

Report to	AUDIT AND GOVERNANCE COMMITTEE
Date:	4th March 2020
Title:	Internal Audit Report for the first three quarters of the financial year 2019-2020.
Report Of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the first three quarters of the financial year - 1st April 2019 to 31st December 2019.
Officer recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.
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1.0 Introduction

- 1.1 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud. At the end of the financial year the Chief Internal Auditor will state their opinion of the control environment of the authority based on this information.
- 1.2 In March 2019 the Audit and Governance Committee agreed the first annual audit plan to cover work across the two authorities.
- 1.3 As the majority of service areas now provide services to both authorities the results of work carried out by Internal Audit and Counter Fraud will be reported to both committees. However, when any findings relate specifically to one authority then this will be reported to the appropriate council's committee only.

2.0 Review of the work of Internal Audit carried out in the first three quarters of 2019-2020.

2.1 A list of all the audit reports issued in final from 1st April 2019 to 31st December 2019 is as follows:

Benefits and CTR (18/19)	Substantial Assurance
Cash and Bank (18/19)	Substantial Assurance
Council Tax (18/19)	Substantial Assurance
Main Accounting (18/19)	Substantial Assurance
NNDR (18/19)	Substantial Assurance
Treasury Management (18/19)	Substantial Assurance
Creditors (18/19)	Partial Assurance
Housing Rents (18/19)	Partial Assurance
Payroll (18/19)	Substantial Assurance
IT (18/19)	Partial Assurance
Debtors (18/19)	Substantial Assurance
Internet and Telephone Payments	Partial Assurance
HR – Recruitment	Substantial Assurance
HR – Apprenticeships and staff retention	Substantial Assurance
Project Management	Substantial Assurance

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

2.2 Below are the descriptions of the levels of assurance referred to above.

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.
Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

2.3. Appendix A is the list of all reports issued in final during the year which were given an assurance level below “Substantial”. This list includes brief bullet points of the issues highlighted in the reviews which informed the assurance level given.

- 2.4 The work of carrying out the 18/19 annual audits was hindered by training two new members of staff. However, all reviews had been completed by November. From January 2020 work begins on the annual audits for 19/20 and these should be completed in a more timely manner.
- 2.5 This year the scope of the annual audits is also being reviewed as they have not changed for some years. It is important that the working programmes for each audit are up to date and relevant to the work being audited as well as ensuring that controls are in place and working correctly.
- 2.6 Work is still ongoing on the project to review the work that feeds into the Housing Subsidy claim. The aim is to improve the work at the point of input so that fewer errors are made which will enable the subsidy claim to be completed in a more timely manner.
- 2.7 A piece of work was due to be carried out reviewing the issues that had arisen from problems with the implementation of the new housing software and how these were being managed. In a meeting to scope this work the Audit team were asked by the Head of Homes First to carry out an audit review of Housing Needs. Both these pieces of work are now currently underway.
- 2.8 The table below shows the work carried out by the Internal Audit team in the first three quarters of the year by percentage across the main areas services. The style of reporting of our work has changed so that it now reflects that the team is flexible and the work changeable and more responsive to requests for work which are made throughout the year.

Area	% of days on audits	% of days on advice/consultancy etc	% of total audit time
Annual audits	43.5	0	40.65
Claims	34.02	0	31.8
Corporate Services	12.12	70.28	15.91
Regeneration and Planning	7.35	0.3	6.9
Service Delivery	2.51	18.28	3.54
Tourism and Enterprise	0.5	11.14	1.2
TOTAL	100	100	100
% of total audit time	93.48	6.52	100

3.0 Counter Fraud

- 3.1 The team recently lost an experienced criminal investigator who joined Homes First in September. Recruitment for the vacant post has been successful, with the successful applicant being a police officer with 30 years' experience. The Fraud and Audit Liaison Officer has commenced her studies for the Accredited Counter Fraud Specialist qualification which will further enable the team to expand joint corporate projects in new and emerging areas.

