

Body: AUDIT AND GOVERNANCE COMMITTEE

Date: 20 SEPTEMBER 2017

Subject: Internal Audit Report to 30TH JUNE 2017

Report Of: Audit Manager

Ward(s) All

Purpose To provide a summary of the activities of Internal Audit for the first quarter of the year 1st April 2017 to 30th June 2017.

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 2017/18 was agreed by the Audit and Governance Committee in March 2017.

2.0 Review of work carried out in the first quarter of the financial year 2017/18.

- 2.1 A list of all the audit reports issued in final from 1st April 2017 to 30th June 2017 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.

Main Accounting (Annual 2016/17)	Performing Excellently
Payroll (Annual 2016/17)	Performing Adequately
Security of Data Movement	Performing Adequately
IT Contract	Performing Well
Change Controls	Performing Well
VAT	Performing Excellently
Box Office Computer System	Performing Excellently
Cafi Debtors	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.

- 2.2 No reports have been issued with an assurance level of inadequate in this quarter.
- 2.3 Appendix A shows the work carried out against the annual plan to the end of June 2017. The following comments explain the main points to be noted from the table:
- IT Contract and Change Controls – when the draft audit plan was put together in February 2017, it was not known whether these could be started in 16/17 and therefore they were carried forward into the 17/18 plan. However, these were started in the last financial year and were just completed in the first quarter of 17/18. The unused allocated time will be used to carry out other audits to be considered later in the 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 Well”, 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 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, will be listed at Appendix C. 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.
- 2.7 However, there is no appendix C attached to this report there are no outstanding actions relating to audits that were issued with an “inadequate” assurance level.

3.0 Staffing in Audit and Counter Fraud

- 3.1 There have recently been a few changes in the staffing at Eastbourne. This was due to a small restructure to bring the Lewes and Eastbourne Audit and

Counter Fraud teams in line with each other and with resignations.

- 3.2 With the restructure the Head of Audit and Counter Fraud at Lewes became the overall head of the teams at both Lewes and Eastbourne. The job title for the Internal Audit Manager at Eastbourne is now Audit Manager (Eastbourne) and the post reports directly to the Head of Audit and Counter Fraud.
- 3.3 A post of Senior Auditor was created at Eastbourne to mirror the set up in Lewes. This post was awarded, after interview, to the Internal Audit (Lead on Revs and Bens) from Eastbourne.
- 3.4 One of the Eastbourne Internal Auditors handed in their notice during this time leaving a vacancy for a short period. Interviews were held on 5th July to fill this vacancy and the vacancy for an Internal Auditor at Lewes. The Eastbourne post was filled on 24th July and the Lewes post will be filled in September.
- 3.5 The restructure resulted in no changes for the Counter Fraud teams. However the Counter Fraud Investigations Manager has handed in her notice since the restructure and she will be leaving at the beginning of October. Permission to recruit to this role was sought and the position advertised to the staff in the Alternative Employment Programme. One person applied and an interview be held on the 13th September.
- 3.6 It is currently proposed that the teams will remain with their focus on the authority where they are based. However, there will be some cross-working and this will increase over time as more services are shared across the authorities.

4.0 Corporate Fraud

- 4.1. Work is continuing with the Tenancy Occupancy Reviews, following updating 50% of tenant information held. The exercise has given some confidence to the team, that once migration to the new housing system has taken place, the tenant data will be more up to date and allow greater accuracy for data matching and data mining.

Where tenants have failed to respond, internal systems are checked to identify any recent contact. From this a high risk report is being created to target visits and more in-depth enquiries.

- 4.2 During the first quarter 19 Right to Buy applications have passed through the Corporate Fraud Team. 15 of these resulted in the application being withdrawn or cancelled.
- 4.3. During the first quarter the keys for one property have been returned and one homeless application stopped following activity carried out by the team.
- 4.4. Work continues on the NFI matches. At the time of writing, a total of 679 matches (of a total of 2,265) have been reviewed with 12 cases currently being investigated. Of these there have been only 3 errors found and no instances of fraud. The total of monies being recovered is £1303.37. Of the 2,265 total cases 397 are noted as "recommended" for investigation and to

date 146 have been checked.

