

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 19 SEPTEMBER 2018

Subject: Internal Audit Report to 30th June 2018

Report Of: Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the first quarter of the year 1st April 2018 to 30th June 2018.

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

Contact: Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-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 2018/19 was agreed by the Audit and Governance Committee in March 2018.

2.0 Review of work carried out in the first quarter of the financial year 2018/19.

- 2.1 A list of all the audit reports issued in final from 1st April 2018 to 30th June 2018 is as follows:

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

Debtors (Annual 2017/18)	Performing Excellently
Housing Rents(Annual 2017/18)	Performing Well
Main Accounting (Annual 2017/18)	Performing Excellently
NNDR (Annual 2017/18)	Performing Excellently
Safeguarding	Performing Inadequately
Devolved Budgets	Performing Well
Contracts Monitoring	Performing Adequately

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 Appendix A shows the work carried out against the annual plan to the end of June 2018. It should be noted that at the beginning of June an Auditor left the team. Our part-time auditor has agreed to work full-time from the beginning of August. However, it has been decided to hold the part-time post vacant whilst Phase 3 savings are being considered. This will impact on the completion of the audit plan going forward.
- 2.3 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.
- 2.4 During the quarter, one report was issued with an assurance level of Inadequate. As this review covered the Safeguarding of Children an update on the current situation has been requested from the owners of the recommendations made. While Safeguarding appears to be adequately embedded the recommendations made were to ensure that the processes are correctly recorded in all relevant areas. This will ensure that compliance is clear and transparent. The responses received from management demonstrate that in all areas either the recommendations have already been addressed or good progress is being made. The full follow up will be carried out at the end of September/beginning of October.
- 2.5 The committee is reminded that 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. In order to clarify this a column has been added to show the assurance level given in the latest follow up carried out.
- 2.6 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, will be 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.
- 2.7 However, there is no appendix C attached to this report as there are no outstanding actions relating to audits that were issued with an "inadequate" assurance level.
- 2.8 Work is ongoing with setting up the new software for Audit. The initial set up

phase is complete and this will be transferred to a test system so the set up can be tested and training will be given on its use in mid-September. Progress will be further reported to the next meeting of the committee.

3.0 Corporate Fraud

- 3.1. The team has undertaken a detailed review of Council Tax Exemptions and Disregards looking at areas of weakness or where reviews have not been undertaken. This has highlighted 29 Council Tax cases requiring further investigation and resulted in 27 amended accounts providing in excess of £21k in cash income.
- 3.2. Work has also commenced on NNDR where a test sample of data has highlighted a number of inconsistencies. 10 cases have been reviewed with the first amendment creating £2k of savings being identified. A further joint working project is now in the process of being constructed along with a data matching service with other Sussex Local Authorities.
- 3.3. The team have continued to raise awareness of fraud risk within the authority with team presentations and social media campaigns highlighting social housing and Council Tax fraud. A project with homeless preventions has been commenced using credit checks to safeguard against fraud. Closer working relationships with the Neighbourhood Housing team has resulted in the successful return of three properties.
- 3.4. Right to buy applications have gradually increased with nine applications received in total within this quarter. Of these cases four were withdrawn as part of the involvement of the Counter Fraud team resulting in a saving of £319,000 to the authority.
- 3.5. The team are continuing to review Council Tax Reduction (CTR) applications which have not been re-assessed for over two years. This has resulted in finding over £10k in CTR overpayments and weekly incorrect reduction awards which are now recoverable. There has also been an increase in Housing Benefit Matching Service (HBMS) reviews where, of the 66 cases investigated, overpayments and weekly incorrect benefit awards in excess of £27k have been found.
- 3.6. The 2016-17 National Fraud Initiative has now almost been completed with one case outstanding. Within the last 46 files, errors of around £5k have been found. However, of the 2000 files received, errors of only £17k were found in total. An approach to checking the matches for the upcoming 2018-19 programme, which will reduce the amount of checking, is currently being considered.
- 3.7. The team are continuing to look at other areas of fraud with the commencement of a project looking at Disabled Facility Grants and recommencing the implementation of Identity Verification software and scanners across the organisations.
- 3.8. Appendix D shows the work of the Corporate Fraud team for the first quarter of the year.

4.0 Consultation

4.1 Respective Service Managers and Heads of Service as appropriate.

5.0 Resource Implications

5.1 Financial – Delivered within the approved budget for Internal Audit

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

6.0 Other Implications

6.1 None

7.0 Summary of Options

7.1 None

8.0 Recommendation

8.1 That the information in this report be noted and members identify any further information requirements.

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers: