



Milton Keynes
Service
Partnership

INTERNAL AUDIT SERVICE

MILTON KEYNES COUNCIL INTERNAL AUDIT ANNUAL REPORT 2014/2015

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www.milton-keynes.gov.uk/internal-audit/

1. Introduction

- 1.1. 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.
- 1.2. The new Accounts and Audit Regulations 2015 regulations for English local authorities (including police and fire bodies) came into force from 1 April 2015 for the accounting year 2015/16. The new regulations recognise the need to follow public sector internal audit standards and also remove the need for a separate review of the effectiveness of internal audit.
- 1.3. The regulations make changes to the publication of the accounts and annual governance statement. These, together with a narrative statement on the use of resources should be published by 31 July. The audit opinion should also be published by this date or 'as soon as reasonably practicable'. This date applies from 2017/18 – until then the date remains as 30 September.
- 1.4. The Public Sector Internal Audit Standards define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment. The Annual Opinion supports the Annual Governance Statement (required under Regulation 4(2) of the Accounts and Audit Regulations 2011).
- 1.5. This report summarises the scheduled, unplanned and investigation work undertaken by internal audit during the financial year 2014/15. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.
- 1.6. The Regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The Annual Audit Opinion together with the review of conformance with the Public Sector Internal Audit Standards (PSIAS) provide this assurance.
- 1.7. Milton Keynes Council's Internal Audit Service is currently provided by Milton Keynes Service Partnership, although the service is expected to be transferred back to the Council during the 2015/16 financial year. The role of Internal Audit 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.

2. Head of Internal Audit's Annual Audit Opinion

- 2.1. 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.

- 2.2. As a result of individual audits actions have been agreed to strengthen the control environment. Although weaknesses identified during the year may have undermined the control environment of the individual system they are not material enough to have an impact on the Council's overall control environment.
- 2.3. The statement overleaf is based upon audit work undertaken throughout the year and action taken by managers to address the risks identified.
- 2.4. The establishment of adequate control systems is the responsibility of management.
- 2.5.

Annual Audit Opinion

No assurance can ever be absolute, however it is my opinion based upon both the planned and unplanned audit work completed during the year that **Satisfactory** assurance can be provided on the adequacy and effectiveness of the Council's control environment operating for the year ended March 2015

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.

The Council's control environment comprises governance arrangements risk management and internal control.

Lynda Baker
Head of internal Audit
June 2014

2.6. Key Issues Arising

- 2.7. Audits receiving Weak/Limited audit opinions - Nine general audits and 3 schools received weak or limited audit opinions during the year.
- 2.8. **Project Benefits Realisation (post project reviews)** – The definition and monitoring of benefits is not robust and the MK Approach is not always followed. This issue has been identified as an area for action in the 2014-15 Annual Governance Action Plan and will be followed up as part of that process.

- 2.9. **Taxi Licensing** – The deficiencies in this process were well publicised on the release of the investigation report and included decision makers not always paying sufficient attention to their primary purpose of safeguarding the general public, along with numerous record keeping and process improvement requirements. This audit is also reported in the Investigation section of this report (Annex E). The majority of actions identified have now been implanted and members of the Regulatory Sub Committee have received specialist training in this area.
- 2.10. **Parking and Parking Contract** - There were good controls ensuring that once income was recorded in the parking database (SiDem) from both contractors it was traced to the Council's bank account and payments were made correctly to Cobalt. However, checking of income from P&D machines was reliant on contractor information, payments to contractors were not always timely or accurate, although the financial impact was minimal and there was no independent audit of the scratch card and permit stock. MKSP have recently employed a new Parking Contracts and Operations Manager who has made good progress in addressing the actions, including requesting direct access to Vinici's Parkfolio system. Work to date provided to audit gives us confidence that the significant actions will be fully implemented by the end of July when a further follow up will be undertaken, the results of which will be reported to the Audit Committee.
- 2.11. **ControCC (Adult Social Care Payments System)** - Payments were not made to new service users/carers/providers for several months as there was no-one in post to input records. This resulted in delays in those who had been assessed as needing care being able to receive it. A lack of regular reconciliations between ControCC and Frameworki could result in incorrect payments being made. Additionally staff with business roles also had system administration level access and there was a lack of clarity over the responsibilities between MKC and the software vendor. All actions have now been implemented except for one relating to system administration access, which we have been assured will be implemented by the due date of 30 June 2015.
- 2.12. **Emerson Valley Junior and Moorland Nursery School** - Inadequate segregation of duties in the 'procure to pay' cycle was found at both of these schools despite the completed Schools Financial Value Standards (SFVS), signed by the Chair of Governors, stating that there is segregation of duties. There had been many instances at both schools, where one member of staff had performed all of the key tasks in the procurement process on the Schools Finance System (FMS6). Additionally, there were high numbers of orders raised after receipt of invoice which means effective payment controls are bypassed and commitment accounting is undermined. Emerson Valley Junior School have now implemented all actions and received a 'good' opinion and although the formal follow up has not yet been done on Moorlands Nursery School evidence has been provided that effective segregation has now been implemented.
- 2.13. **Accounts Receivable (Sundry Debtors)** – Significant progress has been made since the last audit including the completion of the debt management review and the establishment of a centralised Recoveries team which has a

stronger and more resilient management structure. A revised Income and Collection Policy has been approved, referral to external Collections Agents and write off processes have also been improved along with the Scheme of Delegation being implemented on MDEFS. The value of overdue debt has fallen from £5.69M for 2013/14 to £4.2M for the current year principally as a result of focus on those customers that had high value overdue debt. There are however still some deficiencies which have been acknowledged by management. These are principally the need to ensure that debts are collected quickly, transfer to a collections agent in a timely manner when Council recovery processes have been exhausted and ensure that the overdue debts are investigated and appropriate action for recovery implemented. It is for these reasons that our opinion remains Limited Assurance. The service is developing a detailed plan of action to take the matter forward.

- 2.14. **Woughton on the Green Sports Pavilion** – There was an overall lack of control relating to Health and Safety risk assessments as well as basic cash and asset protection process . Business Support lacked understanding of VAT rules relating to sports facilities and failed to collect all giro income. All but one action has now been implemented and the follow-up opinion is ‘Good’.
 - 2.15. **Abbey Hill Golf Course** – The auditors were unable to verify that financial information received is accurate and complete which in turn potentially affects income received by way of turnover rent. This issue, which was raised in several previous audits, has now been addressed with client staff performing spot checks on reported income figures. The follow-up opinion is ‘Good.’
 - 2.16. **Brooklands Farm Primary School** – In attempting to get things done in an efficient manner, controls have been circumvented and decisions made and actions taken where there was no authority to do so. Some of the governing body’s responses to the school’s financial value standard (SFVS) were inaccurate. All 11 actions have now been implemented and the follow-up opinion is ‘Good’.
 - 2.17. **Capital Approval Process** – Assurance could not be provided that all projects had been reviewed at every review point. Also, the evidence was not always available to confirm that every one of the seven service areas had performed the expected level of scrutiny at the stages they are responsible for. The four actions have now been implemented and the follow-up opinion is ‘Satisfactory’.
3. **Unimplemented essential actions** – Only one of the essential actions remains unimplemented ay follow-up stage; this was in relation to the PEC
 - 3.1. **Alternative Education (PEC - Personalised Education Centre) – Alternative Education (PEC - Personalised Education Centre)** – There was no formal agreement in place between the Milton Keynes Behaviour Partnership (MKBP) (MKC) and the Bridge Academy. The Service Manager attended the Audit Committee in January and agreed to a further revised

implementation date of the end of March 2015. A draft document was presented to the MKBP in March. Since then the service manager has left the Council and the Head of Delivery, Setting and School Sufficiency has taken over responsibility for this area. The draft was provided to Legal for comment. It is now being revised to take into account feedback from MKBP and Legal and will be presented to MKBP in July for approval.

4. Effectiveness of Internal Audit

4.1. 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 and the findings of the review should be considered by a Committee of the Council. The information set out in this report, along with that in the Annual Governance Statement, should provide a sound basis for making this judgement.

4.2. The Public Sector Internal Audit Standards (PSIAS) also require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The Home Counties Chief Internal Auditors' Group are considering different avenues for the external reviews including training assessors within the group. The external assessment needs to be undertaken by April 2018.

4.3. The new Standards cover the following aspects of internal audit

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

4.4. In accordance with PSIAS the annual self-assessment to ensure compliance with the standards has recently been completed. A high level of conformance was once again confirmed with just a few areas identified for improvement, which will be addressed by:

- Reviewing the Audit Handbook and re-issuing it to all IA staff to clearly define audit processes and expectations,
- Continuing discussions with other Heads of Internal Audit to determine what is meant by, and how they ensure compliance with, the standard relating to 'evaluation of the design, implementation, and effectiveness of the organisation's ethics-related objectives, programmes and activities',
- Completing the planned information governance audit In order to fully comply with the standard that audit has 'assessed whether the

organisation's information technology governance supports the organisation's strategies and objectives',

- Reviewing the electronic files to ensure that records retention requirements are met and are consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements (a full review of paper files has already been completed).

4.5. It is expected that the intended improvements will be in place by 31st December 2015.

5. Audit Measures / Performance

5.1. A summary of the measures/performance for 2014/15 and comparisons over the previous 2 years is provided in the table below with detailed explanations of each measure following.

	Actual Measure for 14/15	Actual Measure for 13/14	Actual Measure for 12/13
Plan completion - audits completed to at least draft	88%	86%	93%
Weak/limited audit opinions improved to satisfactory/good at follow up	80% 8 of 10	90% 9 of 10	83% 10 of 12
Exit meeting to draft report	7 days general 5 days schools	9 days general 6 days schools	7 days general 4 days schools
Draft to final report	19 days general 7 days schools	23 days general 11 days schools	24 days general 11 days schools
Customer satisfaction (internal feedback) General audits	98% (52/53)	97% (35/36)	98% (49/50)
Customer satisfaction (schools)	100% (13/13)	100% (20/20)	100% (16/16)
Agreed actions implemented	90% (general) 98% (schools)	85% (general) 92% (schools)	80% (general) 92% (schools)
Productivity Ratio	80%	81%	79%

5.2. Completion of Plan

5.2.1. The plan is designed to be flexible and adapt to changes in demand and risks. All audits in the revised plan had been started prior to the year end, 88% had been completed to at least draft stage, and some audits from the 2015/16 plan had also been started prior to the year end. All audits which were cancelled or carried forward to the following year were as a result of changes resulting in the removal of the audit area or service requests.

5.2.2. The detail of the reports issued, audits in progress and cancelled audits is included in Appendices A-D of this report. The number of reports does not reconcile with the number of audits as some of the reports cover more than one audit area.

5.3. Audit Opinion

5.3.1. Audit opinions for general audits are summarised in the table below. The detail of these opinions can be found in Appendix A. Overall the % of good /satisfactory audit opinions, currently 89%, has increased from last year's 87% providing increasing assurance on control systems throughout the Council.

	Good	Satisfactory	Limited	Weak	% Good/ Satisfactory
2014/2015	42	44	9	0	90%
2013/2014	25	44	6	5*	86%
2012/2013	43	50	14	2	85%
2011/2012	43	39	10	3	86%
2010/2011	21	31	5	3	87%

*4 of the weak audit opinions relate to one audit report which covered 4 different Pupil Education Centres.

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

	Good	Satisfactory	Limited	Weak	% Good/ Satisfactory
2014/2015	3	7	3	0	77%
2013/2014	11	15	2	1	90%
2012/2013	12	7	9	0	68%
2011/2012	14	23	3	0	90%
2010/2011	11	19	4	2	83%

5.4. Issue of Reports

5.4.1. One of our current areas for improvement is to 'get it right first time' as we identified a lot of audit time is expended between the audit work being completed and the final report being issued. This is therefore an area that we have been concentrating on. There has been a significant time period between the issue of the draft and final reports for a small number of audits, due to ongoing dialogue between the service and audit staff or delays incurred as officers are unable to meet within a short timeframe. These delays have adversely affected the overall average figures.

5.4.2. On average general audits are taking just under 3 weeks between draft report and final report whilst schools are taking 7 days. Whilst an improvement on last year, this still exceeds our 1 week aim and therefore we continue to strive to improve this turnaround time. It should be recognised that this is also very dependent on service managers responding on a timely basis and that our current timescale is still significantly below the general industry target of 4 weeks.

5.5. Customer Satisfaction

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

1. Did the audit provide you with the level of assurance you required?
Yes/No, If no please explain
2. Did the audit deliver what mattered to you? Yes/No If no, please explain
3. How can the Audit department improve their service?

5.5.2. In total 66 responses were received of which 98% of responses received were positive to the first 2 questions.

5.5.3. 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 related to an audit where the service requested Internal Audit to report on the lack of necessary resource within the service, this can be an area of contention for us and on this occasion there was insufficient evidence available to report this in support of the service.

5.5.4. We are currently trialling a more detailed customer satisfaction questionnaire and initial feedback on the new questionnaire has been positive.

5.6. Agreed Actions Implemented

5.6.1. This measure could be described as the most important measure of Audit effectiveness, as without implementation of actions the Audit Service adds little value. It must however be recognised that the service is not in control of whether the agreed actions are actually implemented.

5.6.2. 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	239	215	90
School Follow ups	54	53	98
Total	293	268	91

5.6.3. 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.

5.6.4. The % of actions implemented has improved on the previous year and the one essential action outstanding, is currently being addressed and is expected to be fully implemented in early July.

5.7. Productivity Ratio

5.7.1. 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.

5.7.2. Over the year 80% of the time has been productive i.e. specifically work expended on routine and special audits (which includes investigations) and provision of advice. This is slightly lower than the 81% achieved last year but above our target of 76%. The target for next year will be increased to 80%.

5.7.3. An auditor was seconded to the Insurance and Risk Service for 95 days prior to being formally employed by them and 10 days of unpaid leave were taken. If these had been included in the table below the chargeable ratio would be 77%.

5.7.4. A breakdown of the time allocation for the year is shown in the table below.

Activity	Days	Time Available (%)
General audits	1509	72%
Investigation/consultancy	93	4%
Provision of Advice	89	4%
Total chargeable	1692	80%
Study/training (incl. induction)	23	1%
Administration	83	4%
Recruitment, appraisals, workload management	49	2%
Information gathering and provision	160	8%
Meetings	35	2%
Sickness	64	3%
Special leave	5	0
Total unchargeable	419	20%
Total available time	2110	

One auditor had 35 days of sickness (over 50% of the total) following an operation resulting from an accident. The net cost of her salary was reimbursed by the Insurance Company.

6. Other Issues

- 6.1. 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 (12.5 FTE's) of which 5 are currently vacant after the recent resignations of two Senior Auditors, one being a retirement. It is probable that a further 2 or 3 of the vacant posts will be removed from the establishment over the coming year.
- 6.2. Difficulties have been encountered in recruiting auditors, however a further attempt is to be made, including targeting school leavers as apprentices and providing them with training. A restructure of the service is also being considered.
- 6.3. For several months Internal Audit has been preparing itself for the move to 'MK Central' which occurred on 1 June along with the associated wide scale adoption of 'Agile' and 'Paperlite' working'. This has necessitated a manual review of paper files, scanning and shredding of all the audit documents.
- 6.4. Following the independent review of MKSP it is probable that the Internal Audit Service will transfer to Milton Keynes Council, along with other Services in the Partnership by December 2015.

7. Fraud investigations

7.1. Introduction

7.1.1. To maintain an effective anti-fraud approach within the Council there are four key policies which are in place and are reviewed every year. These are:

- The Anti-Fraud Policy
- The Whistleblowing Policy
- The Sanctions and Prosecution Policy
- The Revenues and Benefits Counter Fraud Policy

7.1.2 The Anti Fraud Policy was formally adopted on 22 December 2009 and is reviewed on an ongoing annual basis. The officer review in January 2015 incorporated some minor 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.

7.1.3 The Whistleblowing Policy was formally adopted on 22 December 2009 and re-launched in 2009/10. It has subsequently been reviewed on an annual basis with the latest review in January 2015. The policy is based upon 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. Additional Whistleblowing Policy guidance has also been published specifically to address concerns raised by schools.

7.1.4 The Revenues and Benefits Counter Fraud Policy and the Sanctions and Prosecution Policy covers primarily Housing and Council Tax Benefit cases and complies with the DWP requirements for this area. These policies were reviewed and updated in January 2015. Although the responsibility for Benefit Fraud investigation transferred to the DWP from 1 March 2015 these policies remain in place because the Corporate Anti-Fraud Team (CAFT) will continue to investigate Council Tax and NNDR fraud.

7.2. Welfare Reforms

7.2.1. In 2014 the DWP announced its continued commitment to introducing Universal Credit and the Single Fraud Investigation Service. As a result Milton Keynes Council has been included in the third tranche of the roll out for Universal Credit which should take place between September and November 2015.

7.2.2. The DWP Single Fraud Investigation Service (SFIS) was rolled out during the year with the commencement date of 1 March 2015 for Milton Keynes. Prior to this date a series of meetings and workshops were held between the

DWP, the Audit Services Manager and the Benefits Manager and a Service Level agreement between the Council and the DWP was signed. The CAFT downloaded all relevant Housing Benefit fraud data on 9 February 2015 and transferred it to the DWP on 29 February 2015 in accordance with the DWP timetable. During the year CAFT reduced the amount of Benefit Fraud work undertaken in order to prepare for the SFIS rollout. Resources were devoted to completing benefit fraud cases already being investigated and no new cases were started after 1 January 2015.

7.3. Staffing

- 7.3.1. From May 2014 the Fraud Service has carried two vacant Fraud Officer posts in the establishment, which has generated salary savings. It was decided not to remove the posts from the structure due to the uncertainty around the Welfare Reform changes and also to allow some flexibility to backfill posts should external fee earning work become available.
- 7.3.2. Staff within CAFT have continued to enhance their skills and become multi-disciplined by taking part in more wide ranging anti-fraud activity across all areas of the Council and MKSP.
- 7.3.3. During the final quarter of 2014/15 a Social Housing Fraud Officer post was advertised, which was to be jointly managed by a Housing Manager and the Audit Services Manager. This post is to be funded by an agreed spend to save initiative. Unfortunately, after being advertised there were only two candidates suitable for interview and one of those dropped out before the interview date. The remaining candidate was interviewed but not appointed and the post remains unfilled.

7.4. Zero Tolerance Policy Review

- 7.4.1. A review of the Zero Tolerance Policy contained within the Anti-Fraud Strategy was undertaken during 2014/15 and submitted to the Audit Committee for approval in January 2015 as part of the annual review of the Anti-Fraud Policy. The policy adopts 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 in attempting to defraud the Council.
- 7.4.2. This report considers the learning from relevant cases during 2014/15. In all cases where fraud was considered proven on the balance of probabilities, the employee was either dismissed or a formal warning issued. However, the fact that formal 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.

7.5. Corporate Fraud Investigations

- 7.5.1. 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 2014/15 were:

Cases brought forward as at 31 st March 2014	24
Referrals received during 2014/15	<u>55</u>
	79
Completed Investigations	64
Cases carried forwards as at 1 st April 2015	15

7.5.2. No malicious referrals were identified as a result of the corporate fraud work undertaken during 2014/15.

7.5.3. During the past financial year 64 Investigations have been completed (and a further 15 are currently under investigation). Of the 64 cases completed none of the cases completed involved an employee who allegedly had sought to fraudulently claim benefits (from MKC) whilst employed by MKC.

7.5.4. The 64 cases involved other forms of alleged fraud / code of conduct breaches against MKC and of these cases:

- 7 were dismissed (including 1 prosecuted for theft).
- 2 resigned during the investigation.
- 8 received a final written warning.
- 1 received a written warning.
- 1 contract terminated at a probation meeting.
- 2 agency workers' employment with the Council was terminated.
- 43 cases concluded that no fraud was proven.

7.5.5 Other highlights from 2014/15 include:

- The CAFT service has recovered £1659.27 from an employee who was in breach of contract by failing to work at the times identified in his timesheet and instead spending over 50% of his time undertaking personal use of the internet. The service intends to expand this type of recovery in the forthcoming year and has started the same process for another employee who was dismissed for working elsewhere whilst accepting sickness pay from the Council.
- A member of staff was prosecuted for Theft which resulted in £320 compensation, £60 court costs plus 80 hours community work

See Annex E for a précis of the more significant cases

7.6. Public Fraud Investigations

7.6.1. In addition to the Council's corporate fraud investigations the CAFT team also undertake public investigations into Single Person Discount (SPD) fraud, Blue Badge and Parking fraud, Housing Tenancy fraud, Council Tax Reduction Scheme (CTRS) and School Admission misrepresentations. In

2014/15 there were a total of 242 referrals across these areas resulting in the following sanctions:

Blue badge sanctions

Mis-use warning letters	22
Renewals refused	1
Cautions	8
Prosecutions	1

Parking sanctions

Parking cautions	1
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CTRS Sanctions

Cautions	1
Prosecutions	1

Other sanctions and actions

Social Housing properties recovered	11
SPD cancelled	4
Council Tax Penalties	1

7.6.2. The CAFT team have undertaken work on several cases of School Admission applications, however, there is now case law that states applicants cannot be prosecuted under the Fraud Act. CAFT has worked with the Schools Admissions Team and rejected applications as a result of falsehoods found, but CAFT cannot currently take any criminal action against the perpetrators.

7.6.3. Public Fraud Investigation Savings

The public fraud investigations created significant savings for the Council as follows:

Recovered tenancy savings	£198,000
CTRS savings	£18,754.22
SPD investigations	£1,098.70
NFI SPD savings	£15,415.88
Total	£233,268.80

7.7. Whistleblowing

7.7.1. There were 7 whistleblowing referral cases investigated in 2014/15 and all 7 cases have been closed during the year. There was insufficient evidence to proceed with any of the referrals.

7.8. Human Resources Investigations (including Audit employee investigations)

7.8.1. During the last year, HR has supported managers with 39 cases of conduct related disciplinary issues and 3 cases relating to dignity at work issues. Of

the cases supported in the last year, which were progressed through the appropriate formal HR process, these concluded as follows:

7.8.1.1. Disciplinary Investigations:

- 6 employees were dismissed for gross misconduct
- 2 employees resigned during the disciplinary process, however 1 hearing took place after the leaving date as the matter was so serious
- 4 employees were issued with final written warnings
- 2 employees were given first written warnings
- 12 employees were given an informal reprimand after the investigation/hearing
- 1 case resulted in no case to answer following a hearing
- 4 cases resulted in no case to answer after the investigation concluded
- There were 8 cases where after fact finding was completed it was determined that an investigation was not required.

7.8.1.2. Bullying and Harassment/Dignity at Work Cases:

- 3 formal cases were investigated.
- 1 was not upheld.
- 2 were upheld, the subject of the investigation resigned before a subsequent disciplinary process commenced.

7.8.1.3. Whistleblowing cases:

- There were no whistleblowing cases.

7.8.2. No claims were received that the Council had failed to protect a Whistleblower.

7.9. Benefit Fraud Investigations

7.9.1. Referrals, as expected, decreased during the year from 926 in 2013/14 to 341 in 2014/15. Details of the referrals showed that of the annual total of 341:

- 157 (46%) in year were referred for investigation
- Of 157, 34 (21.7%) resulted in a proven fraud in 2014/15

7.9.2. There were 34 Sanctions relating to Benefit Fraud Sanctions in 2014/15. This is less than the previous year reflecting the changes in the way the team was working due to the introduction of the Single Fraud Investigation Service

- 4 (12%) Administrative Penalties

- 7 (20%) Simple Cautions
- 23 (68%) Prosecutions

No cases passed for prosecution were found 'not guilty', by the court.

7.9.3. 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.

7.9.4. The amount of fraudulently overpaid Housing and Council Tax Benefit identified as a result of the Fraud Team's intervention was £710,775 for the year, which will be robustly recovered by the Overpayment Recovery Teams wherever possible. During the year, 9 cases with overpayments in excess of £10,000 were investigated, the overpayment was stopped and the claimants sanctioned where appropriate. All of these cases were reported to the External Auditors as required.

7.9.5. 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.

7.10. Datamatching

7.10.1. **National Fraud Initiative (NFI)** - CAFT participates in the biennial Audit Commission National Fraud Initiative (NFI) exercise. During February 2015 CAFT received 9,026 new data matches resulting from the 2014 data matching exercise completed by the Audit Commission. Various supplementary matches since February have been received which now takes the total number of matches to 9,912. The matches cover a wide range of services including Housing Benefits, Payroll, Housing, Blue Badges, Licensing and other areas. Council Tax to Electoral Register matches which are analysed annually were investigated during the latter part of 2014/15. Utilising the Audit Commissions priority ranking and sifting instructions CAFT is in the process of identifying the matches suitable for further investigation. Whilst the NFI exercise does provide some good outcomes it is a very resource intensive process because of the number of matches that need to be sifted.

7.10.2. **Housing Benefit Matching Service (HBMS)** - MKC also participated in the DWP Housing Benefit Matching Service (HBMS) 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. The number of

cases raised and investigated as a result of the HBMS in 2014/15 was 10. At the end of the year HBMS matches provided 12 sanctions although 10 of these sanctions related to referrals raised in the previous year. In 2015/16 there will be no further HBMS data matching due to the fact that the DWP will be conducting Benefit Fraud work.

- 7.10.3. **Council Tax Datamatching** - There will be an increased emphasis on Council Tax datamatching to highlight cases of Single Person Discount fraud, other types of discount fraud eg student exemptions and Council Tax Reduction Scheme fraud. This is considered a cost effective and valuable area of work to help protect taxpayers money and minimise losses to the Council.