

**Body:** AUDIT AND GOVERNANCE COMMITTEE

**Date:** 9th MARCH 2016

**Subject:** Internal Audit Report to 31<sup>st</sup> December 2015

**Report Of:** Internal Audit Manager

**Ward(s)** All

**Purpose** To provide a summary of the activities of Internal Audit for the third quarter of the financial year 2015/16.

**Recommendation(s):** That the information in this report be noted and members identify any further information requirement and timescales.

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## **1.0 Introduction**

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2015/16 was agreed by the Audit and Governance Committee in March 2015.

## **2.0 Review of work in the third quarter of the financial year 2015/16.**

- 2.1 A list of all the audit reports issued in final from 1<sup>st</sup> April to 31<sup>st</sup> December 2015 is as follows:

|                                   |                         |
|-----------------------------------|-------------------------|
| Benefits (Annual 2014/15)         | Performing Well         |
| Council Tax (Annual 2014/15)      | Performing Well         |
| Housing Rents (Annual 2014/15)    | Performing Excellently  |
| NNDR (Annual 2014/15)             | Performing Excellently  |
| IT (Annual 2014/15)               | Performing Inadequately |
| Conferences and Group Travel      | Performing Adequately   |
| Internet Controls                 | Performing Adequately   |
| Electoral Computer System         | Performing Excellently  |
| Planning System                   | Performing Adequately   |
| Leasing and Licensing             | Performing Adequately   |
| Telephones                        | Performing Well         |
| Personal Loans                    | Performing Well         |
| Licences (Entertainment and Taxi) | Performing Inadequately |
| Waste Contract                    | Performing Excellently  |
| Software Compliance               | Performing Adequately   |
| CHRIS                             | Performing Well         |

|                   |                         |
|-------------------|-------------------------|
| Contact Centre    | Performing Adequately   |
| Seafront Services | Performing Well         |
| Procurement       | Performing Inadequately |

### Levels of Assurance - Key

|                         |   |
|-------------------------|---|
| Performing inadequately | Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk. |
| Performing adequately   | Some important weaknesses. Key controls need to be improved. – Medium to high risk.   |
| Performing well         | Important strengths but some areas for improvement. – Medium to low risk.   |
| Performing excellently  | Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.                                   |

2.2 One report has been issued in this quarter with an assurance level of inadequate. This is explained at 2.4 and appendix B.

2.3 Appendix A shows the work carried out against the annual plan to the end of December 2015. The following comments explain the main points to be noted from the table:

- Some reviews went over the time allocated. These were carried out by new members of staff, one of which only joined the team in May. This is being monitored and feedback given.
- A extra piece of work was requested as part of the audit of the Customer Contact Centre this took the audit slightly over the time allowed.
- Claims work – extra testing was again required this year. The DWP also stated that testing must be carried out on errors that had been found in the previous year’s testing. This has meant the time allowance for claims work has been exceeded.
- As previously reported, requests have been made for the postponement of the following reviews:

Performance Management - to be postponed until 2016/17. The reasons given were that with Phase 2 there were changes to the team with one member still not in post, a new Corporate Plan being produced and developing a new performance framework.

Engineering - to be postponed to 2016/17 in view of current maternity leave.

Asset Management - to be postponed until 2017/18 to allow for the implementation of Corporate Landlord.

- 2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given. NB. These are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed.
- 2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.
- 2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. Appendix D is designated as "Confidential" to reduce the risk of opportunities to commit fraud. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.
- 2.7 The review of Events is the only audit still listed on Appendix D. The Senior Head of Tourism and Enterprise has given his comments which are included at the foot of the table.

The approach to the address the issues appears robust and it is therefore proposed not to continue to follow up the recommendations, which were first made when the report was issued in April 2014, but to conduct another full audit of the area at a later date.

### **3.0 Corporate Fraud**

- 3.1 The team has carried out work to review and cleanse Band A of the Housing waiting list. This has resulted in:-

|                                       |    |
|---------------------------------------|----|
| Removed from waiting list             | 27 |
| Band lowered from A                   | 47 |
| Awaiting change of status             | 17 |
| Other change actioned                 | 13 |
| Request sent for update/ further info | 12 |
| Advice letter sent                    | 19 |
| No change                             | 34 |

In addition 203 National Fraud Initiative (NFI) waiting list matches have been reviewed by the team resulting in 137 removals and 6 being moved to a different banding. In total the work undertaken has resulted in 164 applicants, who should not have been on the waiting list, being removed and 66 having their banding reduced. Currently there is no financial value put on this work. Work now being undertaken on viewing all persons listed on Band B (approx 700)

- 3.2 Work on NFI matches to date has resulted in 70 errors being uncovered with £54,066.16 worth of benefits overpayments. Currently there are 346 NFI matches under review. The Corporate Fraud Team now deals with the whole

of the NFI data matches which previously were dealt with by different departments. This ensures an unbiased and uniform approach to investigating the matches.

