

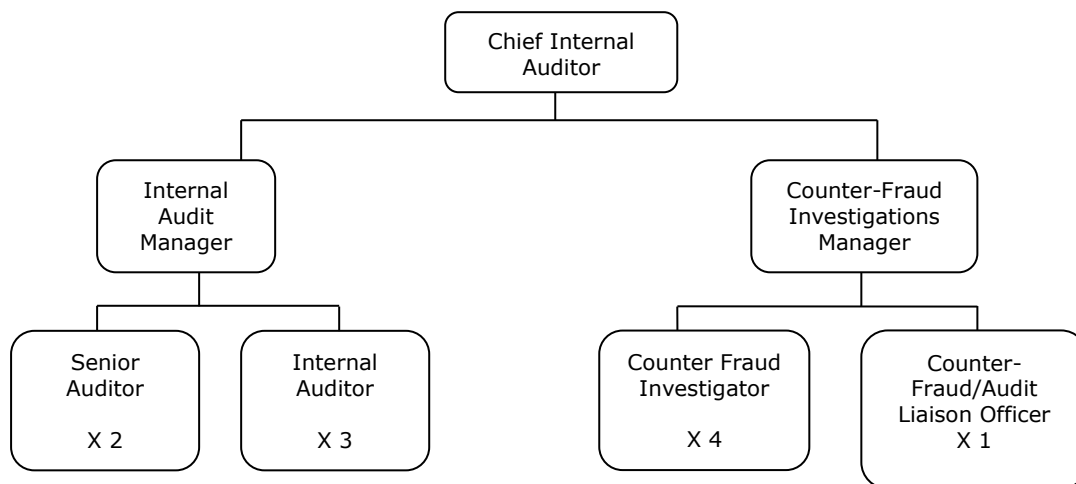
Report to	Audit and Standards Committee
Date:	23 September 2019
Title:	Internal Audit report for the first quarter of the financial year 2019-2020
Report Of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the first quarter of the financial year - 1st April 2019 to 30th June 2019.
Officer recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.
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1.0 Introduction

- 1.1 A review of the work carried out by the Internal Audit and Counter Fraud teams is reported quarterly. The work of Internal Audit is compared to the annual audit plan which was agreed by the committee in March 2019. Significant risks and control issues are highlighted. At the end of the financial year the Chief Internal Auditor will state their opinion of the control environment of the authority based on this information.
- 1.2 In March 2019 the Audit and Standards Committee agreed the first annual audit plan to cover work across the two authorities.
- 1.3 As the majority of service areas now provide services to both authorities the results of work carried out by Internal Audit and Counter Fraud will be reported to both committees. However, when any findings relate specifically to one authority then this will be reported to the appropriate council's committee only.

2.0 Restructure and the Year Ahead

- 2.1 The past few months have seen a number of staff changes with the restructure and with staff retiring. However. The restructure is now complete and in the first quarter of the year all the posts have been filled
- 2.2 Two new Internal Auditors have been appointed; one external applicant and one internal (from Account Management). These are currently undergoing training but should be in a position to carry out audits with minor supervision from late summer.
- 2.3 Below is the new structure for both the Internal Audit and Counter Fraud teams.



- 2.4 Now that the teams are settled and fully staffed they will continue working on the Audit plan and the Counter-Fraud work. The Chief Internal Auditor and the managers will work with the Chief Finance Officer, Corporate Management Team and committees over the coming months to ensure that the teams are providing a service that is relevant and of value to both councils. It is vital that Internal Audit and Counter-Fraud are in a position to support the councils as they move forward on various ventures as well as ensuring there are adequate controls in existing processes.

3.0 Review of the work of Internal Audit carried out in the first quarter of 2019-2020

- 3.1 A list of all the audit reports issued in final from 1st April 2019 to 30th June 2019 is as follows:

Treasury Management	Substantial Assurance
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NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

- 3.2 The list above is not reflective of the work that has been carried out. At this point in the year the focus of work is on completing the annual reviews that are required by the external auditors. These focus on the main financial areas of the authority and there are 11 of these. The Treasury Management review is one of the smaller annual reviews and was completed quickly. The work on the other

reviews has been ongoing and has been slightly hampered by changes in staff in the areas being audited. However the majority of the work is completed and either at, or nearly at, the draft report stage. The results will be reported in the next report to committee.

- 3.3 From the beginning of this financial year the team have been carrying out audits using the Pentana audit software. Audit reports are therefore now rated for assurance using the levels set up on the system. These are as follows:

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.
Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

- 3.4 Appendix A shows the work carried out against the annual plan for the first quarter of the year.
- 3.5 While work is progressing with completion of the annual reviews, little work has yet been undertaken on the other audits in the 2019-20 plan. This has been due to the movement of staff with the restructure. As mentioned earlier in this report there are now two new auditors being trained and once they are fully trained, and the other auditors have completed the annual reviews, it will be possible to move forward with the remainder of the plan.
- 3.6 There was an issue with uploading data to HMRC from the Lewes payroll system in the last months of the financial year 2018-19. The Chief Internal Auditor is currently undertaking a review to understand the cause, identify what actions were taken and to review any implications this has had on staff. Once this work is fully concluded the result will be reported to this committee.

4.0 Housing Subsidy Claim

- 4.1 The Housing Subsidy Claim for 2017-18 has yet to be completed. The Functional Lead (Thriving Communities) informed the Chief Internal Auditor that there were funds that he wanted to use to have the Subsidy Claim checked by an external company. He has therefore contacted Branch and Lee to complete the 2017-18 testing. This work is currently ongoing with input from the Internal Audit team.

The Functional Lead (Thriving Communities) intends to pay for this work for the Lewes Housing Subsidy Claim testing to be carried out by an external company going forward.

- 4.2 The Chief Finance Officer tasked Audit team with carrying out a project to look into the errors that are identified in the testing of the claim and to work with the service area to improve their work and their quality checking to ensure that the number of errors are reduced. This work is ongoing and updates on progress will be reported to this committee.

5.0 Counter Fraud

- 5.1 Housing Tenancy – The team continue to work closely with colleagues in Homes First and Legal and there are currently 19 ongoing sublet/abandonment tenancy cases at various stages. Three properties have been returned during this period with a net preventative saving to the of £93,000 (based on NFI estimate of £93,000.00 valuation for each returned property).
- 5.2 Right to Buy –applications have gradually increased within this quarter, with 4 cases checked to prevent and detect fraud and protect each authority against money laundering. Of these applications, 13 were withdrawn after intervention by the CFT resulting in a preventative saving of £248,400 More cases are currently under review.
- 5.3 There is a Right to Buy case due to be heard at Crown Court in December. This has involved a significant and painstaking level of work by the investigators building the case to this point with ongoing legal requirements and requests. Compliments have been made by the council's barrister of the thorough and highly professional work undertaken which in her experience was considerably better than other investigations undertaken by the police.
- 5.4 Housing Options - Work has also been undertaken with Homes First looking at a number of potentially fraudulent homeless presentations as well as the implementation of using the National Anti-Fraud Network facilities for credit checks for all new applications as a preventative measure.
- 5.5 Council Tax – A detailed review of Council Tax Exemptions and Disregards is ongoing – this involves looking at areas of weakness where reviews have not been completed for some time, the outcome of this exercise will be released in due course. A small number of cases have been passed through during this period. The team have also commenced a joint working operation with the revenues Specialist Advisors looking at high risk Single Person Discounts. This has resulted in the implementation of Council Tax penalties which will be recorded in the next quarterly report.
- 5.6 NNDR – A new item of data matching software (Idis) has been procured with funding from the East Sussex Fraud Hub, which will be used in conjunction with Wealden District Council to target small business rate relief fraud. Further information will be brought to the committee as this project develops.
- 5.7 Housing Benefit – The team have worked closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section, resulting in the

closure of 31 cases. The resulting investigations have resulted in an increase in recoverable Housing Benefit of £11,674. Joint working with the Case Management team has also increased the volume of referrals, there are around 140 outstanding referrals passed over to the DWP to consider across both authorities.

5.8 National Fraud Initiative - Work continues on the 2019/20 extraction using a test sample of 10% of cases, this has been brought about due to the limited results found in previous activities – 1376 cases have been cleared so far with 46 awaiting further investigation with a current value of £14,460 found in errors (Housing Benefit).

5.9 A table showing the savings made by the Counter-Fraud team in the first quarter of 2019-2020 can be found at Appendix B.

6.0 Financial appraisal

6.1 There are no financial implications arising from this report.

7.0 Legal implications

7.1 This report demonstrates compliance with regulation 5 of The Accounts and Audit Regulations 2015, which requires Eastbourne Borough Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Lawyer consulted 31.07.19

Legal ref: 008471-LDC-OD

8.0 Risk management implications

8.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

9.0 Equality analysis

9.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

10.0 Appendices

Appendix A – Work against plan

Appendix B – Counter Fraud work and savings.

11.0 Background papers

11.1 Audit reports issued throughout the year.