



**INTERNAL AUDIT
ANNUAL REPORT
2012/2013**

Lynda Baker – Head of Internal Audit

1. Purpose

- 1.1. Production of this report is a requirement under the 2006 CIPFA Code of Practice for Internal Audit in Local Government and the terms of reference of the Audit Committee and is based on work undertaken throughout the year.
- 1.2. The report summarises the activities and achievements of the Internal Audit Service for the year April 2012 to March 2013 and covers both scheduled audit work and special investigations.
- 1.3. The report aims to provide assurance to the Audit Committee and senior management on the control processes being applied within the Council, and to highlight key issues arising from both scheduled audits and special investigations.
- 1.4. The structure of this report is as follows:
 - Introduction (section 2)
 - Audit Opinion (section 3)
 - Key Issues Arising (section 4)
 - Effectiveness of Internal Audit (section 5)
 - Audit Measures /Performance (section 6)
 - Staffing (section 7)
 - Budgets (section 8)
 - Fraud Investigations (section 9)
 - Appendix A - detail of audits and follow ups completed and in progress
 - Appendix B – précis of significant fraud cases

2. Introduction

- 2.1. Internal Audit is a statutory requirement for local authorities under the revised Accounts & Audit Regulations 2011, which states that a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. The Council has recognised this statutory requirement in its financial regulations.
- 2.2. In addition the Regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. This is reported in Section 4 of this report.
- 2.3. The CIPFA Code of Practice for Internal Audit requires the Internal Audit Annual Report to include an opinion on the overall adequacy of the effectiveness of the authority's internal control environment. This is also a requirement under the Public Sector Internal Audit Standards (PSIAS) which came into force on 1 April 2013 (section 3).

- 2.4. Milton Keynes Council's Internal Audit Service is provided by an in-house team whose role is to provide independent and objective assurance on the adequacy of the council's control environment, comprising risk management, internal control, and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.

3. Audit Opinion

- 3.1. The internal control environment comprises the Council's policies and procedures and operations in place that:

- Establish and monitor the achievement of its objectives
- Identify, assess and manage the risks to achieving its objectives
- Facilitate policy and decision making
- Ensure the economic, effective and efficient use of resources
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations
- Safeguard its assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

- 3.2. An opinion on the level of assurance is prepared at the conclusion of all audit reviews. The Appendix to the report details the work undertaken during the reporting period and the opinions given. In addition to audit reviews, work is also undertaken in response to requests for advice, support, investigative and consultancy services. The findings from this work also assist in the formation of the opinion. All audit reports can be accessed via the internet.

- 3.3. The statement overleaf is based upon audit work undertaken throughout the year and action taken by managers to address the risks identified.

- 3.4. The establishment of adequate control systems is the responsibility of management.

- 3.5. Although the level of assurance remains satisfactory it is considered to be at a slightly lower level than for 2011/12.

3.6. Head of Internal Audit's Annual Audit Opinion for 2012/13

It is my opinion based upon both the planned and unplanned audit work completed in the period 1 April 2012 to 31 March 2013, that Milton Keynes Council's internal control environment and systems of internal control provide **Satisfactory** assurance over the exercise of its functions.

The level of assurance has reduced slightly from 2011/12 as highlighted by the increased number of weak and limited audit opinions and unimplemented actions. This is partly to be expected in light of the reduction in resources however the associated risks are not consistently recorded and accepted.

There are no specific governance, risk management and internal control issues of which Internal Audit have been made aware during the year which cause any qualification of the above opinion although there are areas where improvement is required to provide a higher level of assurance, the most significant of which are project, contract and risk management and financial management in schools. .

In respect of those systems that refer to, or are substantially related to, internal financial control, it is my opinion that the controls operated by management are currently adequate.

Any system of internal control can only provide reasonable, rather than absolute, assurance that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a reasonable period of time.

Lynda Baker
Head of internal Audit
June 2013

4. Key Issues Arising

- 4.1. Key issues highlighted in this section arise from scheduled and unplanned audits that have been completed during the year.
- 4.2. **Risk Management** – The use and regular review of GRACE as a risk management tool is patchy across audited areas including projects. GRACE tends to be used appropriately at a strategic level but needs to be better embedded across the service/operational level. Risk appetite is not well defined and risks which have been accepted without mitigation are rarely recorded. Risk reviews are often only undertaken as result of reminders from the Risk Management Team as opposed to when a risk is identified or changes.
- 4.3. **Contract Management** – several audits undertaken identified a lack of robust contract monitoring and an over reliance on contractor data (in relation to income, expenditure and performance) without sufficient assurance of the accuracy of such data. It is recognised that contract monitoring can be resource intensive and reduced monitoring may be acceptable if supported by robust risk assessments, however this has not been the case regarding some contracts reviewed. Examples (not a comprehensive list) of contracts where there was over reliance on contractor data and/or lack of robust monitoring include Wolverton Station, Car Parking, Recycling.
- 4.4. **Project Management** – It is recognised that this is improving and the MK approach is now embedded throughout the Council with some very good project management apparent. However there are some areas such as governance, risk management and benefits realisation where there is commonly scope for improvement. Significant failings were identified in the management of a small number of projects, the most notable being Wolverton Station where lack of robust governance was a major issue.
- 4.5. **Sundry Debtors** – There is confusion over responsibilities for debt recovery and action to recover outstanding sundry debts is not always robust. Invoices are not always raised for services that have been provided and action to recover unpaid debts is inconsistent and often not robust. A review of the Corporate Debt Recovery process is planned and this should address many of the concerns, the Financial Procedures are being strengthened in this area and Strategic Finance will provide debt recovery training to budget managers.
- 4.6. **Taxi Licencing** – Three key themes supported a conclusion of Weak systems of control. The Taxi Live database was unable to support proactive assurance that vehicles, drivers and operators are appropriately licensed. Assurance could not be given that all income (particularly cash) due was collected, nor that income collected was banked. Improvements have now been made and cash payments are no longer accepted. Police stop and search initiatives referred 49% vehicles stopped for checking and a high proportion then failed the checks due to issues that affect the safety of the vehicle. This intelligence was not being used by the service

to focus enforcement action and promote greater safety standards amongst drivers and operators.

- 4.7. **School Audits** - A consistent weakness identified in recent years has been a lack of effective segregation of duties in the purchasing process on the financial system. Although guidance on this topic was issued to all schools in March 2012 many schools still do not have a robust system of segregation in place exposing the schools to a risk of theft, fraud or misuse of funds.

5. Effectiveness of Internal Audit

- 5.1. The Accounts and Audit (Amendment) (England) Regulations require councils to conduct a review of the effectiveness of their system of internal audit at least once a year. The findings of the review should be considered by a Committee of the Council

- 5.2. The three main options for undertaking the review are:

- An external body at additional cost
- A peer review by a neighbouring authority
- A self- assessment based on the CIPFA Code of Practice

- 5.3. In previous years all 3 options above have been used to undertake the review, and all cases the review included an assessment against the CIPFA Code of Practice. All the previous reviews confirmed compliance with the Code and that the work of Internal Audit could be relied upon

- 5.4. A self-assessment review of compliance against the Public Sector Internal Audit Standards (PSIAS) was undertaken prior to their introduction in April 2013. The PSIAS succeeds the Code. The outcome of the review which achieved a 'Satisfactory' opinion was circulated to members of the Audit Committee. Work has progressed against the actions arising from the review the most significant being that the Audit Committee would take on the majority of the responsibilities assigned to the Board.

6. Audit Measures / Performance

- 6.1. A summary of the measures/performance for 2012/13 and comparisons over the previous 2 years is provided in the table below with detailed explanations of each measure following.

	Actual Measure for 10/11	Actual Measure for 11/12	Actual Measure for 12/13 (against revised plan)
Plan completion - audits completed to at least draft	94%	86%	93%
Weak/limited audit opinions improved to satisfactory/good at follow up	100% 13 of 13	100% 14 of 14	83% 10 of 12
Exit meeting to draft report	7 days general 4.5 days schools	8 days general 5 days schools	7 days general 4 days schools
Draft to final report	20 days general 8 days schools	22 days general 11 schools	24 days general 11 schools
Customer satisfaction (internal feedback) General audits	100% (28/28)	98% (47/48)	98% (49/50)
Customer satisfaction (schools)	100%	95% (21/22)	100% (16/16)
Agreed actions implemented	92% (general) 95% (schools)	84% (general) 98% (schools)	80% (general) 92% (schools)
Productivity Ratio	73%	62%	75%
Cost per chargeable day (including recharges) compared to unitary authorities	86%	89%	97%

6.2. Completion of Plan

- 6.2.1. The plan is designed to be flexible and adapt to changes in demand and risks. There were 125 audits in the original plan, at 1st April 2012. A further 6 audits were added and 17 cancelled during the year resulting in a revised plan of 114 audits of which 106 were completed to at least draft and the remaining 8 were in progress. 22 audits brought forward from the previous year and 20 unplanned investigative/ consultative pieces of work were also completed.
- 6.2.2. Taking into account the staffing issues highlighted in Section 7 of the report which were not all evident at the time the plan was drawn up, completion of the audit plan is excellent.
- 6.2.3. The detail of the reports issued, audits in progress and cancelled audits is included in Appendix A of this report. The number of reports will not reconcile with the number of audits as some of the reports cover more than one audit area.

6.3. Audit Opinion

6.3.1. Audit opinions for general audits are summarised in the table below. The detail of these opinions can be found in Appendix A.

	Good	Satisfactory	Limited	Weak	% Good/ Satisfactory
2009/2010	13	30	12	3	74%
2010/2011	21	31	5	3	87%
2011/2012	43	39	10	3	86%
2012/2013	43	50	14	2	85%

6.3.2. Audit Opinions for school audits are summarised in the table below.

	Good	Satisfactory	Limited	Weak	% Good/ Satisfactory
2009/2010	4	22	2	1	90%
2010/2011	11	19	4	2	83%
2011/2012	14	23	3	0	90%
2012/2013	12	7	9	0	68%

6.3.3. The weak/limited audit opinions in schools relates to the lack of segregation in the purchasing process regardless of the fact that all schools have now received specific guidance on this.

6.3.4. The slight increase in % of weak/limited opinions and reduction in % of good opinions for general audits could be a reflection of reduced resources without risks being appropriately considered and documented.

6.4. Issue of Reports

6.4.1. One of the aims of systems thinking is 'get it right first time' and reducing waste within a process. We identified that much of our 'waste' occurred between the audit work being completed and the final report being issued. This is therefore an area that we have been concentrating on.

6.4.2. The delays in finalising reports for general audits mainly relates to the lack of 'buy in' by audit customers in responding to the draft report. A customer charter was introduced in an attempt to address some of the problems that arise, however to date this has not produced the anticipated results.

6.4.3. The industry norm for time between issuing draft and final reports is usually 4 weeks and although we are aiming for a one week turnaround it should be recognised that the timescale is still within industry norms.

6.5. Customer Satisfaction

6.5.1. We currently ask our customers the following 3 questions:

6.5.2. 1. Did the audit provide you with the level of assurance you required? Yes/No, If no please explain

6.5.3. 2. Did the audit deliver what mattered to you? Yes/No If no, please explain

6.5.4. 3. How can the Audit department improve their service?

6.5.5. We do receive and consider a variety of suggestions in response to the third question, which are very often minor in nature. This is supported by the fact that for the first 2 questions the only negative response received was to question 2 was when an audit was copied to an Accountant for information & the audit area was not the Accountant's main area of responsibility. In total 66 responses were received of which 99% of responses received were positive to the first 2 questions.

6.6. Agreed Actions Implemented

6.6.1. This measure could be described as the most important measure of Audit effectiveness, as without implementation of actions the Audit Service adds no value. It must however be recognised that the service is not in control of whether the agreed actions are actually implemented.

6.6.2. The actions implemented are summarised in the table below, with the detail of those relating to individual audits provided at Appendix A.

	Actions raised	Actions Implemented	% Implemented
General Follow ups	316	254	80
School Follow ups	153	141	92
Total	469	395	84

- 6.6.3. Findings are discussed with customers and where possible the recommendations/agreed actions are jointly derived between auditor and the customer. This ensures that actions are practical, relevant and will result in real benefits.
- 6.6.4. There has been a deterioration in the percentage of actions implemented. We are not yet sure of potential causes / reasons for this deterioration but given the scale of change going on around the Council at present this may certainly be a factor. It should also be highlighted that there are a few audit areas where the implementation of actions has been particularly disappointing e.g 11 of the unimplemented actions relate to Sundry Debtors. The detail of actions implemented is provided in Appendix A.
- 6.6.5. Schools have generally been pro-active in implementing the agreed actions promptly, which is reflected in the fact that 92% of the actions addressed to schools were implemented at follow up. This is a little lower than last years 98% but this is against a far lower number of actions raised to schools this last year. 28 school audits were followed up and only 10 actions are outstanding of which 7 relate to just 2 schools. This generally suggests an improved control environment within schools, although there is still a specific issue affecting a good number of schools in relation to ensuring adequate segregation of duties within access rights on the schools financial system.

6.7. Productivity Ratio

- 6.7.1. This measure aims to minimise “non-productive” time and maximise “productive/chargeable” time. Non-productive time is that time that does not directly contribute to services to the customer.
- 6.7.2. Over the year 79.3% of the time has been productive i.e. specifically work done on routine and special audits (which includes investigations), specials and provision of advice.
- 6.7.3. This has improved each quarter this year, it is higher than in any previous year and above target. . The reduction in training is reflected in this.
- 6.7.4. A breakdown of the time allocation for the year is shown in the table below.

Activity	Days	% of available time
General audits	1900	73.3%
Investigation/consultancy	96	4.0%
Provision of Advice	48	2.0%
Total chargeable	2050	79.3%
Study/training (incl. induction)	104	4.4%
Administration	102	4.3%
Recruitment, appraisals, workload management	47	2.0%
Information gathering and provision	134	5.6%
Meetings	34	1.4%
Maternity, Sickness, Suspension and special leave	72	3.0%
Total unchargeable	493	20.7%
Total available time	2543	

6.8. Daily Cost

6.8.1. The tables below gives a summary of the gross cost per chargeable day (including overheads) and the average cost per auditor based on draft CIPFA benchmarking data for 2012/13.

Cost per chargeable Day (incl overheads)	£ per day
Unitary Average	336
Milton Keynes Council	307

Staff cost per auditor (benchmarking data)	£ per annum
Unitary average	43,843
Milton Keynes Council average	40,109

6.8.2. The Audit Service is shown to represent good value for money when measured other Unitary Authorities.

7. **Staffing**

7.1. As is the case with many services areas in the Council, the size of the Audit Service has reduced over the last few years. In March 2010 the audit establishment consisted of 19 posts (18 FTE's), it is now 14 posts (13.5 FTE's).

7.2. 3 of these posts are currently vacant and we have operated throughout the year at an average of 12.5 FTE. One employee was on long term sick for 3 months and another member of staff had unpaid sabbatical leave for 3 months. Efforts to recruit to 2 vacant Auditor posts were made but despite offering the highest Auditor salaries possible there were no suitable applicants to enable the posts to be filled.

7.3. Internal Audit is currently within scope to transfer to the Milton Keynes Service Partnership. The process will involve at least informal review of service provision including processes and structures to ensure appropriate quality and capacity can be achieved.

8. **Budgets**

8.1. The budget for the direct costs of Internal Audit for 2012/13 was £642k (excluding central recharges), with a final outturn was £522k which was in line with the forecast and provided an under spend of £120k.

8.2. The majority of savings were the result of vacancies. 3 of the 6 vacant posts have now been removed from the structure. In addition pro-active work was undertaken to reduce costs such as auditor training, which is fine in the short term but it must be recognised that this is not sustainable over the long term if the staff are to maintain the skills and competencies to deliver a good service.

9. Fraud investigations

9.1. Introduction

9.1.1. In order to help maintain an effective anti-fraud approach within the Council there are 3 key policies which are in place and are reviewed every year. These are:

The Anti Fraud & Corruption Strategy

The Whistleblowing Policy

The Sanctions and Prosecution Policy

9.1.2. The Anti Fraud & Corruption Strategy was formally adopted on 22/12/09 and is reviewed on an ongoing annual basis. The current officer review did not highlight the need for formal changes. The policy is based on best practice including Audit Commission Protecting the Public Purse and the Risk Management of Fraud guidance. The strategy includes a zero tolerance statement and this is separately monitored and reported annually as part of this report below. This strategy has also been formally adopted by MKC schools.

9.1.3. The Whistleblowing Policy was formally adopted on 22/12/09 and re-launched in 2009/10. It has subsequently been reviewed in December 2011 and November 2012. The policy is based on best practice to meet the Council's obligations under the Public Interest Disclosures Act. At the re-launch its scope was also widened to ensure it was clear this applied to any person with a concern not just employees. A separate Whistleblowing Policy has also been published specifically to address concerns raised by schools.

9.1.4. The Sanctions and Prosecution Policy covers primarily Housing and Council Tax Benefit cases and complies with the DWP requirements for this area.

9.2. Zero Tolerance Policy Review

9.2.1. A review of the application of the Zero Tolerance Policy contained within the Anti-Fraud Strategy has been undertaken in order to gauge its effectiveness towards fraud.

9.2.2. The policy adopted a zero tolerance towards fraud including the dismissal of employees proven to have defrauded or who have attempted to defraud the Council, including where an employee is complicit with another persons attempts to defraud the Council.

9.2.3. This report considers the learning from relevant cases during 2012/13. In all cases where it was considered proven, the employee was either dismissed or a final warning issued (where there were considered significant mitigating circumstances).

9.2.4. During the past financial year 69 Investigations have been completed (and a further 28 are currently under investigation). Of the 69 cases completed:

7 of the cases completed involved an employee who allegedly had sought to fraudulently claim benefits (from MKC) whilst employed by MKC. 2 cases concluded that no fraud was proven and of the remaining / cases :

- 2 were dismissed
- 1 received a final written warning
- 2 cases the school did not pursue to disciplinary

43 cases involved other forms of alleged fraud against MKC and of these cases:

- 5 were dismissed
- 1 resigned
- 1 contract was void and terminated
- 3 received a final written warning
- 1 was made redundant before the investigation could be completed.
- 2 were prosecuted (Blue Badge and NNDR frauds)
- 2 were cautioned (Car Share Permit and Employee Permit fraud)
- 27 cases concluded that either no fraud was proven or the fraud was committed against the Council by a person who is not an employee and the police/Council was unable to take action.

19 other cases involved other forms of investigation that resulted in 1 resignation and 1 dismissal.

9.2.5. Disciplinary processes must consider each case on its merits. A Final Warning is a serious disciplinary sanction and dismissal was considered in all cases. However, the fact that final written warnings were issued rather than dismissal may raise a question as to whether the Chairs of Disciplinary Panels are taking the zero tolerance policy sufficiently seriously.

- 9.2.6. After the early review of the Zero Tolerance Policy in 2009/10, CLT agreed:

That Directors will promote the Council's Anti Fraud and Corruption (AF&C) zero tolerance policy to all AD's and senior officers who chair hearings

That HR will be required to specifically provide the attached guidance note to the chairs of disciplinary hearings involving possible fraud.

That HR will ensure that written explanation be provided of those exceptional circumstances applicable to a fraud case if the Council's zero tolerance policy is not applied.

That the zero tolerance policy will be promoted further by a targeted note sent to all employees within payslips.

- 9.2.7. It is anticipated that the above actions should still be adhered to in order to maintain the Council's commitment to uphold the highest standards of conduct and future periodic reports to the Audit Committee will continue to report on this issue.

9.3. Investigations Completed

- 9.3.1. This section of the report can be subdivided into:

- Benefit Fraud Investigations
- Corporate Fraud Investigations
- HR Related Investigations

9.4. Benefit Fraud Investigations

- 9.4.1. Referrals increased slightly during the year from 855 in 2011/12 to 987 in 2012/13. Although there were more HBMS referrals than the previous year they were of poorer quality. This is referred to later in the report. Details of the referrals showed that of the annual total of 987:

- 607 (61%) in year were referred for investigation
- Of 607, 41 (6.8%) resulted in a proven fraud in 2012/13

- 9.4.2. The numbers of Benefit Fraud Sanctions in 2012/13 were 103. This is less than the previous year but equally proportionate to the numbers of referrals, when compared to the previous year. The service continued to be hampered by long processing delays both within the Benefits service but the Legal service delays were less than the previous year. The sanctions comprised of:

- 23 (22%) Administrative Penalties
 - 18 (18%) Simple Cautions
 - 62 (60%) Prosecutions
- 9.4.3. Three cases passed for prosecution were found not guilty by the court, but none of these were due to evidential or investigative error.
- 9.4.4. Administrative Penalties and Cautions, which may be offered as an alternative to prosecution action, must be agreed with the claimant who has accepted responsibility for their actions. All such cases must meet the evidential standards to be prosecuted so that if a claimant refuses the sanction, a prosecution is undertaken. The Council is required to adhere to the Department of Work and Pensions sanctions criteria and a general public interest test.
- 9.4.5. The amount of fraudulently overpaid Benefit identified as a result of the Fraud Team's intervention was £986,205 for the year, which will be robustly recovered by the Overpayment Recovery Teams wherever possible.
- 9.4.6. The sentences imposed by the Courts for Benefit Fraud offences are not within the control of MKC and various sentences have been applied by magistrates and judges. At times these may appear lenient however overpaid benefits must also be repaid in addition to the sentence imposed. Prosecutions are publicised for the deterrent effect although it is recognised that some sentences imposed may not achieve that aim.
- 9.4.7. Other highlights from 2012/13 include :
- The drive to reduce end to end times of Benefit fraud investigations by adopting a Lean methodology approach continues to be employed and has allowed investigators to spend more time on other Corporate Fraud cases.
 - MKC also participates in the DWP Housing Benefit Matching Service (HBMS), a data matching exercise. Information held by DWP, HM Revenue & Customs, Pensions Service and many more are matched to MKC records with the relevant results passed to LA's to investigate, e.g. a person claiming HB/CTB from MKC and failing to declare that they have returned to work. These matches provide good intelligence and fraud referrals. However, there have been continuing IT problems within the DWP and poorer quality matches which has meant that fewer than usual matches were received and investigated during the year which was the reason why overall the numbers of referrals were lower than in previous years.

