

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 11th MARCH 2015

Subject: Internal Audit Report to 31st December 2014

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 2014/15.

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 2014/15 was agreed by the Audit and Governance Committee in March 2014.

2.0 Review of work in the third quarter of the financial year 2014/15.

- 2.1 A list of all the audit reports issued in final from 1st April to 31st December 2014 is as follows:

Benefits (Annual 2013/14)	Performing Well
Cash and Bank (Annual 2013/14)	Performing Excellently
Council Tax (Annual 2013/14)	Performing Excellently
Creditors (Annual 2013/14)	Performing Excellently
Debtors (Annual 2013/14)	Performing Excellently
Main Accounting (Annual 2013/14)	Performing Well
NNDR (Annual 2013/14)	Performing Excellently
Payroll (Annual 2013/14)	Performing Excellently
Treasury Management (Annual 2013/14)	Performing Well
IT (Annual 2013/14)	Performing Excellently
Theatres Reconciliation (Annual 2013/14)	Performing Well
Events	Performing Adequately
GIS LLPG	Performing Adequately

Daily Cash Reconciliations	Performing Well
Risk Management	Performing Well
Housing Rents (Annual 2013/14)	Performing Excellently
Tourist Information Centre	Performing Adequately
BACAS Cemeteries System	Performing Excellently
Government Network	Performing Well
Printing	Performing Adequately
Members Allowances	Performing Well
Pest Control and Public Health Burial	Performing Adequately
Open Spaces	Performing Adequately
Car Parking	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 December 2014. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – 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. The external auditors requested some extra work be undertaken.
- Government Connect – this was originally carried out as four separate reviews but these were collated into one this year. The review took longer than was anticipated.

2.3 From the second half of December the focus of work moves to the annual audits. Any time left at the end of the year will be spent completing as many reviews from the plan as possible. Any reviews not started will be moved to the annual plan for the new financial year.

2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below “Performing Excellently”, with any issues highlighted in the reviews which informed the assurance level given.

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 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.

Points to note are:

- Corporate Equality – the outstanding recommendation concerns publication of data for the Transparency Agenda (Open Data). The publication of this data is being monitored separately and therefore this will not be followed up as part of the Corporate Equality review.
- Catering was not due for a follow up until January and therefore outside the scope of this report. However as the priority for this review was "high" the results of the follow up carried out in January have been noted in this report. It can be confirmed that all the outstanding recommendations from the review have now been addressed.
- The follow up of Events was carried out in December and the assurance level remained at "adequate" with a priority level of "high".

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. Appendix D is designated as "Confidential" to reduce the risk of opportunities to commit fraud. The appendix was reviewed by CMT and comments from Managers/Heads of Service have been included in the final column.

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 however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.

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 No frauds over £10k were recorded in this quarter. Only one fraud of over £10k has been identified this year and this is shown below.

Overpayments over £10,000 between 01/04/14 and 31/12/14					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
Undeclared Capital	Undeclared Capital	Anon letter	04-09-14	Proven-being repaid	£13,380.05

4.0 Corporate Fraud

4.1 All relevant Housing Benefit investigations migrated over to SFIS for 1st November. Since this date 64 allegations of fraud have been reported to DWP. 1 case concluded by DWP from 01/11/14 to 14/01/15.

The SPOC (Single Point of Contact Officer) is recording the amount of time spent on each DWP enquiry. Averaging 1 ½ hours per case.

- 4.2 The Corporate Fraud Team has identified that there is a need to conduct 'Interventions' on some benefit claims. This allows for checks to be made on the customer's circumstances prior to a claim being put into payment. The team has been endeavouring to work with SFIS to maintain communication between the two bodies.
- 4.3 Eastbourne Borough Council has been successful in securing 3 bids for Counter Fraud Funding from the DCLG. One for an East Sussex Fraud Hub, which will be project led by Eastbourne. Funding has also been received for High Risk Intervention work to be undertaken for Council Tax Reduction cases and the Council will also be part of a country wide Fraud APP project which will allow members of the public to report fraud and learn about fraud trends in their area

The East Sussex Fraud Hub will see Eastbourne, Wealden, Lewes, Brighton and Hove, and East Sussex County Council building together a Fraud Hub, sharing resources, good working practices and undertaken joint working. Hastings and Rother Councils wish to buy services from the Hub.

- 4.4 The Corporate Fraud team has commenced Single Person Discount review checks for the Revenues Department. They are also undertaking reviews around class L exemptions (Mortgage provider in possession) and Student discount reviews.
- 4.5 Time has been spent researching the Housing Department's systems and processes in order to identify where fraud is most likely to occur. This has also allowed the team to understand the customer's journey through the processes from homeless application to allocation.

Following Fraud's intervention, four applications for homelessness have been disallowed and withdrawn. An in-depth fraud review is being undertaken on the Housing Waiting List to check for customers failing to report changes in their circumstances or making false application.

Two investigations involving current tenants have been completed resulting in keys being obtained from the tenant, allowing properties to be re allocated.

- 4.6 A brief investigation was undertaken when a member of public used the Town Hall as their correspondence address when purchasing property in France. The conclusion of the investigation resulted in Single Person Discount being disallowed for 6 months.

5.0 Consultation

- 5.1 Respective Service Managers and Heads of Service as appropriate.

6.0 Resource Implications

- 6.1 Financial – Delivered within the approved budget for Internal Audit

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

7.0 Other Implications

7.1 None

8.0 Summary of Options

8.1 None

9.0 Recommendation

9.1 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