

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 23rd SEPTEMBER 2015

Subject: Internal Audit Report to 30th June 2015

Report Of: Internal Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the first quarter of the financial year 2015/16.

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 2015/16 was agreed by the Audit and Governance Committee in March 2015.

2.0 Review of work in the first quarter of the financial year 2015/16.

- 2.1 A list of all the audit reports issued in final from 1st April to 30th June 2015 is as follows:

Benefits (Annual 2014/15)	Performing Well
Council Tax (Annual 2014/15)	Performing Well
Housing Rents (Annual 2014/15)	Performing Excellently
NNDR (Annual 2014/15)	Performing Excellently
IT (Annual 2014/15)	Performing Inadequately
Conferences and Group Travel	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 2015. The following comments explain the main points to be noted from the table:

- Two reviews (Planning and Licences) went over the time allocated. Both of these were carried out by new members of staff, one of which only joined the team in May.
- The team was one full time member short during April and the first part of May and training of the new member of staff took place during the second half of May. This has meant that the plan is slightly behind in the first quarter but it is hoped that this will be rectified during the rest of the year.

2.3 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. NB. 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.

2.4 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.

2.5 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. 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.

2.6 Appendix D has not changed since the last quarter’s report. This is because the follow up of Events is not due until September and the follow up for Printing has been asked to be postponed until September. The postponement for Printing has been requested as the section now covers printing at both Eastbourne and Lewes and new staff are currently being recruited.

3.0 Corporate Fraud

- 3.1 The Corporate Fraud team is undertaking meetings with different sections and work groups to highlight the work they carry out. As part of this they have engaged with the Difficult Property Group. Through this the team identified two properties which had been allocated the wrong Council Tax exemption. This resulted in the increased liability of one property to £635.88. The property had been empty for two years but had not been billed @ 150%. The second property had an old exemption which has now been amended resulting in an increase of £736.49. This work has identified a need for a report to be regularly run to identify such cases in future.
- 3.2 Another team approached was Electoral Services. Due to this meeting arrangements have been put in place for cases to be referred to Corporate Fraud where details given (for individual, property, household) do not match those held by the Council.
- 3.3 One building listed as three NNDR properties was visited as it is undergoing building work. It was established that 18 of the new flats were occupied and Council Tax was therefore informed accordingly. This brings in new income of approx. 18 x £1,104.73. These figures do not yet appear in the recorded figures as a formal evaluation is awaited.
- 3.4 All Right to Buy applications are being reviewed by Corporate Fraud to ensure that the applicant is fully eligible. This has already led to one case being more thoroughly investigated and this is progressing.
- 3.5 Work is also currently being undertaken on the matches of data produced by the National Fraud Initiative. All the high risk recommended cases have been examined, with the exception of the Housing Benefit matches which have been passed to DWP. No outcomes have yet been received from DWP.
- 3.6 A table of savings and income from the work of the Corporate Fraud team for the first quarter of the year can be found at Appendix E.

4.0 East Sussex Fraud Hub

- 4.1 As part of the hub project Eastbourne's Corporate Fraud team has undertaken training in the prevention and detection of fraud in Employment, Blue Badges, Direct Payments and Non Domestic Rates.
- 4.2 The Hub is looking at ways in which cross boundary work can be undertaken to minimise fraud and irregularities in Small Business Relief, as well as a project looking at Charitable Rate Relief to ensure that only genuine charities are receiving the relief and are adhering to set conditions to qualify.
- 4.3 Following on from the Blue Badge training the team is working with East Sussex County Council to introduce measures for verifying Blue Badge application details against those held by Eastbourne.
- 4.4 A Parking Permit project is commencing with a data sharing protocol being written up to allow a project exchanging two years' worth of Parking Permit applicants to be shared between Eastbourne and East Sussex.

- 4.5 The purchase of licences to use a system called Who's Home (a tenancy management solution) has been made with DCLG funding. This unique product gives an in-depth insight into the tenancy data held. This allows for identification of tenants in financial stress, over-crowding/under occupancy, arrears analysis, propensity to pay by Direct Debit, as well as covering fraud issues and other features. The implementation of the product is expected in August 2015.
- 4.6 With the introduction of Who's Home the tenants have been offered an opportunity to take part in the "Experian Rental Exchange" scheme. Under this scheme the details of the rent payments of tenants who opt in will be sent regularly to Experian. Paying their rent on time will therefore be recognised and will automatically enhance their credit rating.
- 4.7 The Hub has just collated its first performance figures for the first quarter of 15/16. The figures come from the member authorities; Eastbourne, East Sussex County Council, Wealden, Lewes and Brighton and Hove. The summary can be seen below.

April - June 2015	No of proven cases	Value of proven cases £	Current cases
Reduction in procurement fraud	0	0	1
Social housing tenancy fraud	14	180,000	71
Right to Buy fraud	0	0	35
CTRS fraud	11	10,446	62
CT discount fraud	7	604	8
NNDR fraud	0	0	4
Grant fraud	0	0	0
Blue Badge fraud	35	175,000	16
Direct Payments	0	0	2
Totals	67	366,050	199

Figures for savings on social housing tenancy fraud and blue badge fraud are those suggested by the Audit Commission in the Protecting the Public Purse publication. This suggests a saving of £18,000 for each property returned and £5,000 for each Blue Badge rescinded.

- 4.8 When the bid for funding from the DCLG was submitted, a forecast of savings had to be included. As none of the authorities had carried out proactive corporate fraud work previously these figures had to be estimated based on the savings suggested in Protecting the Public Purse 2013 "Estimated annual loss to fraud in local government". A lower estimate was given for the first year of work as it was felt that the Hub members would just be testing the water to understand the areas where fraud and inconsistencies could occur.
- 4.9 The projected savings for the Hub in 15/16 and the actual for the quarter so far are shown on Appendix F.
- 4.10 The actual savings are slightly above the target set. The variances from the projected savings may reflect where the focus of work has been rather than a lack of identified areas as yet showing no savings.

5.0 Sharing Resources with Lewes District Council

- 5.1 The Principal Audit Manager at Lewes District Council is taking flexible retirement and will be reducing his hours from five days a week to three from January 2016. In order to help with resourcing Lewes have asked for the Internal Audit Manager at Eastbourne to provide cover for the equivalent of one day a week at Lewes.
- 5.2 The exact days/hours have yet to be fully considered. Lewes have specifically requested that some audit reviews be undertaken and it is therefore likely that during such reviews the Internal Audit Manager would be carrying out more than one day a week on Lewes work.
- 5.3 The net result will be a loss of 12 days of the Internal Audit Manager's time in 15/16 from January to the end of March and around 45 days a year ongoing from 16/17. This will have an impact on the work of Internal Audit at Eastbourne though this will be kept to a minimum. There will also be a corresponding saving in the budget of Internal Audit as Lewes will be funding the days spent on their work.

6.0 Consultation

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

7.0 Resource Implications

- 7.1 Financial – Delivered within the approved budget for Internal Audit
- 7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

- 8.1 None

9.0 Summary of Options

- 9.1 None

10.0 Recommendation

- 10.1 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