Additionally the NFI matches were only received during the last 2 months of the financial year and so these will only feed into the system during 2013/14.

- CAFT also participates in the biennial Audit Commission National Fraud Initiative (NFI) exercise. The results from the latest exercise were received at the end of the last financial year and some matches are still to be received. To date 8,967 matches have been received and these are still being sifted and prioritised. (see later in the report for more details of both data matching results).

9.5. Corporate Fraud Investigations

- 9.5.1. Corporate Fraud cases for this part of the report refer to all fraud, consultancy and special investigations other than Benefit Fraud cases and include investigations against officers, contractors, 3rd parties etc. Referrals for 2012/13 were:

Cases brought forward as at 31 March 2012	19
Referrals received during 2012/13	<u>78</u>
	97
Completed Investigations	69
Cases carried forwards as at 1 st April 2013	28

- 9.5.2. Of the completed cases in the year 2012/13 the following sanctions were applied to those working for the Council:

Dismissal	6 personnel
Resignations	2 personnel
Final written Warnings	3 personnel
Written Warnings	0 personnel
Contract voided	1 personnel (Illegal Immigrant)

- 9.5.3. During the year 2 members of the public was successfully prosecuted and 2 received a caution for non benefit fraud related matters.

- 9.5.4. No malicious referrals were identified as a result of the corporate fraud work undertaken during 2012/13.

- 9.5.5. Other highlights from 2012/13 include (Appendix B):

- For the first time the CAFT Service prosecuted someone who was caught using a Blue Badge several times to park in the city centre when it was established that the person was not disabled and wasn't transporting a disabled passenger at the time. As a result the person was fined £350 and ordered to pay costs of £234.40, after admitting to using disabled

“Blue Badge” parking bays in Central Milton Keynes and displaying a badge the person was not entitled to use.

- A company that was found to be claiming to be a charity and who had NNDR discounts of £65,000 was successfully prosecuted.

9.6. Whistleblowing

9.6.1. There were 3 whistleblowing referral cases carried over from previous years and all 3 cases have been closed during the year with 1 proven and in 2 cases nothing was found or improvements to governance arrangements were recommended. During 2012/13 there were 14 whistleblowing referrals to the CAFT of which;

- 5 are still being investigated.
- 7 cases nothing has been found.
- 2 cases resulted in dismissals.

9.6.2. During the year four Whistle Blowing questionnaire responses were received with mixed results. The comments made within the questionnaires have been reviewed against the Council's Whistleblowing Policy to ensure its continued effectiveness.

9.7. Human Resources Investigations

9.7.1. During the last year, HR have supported managers with 40 cases of conduct related disciplinary issues and 4 cases relating to dignity at work issues.

9.7.2. Of the cases supported in the last year, which were progressed through the appropriate formal HR process, these concluded the following

9.7.3. Disciplinary Investigations:

- 8 employees were dismissed for gross misconduct
- 4 employees resigned during the disciplinary process, however 1 hearing took place as the matter was so serious
- 3 employees were issued with final written warnings
- 9 employees were given first written warnings
- 12 employees were given an informal warning after an investigation

- 4 cases resulted in no case to answer following an investigation
- 3 further cases were closed when the initial fact finding meeting was completed and it was found that an investigation was not required.

9.7.4. Dignity at Work Investigations:

- 4 formal cases were investigated 3 were not upheld. In 1 case where an issue was upheld appropriate management actions were taken.

9.7.5. Whistle blowing

- HR has managed 1 whistle blowing case which was not upheld. No claims were received that the Council had failed to protect a whistleblower, however an Employment Tribunal found that Mouchel had made an employee redundant for blowing the whistle to the Council.

9.8. Staffing

9.8.1. Staff within CAFT have continued to enhance their skills and become multi-disciplined by taking part in more wide ranging anti-fraud activity across areas outside their historical boundaries. This has been possible because of the continued monitoring of end to end times of Benefit Fraud investigations to remove waste from the system, whilst the levels of positive outcomes, including a successful prosecution record, proved that the quality of the investigations was maintained.

9.9. Data Matching Results

9.9.1. National Fraud Initiative (NFI)

During the spring of 2013 CAFT received 8967 new data matches resulting from the 2012 data matching exercise completed by the Audit Commission. The matches covered a wide range of services including Housing Benefits, Payroll, Housing, Blue Badges, Licensing and other areas. Council Tax to Electoral Register matches are expected later in the year. Utilising the Audit Commissions priority ranking and sifting instructions CAFT has started to identify the matches suitable for further investigation and will consider any appropriate action where suitable. Whilst the NFI exercise does provide some good outcomes it is a very resource hungry process because of the amount of matches that need to be sifted. Any savings identified within the current NFI exercise will be communicated to the Audit Committee when they become known.

