

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 6th March 2019

Subject: Internal Audit Report to 31st December 2018

Report Of: Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit and Counter Fraud for the three quarters of the year 1st April 2018 to 31st December 2018.

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

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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 2018/19 was agreed by the Audit and Governance Committee in March 2018.

2.0 Review of work carried out between 1st April 2018 to 31st December 2018.

- 2.1 A list of all the audit reports issued in final from 1st April 2018 to 31st December 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
Corporate Credit Card Usage	Performing Excellently

Land Charges and Searches	Performing Well
Estates Management	Performing Well
Private Housing Grants	Performing Excellently
Car Parking	Performing Adequately
Cemeteries and Crematorium	Performing Well
Use of Council Vehicles	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 Appendix A shows the work carried out against the annual plan to the end of December 2018. The following should be noted:

- A full-time auditor left the Council at the beginning of June. The part-time auditor agreed to work full time from the beginning of August. However, the part-time post has been held as a vacancy whilst Phase 3 savings and a restructure is being considered.
- One member of the audit team had a period of 6 weeks sick leave.
- The Audit Manager has had two projects which have impacted on the amount of time that she could spend on assisting with the completion of the audit plan. These were the setting up and testing of the new audit software and working on the proposals for the planned restructure of the Audit and Counter Fraud teams.

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 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.

2.5 The new audit software has now been set up and tested and the Eastbourne Audit team are using the software to record the annual audit reviews currently being undertaken. From 1st April it is proposed to carry out all audits using the software. Further work and testing needs to be carried out on what information can be reported using the software but this is dependent on work being carried out using the software first so that there is something to report on.

- 2.6 Work has been completed on the 2017-18 subsidy testing and the work is still with the external auditors for review. No issues have yet been raised but it has not yet been signed off.

3.0 Counter Fraud

- 3.1. The Counter Fraud Team (CFT) continue to work closely with Homes First. There are 20 ongoing sublet/abandonment/safeguarding tenancy cases at various stages. Four properties have been returned, two through joint working with Homes First and two solely through investigation work resulting in a net saving to the authority of £186,000.00. 10 other allegations were closed down in this period with no further action.
- 3.2 Right to Buy applications have reduced from the second quarter with six applications received in total. Of these cases three were withdrawn as part of the CFT involvement, resulting in a saving of £213,000.00 to the authority.
- 3.3 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.
- 3.4 The detailed review of Council Tax Exemptions and Disregards is ongoing, looking at areas of weakness or where reviews have not been undertaken for some time, has highlighted an additional 38 Council Tax cases requiring further investigation and resulted in amendments to 33 of these accounts creating in excess of £37k in cash income. The CFT are due to commence a joint working operation with the revenue Specialist Advisors and Datatank reviewing high risk Single Person Discounts. This is expected to become a regular source of referrals and may result in the introduction of the Council Tax Penalty of £70 for undeclared changes in circumstances.
- 3.5 The CFT are continuing a review of Small Business Rate Relief cases, in particular limited companies that may run other businesses in this area or other boroughs. There are in excess of 10 cases currently under investigation or with the Account Management team waiting re-assessment. Further activities are now planned using data matching exercises through the National Fraud Initiative and the application of data analytical software with our neighbouring authorities.
- 3.6 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 £38k in CTR overpayments and weekly incorrect reduction awards which are now recoverable. There has also been a consistent level of Housing Benefit activity through our Single Point of Contact (SPOC) work with the DWP, Housing Benefit Matching Service (HBMS). This has resulted in combined recoverable overpayments of £21k and weekly incorrect benefit of £35k.
- 3.7 The National Fraud Initiative have requested new data uploads and the team have now completed the data extraction exercise for 2018/19 and are now in the process of organising new processes and procedures before the new files

are returned in February 2019.

- 3.8. Appendix C shows the savings identified by the Counter Fraud team during the financial 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

Background Papers: