be used for the processing of invoices.

As part of the migration a data cleansing exercise of supplier records, including supplier control totals, was undertaken to ensure that the data on the two systems was in synergy. However, no evidence of the exercise was retained by the Accounts Payable Team and as a result additional audit testing was needed to enable us to provide reasonable assurance that the migration data was correct.

### **Procure to Pay (E5) – September 2013 to March 2014**

The ERP system went live on 30th September 2013. During the week commencing 7<sup>th</sup> October, access to the system was released to some users who needed to raise accounts and pay invoices. Other users used manual coding slips for supplier payments, and old methods for placing orders ie: the use of manual order books.

The main issues identified for the 2<sup>nd</sup> part of the financial year were as follows:-

- System reports in place to identify duplicate payments were being run daily but not reviewed. Consequently, there is significant risk that

duplicate payments may have occurred and remain undetected.

- Some invoices that continue to be received for goods and services that were not ordered through the Procure 2 Pay system have to be retrospectively logged in order to be paid and can further increase the risk of duplicated payments. Reports on the system for Accounts Payable, Buyers Team and Procurement are still either being reviewed or being developed to help address this weakness.
- Exception reporting arrangements have not yet been fully established.

As a result of the issues found, we were only able to provide limited assurance that goods and services have been appropriately procured and payments to creditors accurately paid. We continue to advise on system improvements and will follow up the findings of our work during 2014/15.

c) **Doncaster Markets**

Significant financial concerns were identified in this area and will be reported fully to the Audit Committee in July 2015.

Internal Audit will recommend the above areas are included in the Council's Annual Governance Statement (AGS) for 2014/15, to reflect the significance of the findings in these areas.

Other areas with limited assurance audit opinions but which, in Internal Audit's view, are not sufficiently significant to require consideration for entries in the AGS are summarised below.

d) **Blue Badge Administration and Enforcement**

In Doncaster there are few reports of misuse received from the public and the Council detected no blue badge fraud in 2013/14. This compared to an average of 13 cases in northern Metropolitan Councils.

Our audit found the Council doesn't have an enforcement strategy for the blue badge scheme. Civil Enforcement Officers don't have access to records of lost, stolen or cancelled badges which would help them to identify mis-use while patrolling.

Our audit also found there have been instances of inaccurate badges being produced, badges sent to the wrong addresses and delayed issue of badges. Audit testing also found that there was insufficient evidence that robust ID checks had been performed in 4/10 cases.

The Council's application process was also found to be complicated for applicants.

A business process re-engineering exercise has now been carried out to streamline the application process to provide a better service to customers. It will also build in better audit checks such as regular supervisory spot checks of a sample of applications (both automatic and discretionary) to ensure that appropriate control procedures have been followed.

e) **Conisbrough Balby Street Primary School**

The Assistant Director Learning and Achievement requested that Audit carry out a review of Conisbrough Balby Street Primary School. The Local

Authority classed the school as a school of concern and in response disbanded the Governing Body and appointed an Interim Executive Board. The audit confirmed significant weaknesses existed in relation to financial management and reporting. The Interim Executive Board and the Executive Headteacher were issued with an improvement plan to ensure that these matters could be addressed.

f) **Danum Drainage Board**

A complaint was made to the Council regarding the control and use of public money by the Danvm Drainage Board. Doncaster Council provides c£440k funding to the drainage board each year, equivalent to about 45% of its income.

The complaint was that the Board had been using Public funds improperly on projects designed to protect the landowners' own properties, rather than for the benefit of whole communities. The audit confirmed there were some question-marks about drainage board spending and found a number of other issues relating to decision making, accuracy and transparency of records, declarations of interest, and its handling of complaints.

Overall, the audit concluded that the Board was failing to meet various governance standards applicable to the Public sector.

The audit report was presented to the Board on 7th November 2014, where the Board established a Task and Finish Group to respond to actions set out in the report. The Task and Finish Group has subsequently made substantial progress in implementing the agreed actions.