9.9.2. Housing Benefit Matching Service (HBMS)

The number of cases investigated and subsequently closed as a result of the HBMS in 2012/13 was 272 (includes some matches carried forward from the previous year). At the end of the year HBMS matches provided 41 sanctions out of the overall total of 103, and identified £120,743 in overpaid Benefit. The continued success of the HBMS sanctions is because the Fraud Service are able to sift the matches first before passing them to the Benefits Service. Once the disc is received a Fraud Officer sifts the likely fraud cases and sends the remainder of the matches to the Benefits Team, within 5 working days. The likely fraud matches are then allocated straight away to another Fraud Officer to begin the investigation. This process will continue to be employed for the foreseeable future.

APPENDIX A

Final general audit reports issued between 1 April 2012 to 30 April 2013

Audit	Report Stage	Audit Opinion
Private Sector Housing & Improvement Grants	Final	Good
Performance and Business Transformation - Data	Final	Good
SX3 Application Audit	Final	Good
IT Security Policy	Final	Good
Commercial Rent and Income	Final	Good
Out of Hours Service (Housing)	Final	Good
Responsive Repairs	Final	Good
Closure of The Area Housing Offices	Final	Good
Planned Major Works & Contracts	Final	Good
Personal Budgets - Direct Payments Cash Options	Final	Good
Transport Grant	Final	Good
Early Intervention Centre	Final	Good
Audit of Mayors Charity Account	Final	Good
Play Development (inc school holiday schemes)	Final	Good
Residential Nursing Care - Procurement and Contract Monitoring	Final	Good
Libraries	Final	Good
Sports Development	Final	Good
Woughton on the Green	Final	Good
Ethnic Minority Achievement Support Service (EMASS)	Final	Good
Leisure and Community Facilities	Final	Good
Early Help Commissioning	Final	Good
Children in Care Team	Final	Good
Real Time Passenger Information (RTPI) Project health check	Final	Good
Wolverton Pool health check	Final	Good
Low Carbon Living Grant Claim	Final	Good
Parish Grants	Final	Good
Bridges and Highways	Final	Good
Schools Capital Projects	Final	Good
Carbon Reduction Commitment (CRC) Energy Efficiency Scheme	Final	Good
Concessionary Fares	Final	Good
Lakes Estate Community Energy Saving Programme (CESP) Scheme - Project healthcheck	Final	Good
The Coroner's Office	Final	Good
Waste Treatment (Project Reduce 2)	Final	Good
Capital Programme	Final	Good
Child Protection Co-ordinators	Final	Good
CCTV	Final	Good
Elections (Postal vote checking)	Final	Good
Bank Reconciliation	Final	Good
Council Tax	Final	Good
National Non Domestic Rates	Final	Good
Treasury Management	Final	Good
VAT	Final	Good
cRRescendo (Energy Efficiency Grant)	Final	Good
Low Carbon Living Grant Claim	Final	Satisfactory
Troubled Families Grants	Final	Satisfactory
Whistleblowing Arrangements- Effectiveness	Final	Satisfactory

Audit	Report Stage	Audit Opinion
Appraisals	Final	Satisfactory
Electronic Document Records Management System (EDRMS)		
Project health check	Final	Satisfactory
Car Parks - pay and display	Final	Satisfactory
Sponsorship	Final	Satisfactory
Maintenance of Corporate Properties	Final	Satisfactory
Street Lighting	Final	Satisfactory
Server & Storage Virtualisation	Final	Satisfactory
Internet & Email	Final	Satisfactory
ONE Application Audit (EMS Capita)	Final	Satisfactory
Procurement	Final	Satisfactory
Hanson Study Centre	Final	Satisfactory
Management & Governance of Partnership with Mouchel	Final	Satisfactory
Complaints	Final	Satisfactory
Legal - Social Care	Final	Satisfactory
Procure to Pay (Accounts Payable)	Final	Satisfactory
Telephony	Final	Satisfactory
Family Group Conference	Final	Satisfactory
Housing Rents	Final	Satisfactory
Assessment & Care Planning: Adults (LD, MH, OP & PD)	Final	Satisfactory
Social Behaviour	Final	Satisfactory
Youth Services	Final	Satisfactory
Regulation of Investigatory Powers Act (RIPA)	Final	Satisfactory
Temporary Staffing Contract	Final	Satisfactory
Stores - Fuel - Vehicle Workshop – Fleet	Final	Satisfactory
Office Rationalisation Project	Final	Satisfactory
Licensing Premises, People and Vehicles - Alcohol and Entertainment Activities covered by the 2003 Licensing Act	Final	Satisfactory
Virtual Desktop Infrastructure - IT Project	Final	Satisfactory
Benefits Realisation - Working Better Together Programme	Final	Satisfactory
Community Asset Transfer Programme	Final	Satisfactory
Connexions	Final	Satisfactory
Configuration Management	Final	Satisfactory
Patch Management	Final	Satisfactory
Housing Benefits	Final	Satisfactory
General Ledger (Journals & Interfaces)	Final	Satisfactory
Uninvoiced Income (Income & Cash Management)	Final	Satisfactory
Leasehold Management & Shared Ownership	Final	Satisfactory
Effectiveness of Internal Audit	Final	Satisfactory
Food & Safety	Final	Satisfactory
Trading Standards	Final	Satisfactory
Environmental Health	Final	Satisfactory
Accounts Receivable - Debtors	Final	Limited Assurance
Station Square Project health check	Final	Limited Assurance
Community Equipment	Final	Limited Assurance
Councillors Questions and Decisions	Final	Limited Assurance
Risk Management	Final	Limited Assurance
Business Continuity Management	Final	Limited Assurance
Estates Caretaking and Cleaning	Final	Limited Assurance
Attendance Management	Final	Limited Assurance
Woughton Leisure Centre	Final	Limited Assurance
Blue Badges	Final	Limited Assurance

Audit	Report Stage	Audit Opinion
Accounts Receivable	Final	Limited Assurance
Employee Self Service / Manager SS Project health check	Final	Limited Assurance
Wolverton Station overspend	Final	Weak
Taxi Licencing	Final	Weak
Project Spot Check	Draft	Satisfactory
Active Directory health check	Draft	Satisfactory
Refuse Collection & Street Cleansing	Draft	Satisfactory
Waste Disposal Sites & Recycling	Draft	Satisfactory
OTP (Benefits Realisation)	Draft	Satisfactory
Passenger Transport	Draft	Satisfactory
Highways and Landscape Adoptions	Draft	Satisfactory
Highway Inspections	Draft	Limited
Car Parks - pay and display	Draft	Limited

School Audits completed 1 April 2012 to 30 April 2013

Audit	Report Stage	Audit Opinion
Broughton Fields Primary	Final	Good
Bushfield School	Final	Good
Germander Park School	Final	Good
Green Park School	Final	Good
Heronsgate School	Final	Good
Priory Rise School	Final	Good
Oldbrook First School	Final	Good
St Bernadette's Catholic Primary School	Final	Good
Russell Street School	Final	Good
Slated Row School	Final	Good
St. Mary Magdalene Catholic Primary School	Final	Good
St. Thomas Aquinas Catholic Primary School	Final	Good
Bradwell Village Middle School	Final	Satisfactory
Hanslope School	Final	Satisfactory
Lord Grey School	Final	Satisfactory
Rickley Park Primary	Final	Satisfactory
New Chapter School	Final	Satisfactory
Stanton School	Final	Satisfactory
Wavendon Gate School	Final	Satisfactory
Emerson Valley Junior School	Final	Limited Assurance
Langland Community School	Final	Limited Assurance
Leon School	Final	Limited Assurance
The Radcliffe School	Final	Limited Assurance
St Paul's School	Final	Limited Assurance
Stantonbury Campus	Final	Limited Assurance
The Redway School	Final	Limited Assurance
Simpson Primary School - Academy conversion audit	Final	Limited Assurance
Orchard School - Academy conversion audit	Final	Limited Assurance

General Follow ups completed 1 April 2012 to 31 March 2013

Audit Name	Total Actions Due	Implemented	% Implemented	Final Report Opinion	Follow Up Report Opinion
Responsive Repairs	3	2	67%	Good	Good
Partnership & Pooled Budgets with PCT	3	3	100%	Good	Good
Personal Budgets - Direct Payments Cash Options	4	4	100%	Good	Good
Private Sector Housing & Improvement Grants	1	1	100%	Good	Good
HRA - Other Charges	3	3	100%	Good	Good
Early Intervention Centre	3	3	100%	Good	Good
Play Development (inc school holiday schemes)	9	9	100%	Good	Good
Libraries	14	14	100%	Good	Good
Sports Development	1	1	100%	Good	Good
Woughton on the Green	3	3	100%	Good	Good
Community Language Service	3	3	100%	Good	Good
Children in Care Team	2	2	100%	Good	Good
Concessionary Fares	9	7	78%	Good	Good
Council Tax	1	1	100%	Good	Good
Elections	3	3	100%	Good	Good
CCTV	8	7	88%	Good	Good
IT Security Policy	2	1	50%	Good	Good
The Coroner's Office	2	2	100%	Good	Good
Council Tax	6	0	0%	Good	Good
Housing Rents Audit	8	8	100%	Satisfactory	Good
Refuse Collection & Street Cleansing	6	6	100%	Satisfactory	Good
Waste Disposal Sites & Recycling	4	3	75%	Satisfactory	Good
Street Lighting	14	11	79%	Satisfactory	Good
Benefits	4	4	100%	Satisfactory	Good
Complaints	2	2	100%	Satisfactory	Good
External Residential Care & Independent Fostering Agency	3	3	100%	Satisfactory	Good
Whistleblowing Arrangements- Effectiveness	3	2	67%	Satisfactory	Good
Accounts Receivable - Debtors and Debt Recovery	6	2	33%	Satisfactory	Limited Assurance
Assessment & Care Planning: LD + MH + OP&PD.	10	7	70%	Satisfactory	Good
Cash Office Closure	3	1	33%	Satisfactory	Satisfactory
Deeds & MK Land	5	3	60%	Satisfactory	Satisfactory
Sponsorship	10	10	100%	Satisfactory	Satisfactory
Maintenance of Corporate Properties	4	2	50%	Satisfactory	Satisfactory
Legal - Social Care	10	10	100%	Satisfactory	Satisfactory
Estates - Asset Register	5	5	100%	Satisfactory	Satisfactory
Performance Management	5	5	100%	Satisfactory	Satisfactory
Data Protection, Fol Act & EIR	6	6	100%	Satisfactory	Satisfactory

Audit Name	Total Actions Due	Implemented	% Implemented	Final Report Opinion	Follow Up Report Opinion
Hanson Study Centre	8	6	75%	Satisfactory	Satisfactory
ONE Application (EMS Capita)	6	4	67%	Satisfactory	Satisfactory
Appraisals	6	4	67%	Satisfactory	Satisfactory
Temporary Staffing Contract	6	5	83%	Satisfactory	Satisfactory
Woughton Leisure Centre	16	16	100%	Limited Assurance	Satisfactory
Golf Courses	3	1	33%	Limited Assurance	Satisfactory
Business Continuity Management	7	6	86%	Limited Assurance	Satisfactory
Community Equipment	7	4	57%	Limited Assurance	Satisfactory
Blue Badges	14	11	79%	Limited Assurance	Satisfactory
Attendance Management	5	3	60%	Limited Assurance	Satisfactory
Members Casework	3	3	100%	Limited Assurance	Satisfactory
Estates Caretaking and Cleaning	5	3	60%	Limited Assurance	Satisfactory
Accounts Receivable - Debtors	17	8	47%	Limited Assurance	Limited Assurance
Councillors Questions and Decisions	4	2	50%	Limited Assurance	Limited Assurance
Music Service	18	16	89%	Weak	Satisfactory
Bus Contractor Audits	3	3	100%	Weak	Satisfactory
Total	316	254	80%		

