

FRAUD SECTION MONITORING REPORT: SECOND QUARTER 2007/08

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1.0 FRAUD WORK IN THE SECOND QUARTER 2007/08

1.1 Caseload investigated 1st July to 30th September 2007

Number of cases referred:	119
Number of cases accepted for investigation:	89
Number of cases closed non-proven:	34
Number of cases summonsed for prosecution:	0
Number of successful prosecutions:	1
Number of prosecutions found "Not guilty":	0
Number of prosecutions rejected:	0
Number of Administrative Penalties (fines) given:	4
Number of Cautions given:	7

2.0 PROGRESS AGAINST TARGETS

- 2.1 The DWP set an annual target based on the Benefits live caseload. To enable comparisons with other Local Authorities, these targets are set per 1000 caseload. In 2007/08, the annual target for the number of investigations carried out is 41.2 per 1000 caseload. Based on the current average Benefits caseload of 6,705, this is a target of 276 investigations for the year i.e. 69 per quarter.
- 2.2 The target for sanctions (successful prosecutions, Administrative Penalties, Cautions) is 4 per 1000 caseload. This means an annual target of 27 sanctions i.e. 7 per quarter.
- 2.3 There is no set target for the number of investigators. We have 3 Fraud Investigation Officers, including the team leader. This is in line with the number at similar-sized District Councils.

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2.4 For the second quarter 1 July to 30 September we have achieved: -

	<u>Target</u>	<u>Actual</u>	<u>Half year</u> <u>Target</u>	<u>Half year</u> <u>Actual</u>
No. of investigations closed	69	104	138	231
No. of sanctions*	7	12	14	23

- * 4 Administrative Penalties, 7 Cautions, 1 Prosecutions in the 2nd quarter,
- * 6 Administrative Penalties, 12 Cautions, 5 Prosecutions for the half year.

2.5 The targets were exceeded for the half year but this could be reflected in a downturn in the figures for the next quarter. There is no way of knowing how long an investigation will take and if, indeed, it will result in a sanction.

2.6 As a result of their investigations in the second quarter, the fraud team have identified benefits overpayments of £18,476.69. For the half year, benefits overpayments arising from identified fraud total £56,741.05. The Revenues and Benefits recovery team will pursue recovery of these overpayments. We also had 3 benefits claims cancelled by the claimant this quarter, after the investigations were conducted, but sanctions were not applied in these cases as there was insufficient evidence to proceed. The financial implications in these cases cannot be judged.

2.7 Administrative Penalties amounting to £2,023.52 were given to fraudulent claimants in the second quarter. This income will be reinvested in fraud investigation activities [e.g. to pay search fees] but cannot be recovered until all the Benefit overpayment has been repaid.

3.0 STAFFING ISSUES

3.1 The section is fully staffed with a Team Leader, 2 investigators and an Admin Support Officer. The Team Leader has now completed the Professionals in Security (PINS) Management training.

3.2 Prosecutions are being handled by our Legal Section.

4.0 CURRENT FRAUD WORK

4.1 As at 30/09/07, the Fraud Section had a caseload of 176 live investigations.

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- 4.2 Work continues on the National Fraud Initiative 2006/07 data matches. The second return has been made to the Audit Commission at the end of September, to report progress made to that date. From an initial sift of the data matches, there have been 26 cases which have satisfied the criteria for further investigation. These are in addition to the live caseload figure given at 4.1 above. Once they are fully accepted for investigation, they will be entered on to the Fraud Case Management system.

5.0 CONCLUSION AND RECOMMENDATION

- 5.1 Fraud work is progressing in line with the business plan. The DWP targets have been exceeded in the first half year. This will contribute towards meeting the annual target, as it is unlikely that as many sanctions will be achieved in the second half year, with investigations currently in the early stages.
- 5.2 Members are recommended to note this report.

Officers Consulted: Corporate Team

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1.0 AUDIT WORK IN THE SECOND QUARTER 2007/08

1.1 Final reports issued

- Financial Management of IT 2007/08
- Final Accounts Process 2007/08
- Economic Development Administration of Grant Claims 2007/08
- Capital Accounting 2007/08
- Management of Contracts (Public Buildings) 2007/08
- Enforcement 2007/08
- Council Tax 2007/08

1.2 Issues arising

The key recommendations are given in Appendix A.

The main issues related to:

Financial Management of IT

Significant progress had been made in the management of IT. However, the workload should be monitored regularly to compare actual time spent to any planned work programmes.

Economic Development Administration of Grant Claims

Whilst all grant expenditure in the sample audited was appropriate and properly accounted for, there was a lack of staff resources to proactively identify new sources of funding and to monitor and co-ordinate grant programmes. There is a risk that failure to deliver projects in line with funding conditions could lead to a risk of funding being "clawed back". This co-ordinating and monitoring role would be considered as part of the role of the newly appointed Economic Development Manager.

Management of Contracts (Public Buildings)

Contractual conditions were being complied with, and expenditure was controlled within budget, for one of the main contracts audited. Generally, however, a lack of staffing resources - and the cost implications of the options considered - had prevented action being taken to ensure the storage of leases, contracts and deeds was secure against water, fire and smoke.

Enforcement

The new Enforcement system (Chipside) had been successfully implemented. However, operationally, we recommended that supervisory spot checks be carried out to ensure that Penalty Charge Notices (PCN's) have been issued where appropriate. The Enforcement Manager also needed to ensure that a

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reconciliation of payments recorded on the cash receipting system is undertaken daily, to make sure that these have been correctly recorded on the Enforcement (Chipside) system. If payments are not correctly recorded, the person receiving the PCN would automatically receive a reminder. Underpayments (the discounted amount paid when the time limit for the discount has passed) should only be accepted following agreed criteria e.g. evidence of postal delay. To ensure accurate accounting records, a distinction needed to be made between "write-offs" and "cancellations".

Council Tax

The majority of controls were in place. However, system access rights needed to be reviewed to ensure separation of duties (between account maintenance and recovery of debts) was maintained. Some staff also needed a refresher course in Data Protection.

1.3 Follow-up audits

- 1.3.1 A running progress report is kept of all Priority 1 and 2 recommendations outstanding, since the first formal follow-ups were carried out in January 1997. All outstanding audit recommendations, including all recommendations made in reports issued in this quarter, have now been input on to the Covalent performance software. This will streamline the monitoring process. All those recommendations still outstanding, with a target date up to 30 September 2007, are detailed at Appendix B.

1.4 Issues arising from outstanding recommendations

- Managers are now completing their own progress on the Covalent system, with audit carrying out "reality checks", particularly on the main systems which are audited on an annual basis.
- The implementation of some recommendations is still being slowed down by competing priorities and the failure to recruit some posts. However, 13 long-standing recommendations have been implemented since we reported last quarter.

2.0 EXTERNAL AUDIT

- 2.1 External audit issued their Financial Systems Interim Audit report. This was reported separately to the Audit Committee on 26 September 2007.

3.0 INTERNAL AUDIT PERFORMANCE AGAINST AUDIT PLAN

- 3.1 We achieved 78% of planned audit work as at 30 September 2007, compared to the target of 90%. A summary of the audit performance measures showing progress for the half year is attached at Appendix C. Delays from the first

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quarter had a "knock on" effect in the second quarter. It was, therefore, decided to begin work on the main financial systems, to ensure that these would all be completed by March 2008.

3.2 The following audits were deferred:-

- Renovation Grants [also a problem re availability of staff in this section]
- Leased Transport
- Evaluating Service Business Risk
- E.Commerce / Purchasing

3.3 These deferred audits will be undertaken once work on the main financial systems has been completed.

4.0 STAFFING ISSUES

4.1 As at 30 September, all staff were in post [Manager, Senior Auditor and 2 Audit Technical Officers].

4.2 The 2 Audit Technical Officers passed the Intermediate level exams for the Accounting Technician qualification [AAT].

5.0 OTHER AUDIT WORK

5.1 The audit section also undertook work in the second quarter on:-

- Benefits
- Cash Receipting
- Loans and Investments

These reports will be issued in the third quarter.

6.0 CONCLUSION AND RECOMMENDATION

6.1 Audit work is progressing in line with the plan but there is some slippage. Priority is being given to work on the main financial systems.

6.2 It is recommended that Members note this report.

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List of Appendices: Appendix A – Key Findings Quarter 2 2007/08
 Appendix B – Outstanding Key Recommendations
 Appendix C – Performance Indicators for 2nd Quarter

Background papers: Audit Plan file 2007/08; Audit systems files

Officers Consulted: Corporate Team
 Management Group [on Appendix B]

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