

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 8th March 2017

Subject: Internal Audit Report to 31st December 2016

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 2016/17.

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

Contact: Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925.
E-mail address jackie.humphrey@eastbourne.gov.uk

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 2016/17 was agreed by the Audit and Governance Committee in March 2016.

2.0 Review of work in the third quarter of the financial year 2016/17.

- 2.1 A list of all the audit reports issued in final from 1st April to 31st December 2016 is as follows:

Open Revenues	Performing Well
Debtors (Annual 2015/16)	Performing Excellently
Planning (process)	Performing Well
Housing Rents (Annual 2015/16)	Performing Well
Creditors (Annual 2015/16)	Performing Adequately
Rent and Deposit Loans	Performing Well
Homelessness	Performing Adequately
Access to Information	Performing Well
Economic Development	Performing Excellently
Right To Buy	Performing Well
Capital Programme	Performing Excellently
Car Loans and Leasing	Performing Well
Internet/Intranet/Telephone payments	Performing Adequately
Council Tax (Annual 2016/17)	Performing Excellently

NNDR (Annual 2016/17)	Performing Excellently
Performance Management	Performing Well

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 No reports have been issued in this quarter with an assurance level of inadequate.

2.3 Appendix A shows the work carried out against the annual plan to the end of December 2016. The following comments explain the main points to be noted from the table:

Previously reported:

- Following the external auditor's qualification of the 2014/15 Housing Benefit final subsidy claim the DWP required further work to be undertaken in light of errors found due to the data migration between Northgate and Open Revenues.
- Right To Buy – there was a change in the Auditor carrying out this review. Therefore extra time was spent on the new Auditor familiarising themselves with the subject and the work that had already been carried out.
- Rent and Deposit Loans and Homelessness – research carried out by the Auditor into legislation in order to ensure a correct understanding.
- Leisure Trust – time was put aside to provide input into this review. However it has been carried out solely by the Head of Audit at Lewes.
- Box Office Computer System – this has been postponed until 17/18 as a new system is being purchased.

Further points:

- Some annual reviews commenced a little earlier this year. This was in response to a request by the Manager, Customer First (Account Management) that we avoid their busiest time in the lead up to the end of the financial year.
- IT reviews were delayed because the Head of ICT is very busy with numerous projects across the two authorities. Efforts are being made to complete these before the year end though the completion of the annual audits must take priority.

- 2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Well", 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 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, have been listed at Appendix C. 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.
- 2.6 Appendix C was reviewed by CMT. A follow up of Events will be carried out in May to allow new procedures to become embedded.

A follow up of Licences was carried out in November. This revealed one outstanding recommendation had been addressed and work was progressing on addressing the final two outstanding recommendations. A further follow up will be carried out in March.

3.0 Corporate Fraud

- 3.1 Work has been undertaken on a review of cases where Council Tax Reduction is claimed but no other benefits. This involved almost 3,500 cases. In particular, those cases that had not been reviewed or updated for two years were given closer review. These were viewed to see if anything required updating or whether any obvious errors were included. This work involved desk based review and visiting customers. A total of 301 cases were given closer scrutiny. Although this project is not yet complete so far Weekly Incorrect Benefits of £20,232 and overpayments of £39,782 have been identified.
- 3.2 The team are currently working on a Tenancy Occupation review. This was instigated as it became apparent that the data held on Orchard was out of date. Letters were sent out in December to every tenant to ask them to confirm who was in their household as well as other details. 3460 letters were sent out. As the completed forms are returned they are being scanned by the post room and are then reviewed against the entries on Orchard by the Corporate Fraud team. So far 990 forms have been fully processed of which 410 required information on Orchard to be amended.
- 3.3 NFI datasets have been submitted for matching and the resulting reports have been received. Work will now begin on checking the data.
- 3.4 All Right To Buy applications are still being reviewed by Corporate Fraud to ensure that all information is correct and to check on the financing of the sale to check that money laundering is not taking place. Work is also being undertaken with the Lewes fraud team to compare processes and arrive at a shared best practice. So far a total of 16 applications have been withdrawn because of this work saving the Council a total of £1,208,524 in discounts which would have been allowed.
- 3.5 A table showing the work of the team and the savings made can be found at

Appendix D.

4.0 East Sussex Counter Fraud Hub

- 4.1 The following are points taken from the Hub's internal report to their Board.
- 4.2 Both East Sussex County Council/Brighton and Hove City Council and Lewes District Council/Eastbourne Borough Council are involved in merging services. For East Sussex/Brighton this is a merger with Surrey County Council through the Orbis project. Currently the impact of this on the Hub is unknown but it is likely to result in the consolidation of Hub partners into fewer but larger counter fraud services.
- 4.3 Hub partners remain independent, with their own activity plans and counter fraud priorities that reflect the profiles of their respective authorities. It is felt that this has affected the Hub's ability to act in a co-ordinated way at times.
- 4.4 At the next meeting of the Hub, fraud risks and an activity plan for 17/18 will be considered with a view to identifying possible joint projects on areas of shared concern.
- 4.5 The Hub is keen to share best practice and has already done so by adopting the practice of Epping Forest District Council on Right to Buy fraud. Other areas of best practice are being sought.
- 4.7 The projected savings for the Hub in 16/17 and the actual for the three quarters of the year are shown on Appendix E.

5.0 Joint Working Update

- 5.1 The Internal Audit Manager at Eastbourne and the Head of Audit and Procurement at Lewes have been working on a structure for delivering services at both authorities that allows for resilience and sharing knowledge. A proposed structure, updated job descriptions and person specs are just being completed and will be handed over to HR for the next stage in the process.

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