- 4.5. The Counter Fraud team continue to investigate the Housing Benefit Matching Services matches each month. To date for this financial year, 123 matches have been handled by the team. This work has remained with the Counter Fraud team despite the fact they no longer investigate Housing Benefit Fraud. As such, arrangements are now being made to move this work over to the Case Management Team to allow the Counter Fraud to concentrate on other areas of corporate fraud work.
- 4.6. The two year contract with Housing Partners is due to end at the end of August. Discussions are currently underway to look at options of extending the contract to bring it in line with when Lewes' contract ends or for both parties to cease usage until migration to the new housing system has taken place.
- 4.7. Appendix D shows the work of the Corporate Fraud team for the first quarter of the year.

5.0 East Sussex Counter Fraud Hub

- 5.1. The Hub launched the East Sussex Counter Fraud Hub (ESCFH) website on 3rd July. The press release of the event can be found at the foot of this report. All authorities were represented and a press photographer attended the event. Eastbourne Counter Fraud team will be hosting the hotline and handling emails received via the website. Details of the cases will then be distributed to the relevant Local Authority.
- 5.2. Posters promoting the ESCFH have been produced and have been circulated amongst members. At Eastbourne Borough Council these have been put up in the Customer Contact area, as well as on all notice boards throughout 1 Grove Road and at the Town Hall. These posters are aimed at both the public and members of staff to prompt fraud awareness and to encourage reporting of allegations. Copies of the artwork have also been given to Eastbourne Homes to ask for inclusion in their newsletter and Facebook page.
- 5.3. Work is currently being undertaken to look at how other Hubs are operating data matching/mining functions. The Hub is keen to explore this area and to develop robust systems to allow greater exchange of data between the authorities and to provide functions for internal data matching. A Data Sharing Agreement is currently under review by Hub members' Legal teams to formulate an agreement which will be used by members to allow such data matching/exchange.
- 5.4. Work is ongoing to find an ID Verification solution which can be used by all participating authorities when receiving photographic ID for applications of services and employment.
- 5.5. Below is the final performance report for 2016/17. This was not reported at the June meeting as some performance figures had not been received from members.

The figures show that Hub members exceeded the forecasted target by

205%. The dramatic increase in forecasted performance has mainly been down to the change of focus to Right To Buy applications by three of the participating authorities. Through Fraud intervention in this area, new processes have been instigated which will safeguard the application process. In future this level of non-cashable saving should decrease which will demonstrate successful preventative measures have taken place.

During 2016/17 only Eastbourne and Brighton & Hove have undertaken investigations into Council Tax discounts/exemptions.

	2016/17		
	Forecast performance	Actual performance	Variance
Reduction in procurement	£1,000,000.00	0	-£1,000,000.00
Social housing tenancy	£1,000,000.00	£799,179.21	-£200,820.79
Right to Buy (RTB)	£150,000.00	£6,504,924.00	£6,354,924.00
CTRS	£100,000.00	£173,789.96	£73,789.96
CT discount	£200,000.00	£24,345.83	-£175,654.17
NNDR	£100,000.00	0	-£100,000.00
Grant	£10,000.00	0	-£10,000.00
Blue Badge	£20,000.00	£369,000.00	£349,000.00
Total	£2,580,000.00	£7,871,239.00	£5,291,239.00

6.0 Appointment of External Auditors

- 6.1. The current contract with our external auditors will end with the final accounts for 2017/18. For the audit of accounts from 2018/19 the provisions of the Local Audit and Accountability Act 2014 in relation to local appointment of auditors will apply. The Secretary of State for Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as the appointing person for principal local government in accordance with the Act.
- 6.2. Authorities were given the option to opt in to be included in the appointing by PSAA or to appoint their own auditors. Both Lewes and Eastbourne councils agreed to opt in but with the caveat that there was a need for the same company to be appointed for both.
- 6.3. PSAA have now been in contact to state that from 1st April 2018, Deloitte LLP, if agreed, would be appointed the new external auditors for Eastbourne. It has been confirmed that Lewes have been allocated Deloitte LLP as well and therefore the arrangement has been agreed. The PSAA will write to all bodies to confirm their Board's final decision on the appointment of the auditor before 21 December 2017.

7.0 Consultation

7.1 Respective Service Managers and Heads of Service as appropriate.

8.0 Resource Implications

8.1 Financial – Delivered within the approved budget for Internal Audit

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

9.0 Other Implications

9.1 None

10.0 Summary of Options

10.1 None

11.0 Recommendation

11.1 That the information in this report be noted and members identify any further information requirements.

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers: