

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	13 TH MARCH 2013
Subject:	Internal Audit Report to 31 st December 2012
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 2012/13.
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 2012/13 was agreed by the Audit Committee in March 2012.

2.0 Review of work in the third quarter of the financial year 2012/13.

- 2.1 Appendix A shows the work carried out against the plan for 2012/13. The following comments explain the main points to be noted from the table:
- 2.2 Annual audits for PKF - The number of days taken to carry out the work currently refers to work which relates to the last financial year but which was carried out in this year. Work has now begun on the audits for this financial year.
- | | |
|--|--|
| Follow ups from previous year | - continuing to carry out follow ups where recommendations haven't been addressed. |
| Theatres | - Extra time was taken in reworking reconciliations following issues raised by PKF. |
| Food Safety & Hygiene and Improvement Grants | - Time was taken in understanding the filing in APP and W2 as well as area not having been reviewed for some time so it was thoroughly reviewed. |

- 2.3 A list of all the audit reports issued in final from 1st April to 31st December 2012 is as follows:

NNDR (Annual 2011/12)	Performing Excellently
Cash and Bank (Annual 2011/12)	Performing Well
Payroll (Annual 2011/12)	Performing Excellently
Creditors (Annual 2011/12)	Performing Well
Council Tax (Annual 2011/12)	Performing Excellently
Benefits (Annual 2011/12)	Performing Excellently
Housing Rents (Annual 2011/12)	Performing Well
Claims work for PKF 2011/12	Performing Well
Housing	Performing Well
Health and Safety	Performing Well
Covalent	Performing Well
Northgate	Performing Excellently
Postal Services	Performing Excellently
Devolved Budgets	Performing Well
Theatres	Performing Well
Officers' Expenses	Performing Adequately
Use of Council Vehicles	Performing Inadequately
Asset Management Plan	Performing Well
Civil Contingencies	Performing Well
Cafi Debtors	Performing Excellently
Elections and Electoral Register	Performing Excellently

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.

- 2.4 Appendix B is the list of all reports issued in final during the year with any issues highlighted in the reviews which informed the assurance level given. Particular attention should be paid to the review for Use of Council Vehicles which has an Inadequate level of assurance.
- 2.5 Use of Council Vehicles was given an assurance level of Performing Inadequately because the draft policy had some important omissions around use, recording journeys, security of keys and carrying out checks on driving licences. Without these in the policy and with the policy being only in draft it means that the controls around this system are weak. However, although given the "inadequate" assurance level it is unlikely that this will be included in the Annual Governance Statement since the overall risk to the Council is not high.
- 2.6 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.

- 2.7 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. 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.
- 2.8 Appendix D has been taken to CMT and their comments have been requested on the outstanding recommendations and these have been added in the final column of the table. There is only one review on this list now and progress is being made on the recommendations.

3.0 Frauds over £10k

- 3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section.
- 3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.
- 3.3 The list of benefit frauds over £10k for the year to 31st December 2012 is therefore included here for information.

Overpayments over £10,000 between 01/04/12 and 31/12/12						
Suspected Fraud	Proven Fraud	Source of Info	DWP Involvement	Completed	Progress & Outcome	Over payment
UND Capital	Und Capital	DWP - FPA	With DWP Interest	11-Apr-12	Prosecution	24,184.68
UND Capital	Und Capital	DWP	With DWP Interest	08-May-12	Proven - WIB & OP claimed	29,904.61
Working	Claimant Working	DWP - FPA		19-Jun-12	Prosecution	45,737.59
UND Capital	Und Capital	DWP - FPA	With DWP Interest	11-Jul-12	Proven - WIB & OP claimed	25,696.51
UND Income	Undeclared Income	Benefits	No DWP Interest	22-Aug-12	Prosecution	14,192.89
Living Together As Husband and Wife	Living Together	NFI	DWP Interest but not JW	31-Oct-12	Prosecution	54656.92
Not Living There	No Longer At Property	HBMS	No DWP Interest	04-Dec-12	Prosecution	16182.80

All these Overpayments are being pursued for repayment despite formal or informal action being taken.

- 3.4 The "overpayment" figure is the amount of the fraud and not the amount that will necessarily be recovered.

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 requirement and timescales.

Jackie Humphrey Internal Audit Manager

Background Papers:

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

<i>None</i>