- 3.3 In addition to NFI data matches the team continues to deal with Housing Benefit Matching Service matches. Since the beginning of the financial year the team has reviewed 487. This work is undertaken in the form of 'interventions' (reviewing customer's circumstances against their claim) as the team can no longer investigate housing benefit. This work is still carried out by the Corporate Fraud team as it is currently not covered by another department.

The team currently have 60 investigations open looking at a variety of issues including Council Tax Reduction, Tenancy, Single Person Discount, Non Domestic Rates, Homeless, Council Tax Discount and HB interventions.

To date the team has undertaken reviews of 147 individual cases (not including projects) resulting in 91 positive outcomes (62%).

- 3.4 Other work currently being carried out by the team includes:

- Working with Electoral Services to help verify residents addresses;
- Acting as link between Case Management and HMO Licencing, Planning and Building Regs to help ensure that a holistic view is made of claimant's circumstances when applications
- Giving fraud awareness training to Customer Advisors, Account Management and Case Management Caseworkers. Training has also been arranged for Neighbourhood Officers.

- 3.5. A table showing the work of the team and the savings made can be found at Appendix E.

#### **4.0 East Sussex Counter Fraud Hub**

- 4.1 A consensus has been reached for the choice of a case management system and implementation of the software across the member authorities is commencing.
- 4.2 A company for the provision of publicity has also been agreed and an initial meeting will be held to arrange launching publicity for the Hub.
- 4.3 The Hub is working towards a uniform approach to recording performance outcomes. This will help to provide a financial representation of the work being undertaken by the fraud teams within the Hub.
- 4.4 The Hub has collated its performance figures for the three quarters of 15/16. The figures come from the member authorities; Eastbourne, East Sussex County Council, Wealden, Lewes and Brighton and Hove. The summary can be seen below.

| April - December 2015          | No of proven cases | Value of proven cases<br>£ |
|--------------------------------|--------------------|----------------------------|
| Reduction in procurement fraud | 0                  | 0                          |
| Social housing tenancy fraud   | 45                 | 662,000                    |
| Right to Buy fraud             | 0                  | 0                          |
| CTRS fraud                     | 44                 | 46,000                     |
| CT discount fraud              | 27                 | 11,500                     |
| NNDR fraud                     | 0                  | 0                          |
| Grant fraud                    | 0                  | 0                          |
| Blue Badge fraud               | 324                | 175,000                    |
| Direct Payments                | 0                  | 0                          |
| Housing Benefit                |                    | 118,650                    |
| Employment fraud               |                    | 1,500                      |
| Rental recovery                |                    | 9,765                      |
| <b>Totals</b>                  | <b>440</b>         | <b>1,024,415</b>           |

*Figures for savings on social housing tenancy fraud and blue badge fraud are those suggested by the Audit Commission in the Protecting the Public Purse publication. This suggests a saving of £18,000 for each property returned and £500 for each Blue Badge rescinded.*

- 4.5 When the bid for funding from the DCLG was submitted, a forecast of savings had to be included. As none of the authorities had carried out proactive corporate fraud work previously these figures had to be estimated based on the savings suggested in Protecting the Public Purse 2013 "Estimated annual loss to fraud in local government". A lower estimate was given for the first year of work as it was felt that the Hub members would just be testing the water to understand the areas where fraud and inconsistencies could occur.
- 4.6 The projected savings for the Hub in 15/16 and the actual for the three quarters of the year are shown on Appendix F.
- 4.7 The forecasts for the year were based on the main areas of fraud as listed in "Protecting the Public Purse". However, the Hub is finding that it is also taking on other pieces of fraud work. These are now included in the performance figures to demonstrate the full range of work by the Hub. The performance of the Hub for the first three quarters of the year is over the projected target.

## **5.0 SFIS Update**

- 5.1 A meeting has been arranged with the DWP to discuss the backlog of work currently with them. Since migration in November 2014, 242 Housing Benefit cases have been referred to DWP for investigation. To date, 63 have been closed – 56 of which were closed as unproven or no action taken. 3 Adpens, 4 proven.

## **6.0 Consultation**

- 6.1 Respective Service Managers and Heads of Service as appropriate.

**7.0 Resource Implications**

7.1 Financial – Delivered within the approved budget for Internal Audit

7.2 Staffing – None directly as a result of this report.

**8.0 Other Implications**

8.1 None

**9.0 Summary of Options**

9.1 None

**10.0 Recommendation**

10.1 That the information in this report be noted and members identify any further information requirement and timescales.

**Jackie Humphrey**  
**Internal Audit Manager**

**Background Papers:**

The Background Papers used in compiling this report were as follows:

*None*