- 3.2 The team continue to target the high value and risk areas of tenancy housing while also undertaking other exercises as detailed below:
- 3.3 Housing Tenancy – The team continue to work closely with colleagues in Homes First and legal and there are currently six ongoing sublet/abandonment tenancy cases at various stages. Two properties have returned during this period with a net preventative saving to the authority of £186,000.00 (based on NFI estimate of £93,000.00 valuation for each returned property). Four cases were closed down in this period with no further action.
- 3.4 Tenancy fraud awareness – A joint working campaign has begun with Homes First and the Communication and Engagement team to develop a series of publicity articles via community posters, social media and local press to raise the awareness of social fraud with the public. A fraud awareness poster has been designed and circulated throughout council noticeboards across Eastbourne and Lewes in early January 2020 with a plan to include further publicity within quarterly rent statements to all tenants shortly.
- 3.5 Housing Tenancy Successions – A joint working project has begun to include the Counter Fraud team to verify any applications received for Housing successions. As part of the team's involvement, Homes First will now arrange for an application form to be completed to help prevent a false or fraudulent claim.
- 3.6 Right to Buy – Four cases were checked to prevent and detect fraud and protect each authority against money laundering. Of these applications, two were withdrawn after intervention by the Counter Fraud team resulting in a preventative saving of £154,000 to the authority. There are currently 21 cases (at various stages) under review.
- 3.7 Housing Options – Work has 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. Planned work to look at Housing Allocations is due to begin in January 2020.
- 3.8 Council Tax – the detailed review of Council Tax Exemptions and Disregards has now finished pending the outcomes of a few cases. This involved looking at areas of weakness where reviews have not been completed for some time. 65 cases have so far been found to be incorrect, which has resulted with a net income generated of £46,365.63.
- 3.9 Council Tax Reduction – The team have now completed an exercise reviewing Council Tax Reduction (CTR) applications which have not been re-assessed for over two years. 19 cases have now been closed down in this quarter with a net saving of £23,134.75 to the authority and a preventative saving of £5,509.44.
- 3.10 Housing Benefit – The team have worked closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section. Unfortunately, due to resources restrictions and training needs, the DWP have been unable to complete the same volume of cases as in previous quarters. This has resulted in the closure of 31 cases with an increase in recoverable Housing Benefit of £9k and a preventative saving of £11k. Joint working with the Case Management

team has also increased the volume of referrals; there are around 100 outstanding cases with the DWP to consider.

- 3.11 National Fraud Initiative – Work continues on the 2018/19 extract using a test sample of 10% of cases, this has been brought about due to the limited results found in previous activities – 1157 cases have been cleared so far with 13 awaiting further investigation with a current value of £18k found in errors (Housing Benefit).
- 3.12 Requests for personal data – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. In this period we have dealt with 16 requests from the Police and eight from other authorities for disclosure of relevant personal data held by the council.
- 3.13 A table showing the savings made by the Counter Fraud team in the first half of the year 2019-2020 can be found at Appendix B.

4.0 Financial appraisal

- 4.1 There are no financial implications relating to expenditure arising from this report.

Details of savings generated by the Counter Fraud team are included in Appendix B.

5.0 Legal implications

- 5.1 This report demonstrates compliance with regulation 5 of The Accounts and Audit Regulations 2015, which requires Eastbourne Borough Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Lawyer consulted 24.01.20

Legal ref: 008905-EBC-OD

6.0 Risk management implications

- 6.1 If the Council does not have an effective governance framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

7.0 Equality analysis

- 7.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

8.0 Appendices

Appendix A – List of all reports issued in Final during the year which were given an assurance level below “Substantial” with any issues highlighted in the reviews which informed the assurance level given.

Appendix B – Counter Fraud work and savings.

9.0 Background papers

9.1 Audit reports issued throughout the year.