School Follow up reports issued from 1 April 2012 to 30 April 2013

Audit Name	Total Actions Due	Implemented	% Implemented	Final Report Opinion	Follow Up Report Opinion
Broughton Fields Primary	6	6	100%	Good	Good
Bushfield School	3	3	100%	Good	Good
Green Park School	1	1	100%	Good	Good
Loughton School	1	1	100%	Good	Good
Oldbrook First School	1	1	100%	Good	Good
Russell Street School	6	6	100%	Good	Good
Slated Row School	4	4	100%	Good	Good
St. Mary Magdalene Catholic Primary School	7	6	86%	Good	Good
St. Thomas Aquinas Catholic Primary School	2	2	100%	Good	Good
St Bernadettes Catholic Primary School	3	3	100%	Good	Good
Priory Rise School	4	3	75%	Good	Good
Bradwell Village Middle School	7	7	100%	Satisfactory	Good
Chestnuts Primary School	9	9	100%	Satisfactory	Good
Brooklands Farm Primary School	8	7	88%	Satisfactory	Good
Heronshaw School	4	4	100%	Satisfactory	Good
Penwith School	5	4	80%	Satisfactory	Good
Pepper Hill School	5	5	100%	Satisfactory	Good
Priory Common First School	6	6	100%	Satisfactory	Good
Stanton School	6	6	100%	Satisfactory	Good
Wavendon Gate School	4	4	100%	Satisfactory	Good
Giles Brook Primary School	2	2	100%	Satisfactory	Good
Meadfurlong School	7	4	57%	Satisfactory	Satisfactory
St. Monica's Catholic Primary School	12	8	67%	Satisfactory	Satisfactory
The Walnuts Spec - Board	10	10	100%	Satisfactory	Satisfactory
White Spire Spec - Board	4	4	100%	Satisfactory	Satisfactory
Emerson Valley Junior School	9	8	89%	Limited Assurance	Good
Christ the Sower Ecumenical Primary School	13	13	100%	Limited Assurance	Satisfactory
The Redway School	4	4	100%	Limited Assurance	Satisfactory
Total	153	141	92%		

Audits not finalised at year end

Audit	Current Status
Contracts - Final Accounts	In Progress
Contract Monitoring	In Progress
Premises Inspections	In Progress
Partnerships	In Progress
Corporate Governance	In Progress
In House Home Care	In Progress
Network Security	In Progress
Economic Development	In Progress

Audits cancelled during the year

Cancelled	
E232/13/1	Alternative Education:Primary PRU
E232/13/2	Alternative Education:Secondary PEC
E639/13	Community Infrastructure Levy
E580/13/01	Application Audit
E580/13/02	Application Audit
E460/13	Budget Monitoring
E483/13	Committee Management
E604/13/05	Core Strategy – Health check
E605/13	EGOV4U - IT Project
E604/13/10	E-Services – IT Project
E622/13	HCA Assets
E631/13	Neighbourhood Engagement
E604/13/14	Research and Intelligence - Local Land & Property Gazetteer
E234/13	School Planning (Early Years)
E201/13	SEN Casework & Development Team
E604/13/11	System Rationalisation IT Project
E604/13/03	Western Expansion Area

Précis of the more significant cases

Private Work

One employee was dismissed for undertaking private work using Council assets and charging members of the public for personal gain. Two employees received Final Written Warnings, one for using Council assets for personal gain in undertaking work for themselves and the other for financial mismanagement.

Leisure Centre

An employee was dismissed from a leisure centre for undertaking a £10,000 benefits fraud.

Timesheets / Flexi Time

An employee was dismissed for falsification of the number of hours that were worked to enable a shorter working week.

Highways

An employee was dismissed for enabling free services to be provided to family members and for financial mismanagement of the Council's income which was in contravention of the Council's Financial Regulations.

NNDR

A company that was found to be claiming to be a charity and who had NNDR discounts of £65,000 was successfully prosecuted.

Community Team - Adult Learning Disability Theft

An employee was dismissed following an investigation into several financial irregularities and subsequently it was found that the employee had provided falsified documentation during their employment.

Disabled Badges

A person was prosecuted when they were caught using a Blue Badge several times to park in the city centre when it was established that the person was not disabled and wasn't transporting a disabled passenger at the time. As a result the person was fined £350 and ordered to pay costs of £234.40, after admitting to using disabled "Blue Badge" parking bays in Central Milton Keynes and displaying a badge the person was not entitled to use.

Car Permits

2 people were cautioned, one for fraudulent use of a photocopied car share permit and the other for the fraudulent use of an employee permit.

Playground Equipment

An employee was dismissed for selling the Council's playground equipment to public houses and personal acquaintances.

Identity

An employee resigned after it was found that there were questions over their identity. Had the resignation not taken place it is likely that the employee's contract with the Council would have been found to be void.

Schools

A lunch time supervisor had her contract terminated due to working under false identification.