### 6.3 **Schools**

Internal Audit supported schools to submit their Schools Financial Value Standard (SFVS) returns to the Department of Education by providing help and support to School Governors and staff on the new requirements. All Doncaster maintained schools successfully completed and returned their submissions by the stipulated deadline.

Internal Audit also reviewed Schools' voluntary funds administration and compliance with Schools' financial regulations. As a result of some recommendations made, the current guidance has been updated and published to all maintained schools.

Routine audits were carried out at 8 primary schools during the year. Only one school received an unsatisfactory opinion following our audit (Conisbrough Balby Street Primary School).

### 6.4 **Responsive Work.**

6.4.1 Approximately 21% of Internal Audit time was used to address issues which arose during the year. This compares to 21% in the previous year and is consistent with a steady demand for investigatory type work. This work can be sub-divided into two categories; investigations and requests for assistance / advice.

6.4.2 Some of the more significant issues not referred to elsewhere in this report that Internal has addressed during 2014/15 include:

- **Employee Benefits Fraud Cases (In progress)**

Two cases of Employee Benefit Fraud are under investigation – one involves an employee of a school who has pleaded guilty in the Crown Court. Management at the school have been informed and Audit are liaising with Human Resources, Children’s Services and the school to bring about internal disciplinary proceedings.

In the second case, the employee pleaded guilty in court and was sentenced at the end of February to 80 hours of unpaid work on a 12 month community order, ordered to pay £200 towards costs and a £60 victim surcharge. The internal disciplinary case is being progressed.

- **Fraud Allegations on Planning Applications**

Serious fraud and data protection breach allegations were received from members of the public about planning applications in their area. Allegations included:

- Fraud / Corruption –collusion with a developer to pass inappropriate planning applications
- Data protection breaches
- Falsification of information for planning purposes and FOI requests
- Tampering with information for FOI requests.

These allegations were investigated and insufficient evidence was found to substantiate their claims.

- **Childrens Services – Supply of Contracted Care Services by Employees**

Investigations were carried out by management into the provision of care services to children through a contract to a company owned by 2 employees. There were concerns regarding the employees gaining an unfair commercial advantage and abuse of position and their failure to declare such interests in the company. There were however no safeguarding concerns. Management intervention satisfactorily resolved the situation.

- **Markets Fuel**

Management identified that fuel was still being delivered to a Council establishment for a vehicle that was no longer in use. After observations by management (under the supervision of Internal Audit Services), it was identified that an employee was driving to the establishment in his own private vehicle and was removing the fuel for his own personal purposes. The case was referred to the Police. When questioned, the employee admitted to stealing both petrol and diesel from the markets office and was given a police caution.

An internal disciplinary case was actioned by HR and Management and the employee was subsequently dismissed.

- **Vehicle Tracker Tampering**

Information from the Police led to management investigating the potential tampering of the tracking device installed on a Council vehicle. No further action was able to be taken and management continue to monitor the situation.



- **Respite Care Fraud**

Weaknesses have been identified in the processing of respite care payments to respite carers and the subsequent performance monitoring arrangements. A full review is taking place to identify and correct these weaknesses.

6.4.3 Overall, despite the current economic context, the Council is experiencing relatively little reported fraudulent activity. The examples stated above do not change the audit opinion that, overall, the arrangements in place for preventing and detecting fraud and corruption are satisfactory and do not have a detrimental impact on the overall control environment.

7. **Assessment of the System of Internal Control for Year to 31st March 2015.**

Based upon the audit work undertaken it has been possible to complete an assessment of the Council's overall control environment. Accordingly, based upon the Internal Audit work undertaken this year, we can confirm that the Council's system of internal control for 2014/15 was adequate and operated satisfactorily during the year.



Colin Earl  
Head of Internal Audit  
10 April 2015