

Report to	Audit committee 19 November 2013	Item
Report of	Head of internal audit and risk management, LGSS	6
Subject	Internal audit and fraud team 2013-14 – September to October update	

Purpose

To advise members of the work of internal audit and the fraud team between September and October 2013, and progress against the 2013-14 internal audit plan.

Recommendations

To note:

- (1) the work of internal audit between September and October 2013;
- (2) progress on the internal audit plan;
- (3) the work of the fraud team between September and October 2013;
- (4) the latest position on the national fraud initiative (NFI).

Corporate and service priorities

The report helps to meet the corporate priority Value for money services.

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Steve Tinkler, head of internal audit and risk management, LGSS	01604 367055
---	--------------

Steve Dowson, audit manager, LGSS	01603 212575
-----------------------------------	--------------

Background documents

None

Report

Background

1. The internal audit plan for 2013-14 was endorsed by members in March 2013.
2. This report covers the following areas:
 - audit assurance work September to October 2013;
 - other areas of non-assurance and financial consultancy work;
 - the audit plan 2013-14, showing progress against the plan;
 - summary of fraud team work September to October 2013;
 - the latest position on the national fraud initiative (NFI).
3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

Audit assurance work September to October 2013

4. The following areas were reported on between September and October:
 - Safety of council properties – substantial assurance. All appropriate controls are in place to manage the risk with respect to asbestos, electrical testing, lighting, fire alarms and lifts. Recommendations relating to gas servicing, boilers and legionella were agreed and are due to be implemented by January 2014
 - The Halls – substantial assurance. There was assurance across security / safety of premises, assets, staff and public. Improved bookings procedures are now in place and payment policies are being applied more rigorously. Recommendations relating to reconciliation of income; fees and documentation for bookings; and security were agreed and are due to be implemented by December 2013
 - Oracle Financials IT system – moderate assurance. There are good arrangements in place over secure hosting of the servers, a formal change management system, backup procedures and interface documentation. There were good documents around changes to the financials application, receipt of information regarding leavers, completion of work requests and daily checks performed in LGSS. Recommendations relating to licensing, documentation updates and password standards were agreed and are due to be implemented by December 2013
5. A member of the audit team is part of the replacement cash receipting project group and is thus providing embedded assurance for controls in the new system, which went live on 6 November.
6. Other assurance work which is in progress is shown in **annex 1**.

Follow ups

7. The following audits were followed up:

- Off-street car parks income – recommendations implemented with the exception of two minor points relating to procedures, which the parking manager will address
- Benefits – all recommendations implemented with one exception relating to delays in processing change of circumstances. The latest position is that action is being taken on the change of circumstances backlog - there has been a reduction in the number of processes outstanding (down from 9,864 on 28 June 2013 to 5,882 on 14 October 2013). The average time to process change of circumstances in September was 22 days. Commencing January 2014, all procedures within the HB team will be reviewed to continue to make the HB process more efficient
- Homelessness – all recommendations implemented with one exception, which relates to the delayed implementation of the Meganexus database. This is down to the supplier, but should be implemented by December 2013
- Construction industry tax deduction scheme – only two minor recommendations, one of which has been implemented. The other was to consider paying HMRC other than by cheque, eg online or by BACS. This is still being investigated.

Non-assurance work

8. The main areas of non-assurance work in the period were refreshing the council's risk management strategy, progressing the national fraud initiative, and reviewing the garden waste (brown bin) scheme.

Progress against the audit plan

9. Details of the annual audit plan for 2013-14 are at annex 1, showing progress for the year to date.

10. To the end of October 2013, 241 days has been spent on audit assurance work by Norwich-based staff, plus 20 days by other LGSS auditors. Norwich staff also spent 56 days on non-assurance work and unplanned request work.

11. There are six days included in the plan for 'Oracle upgrade/replacement', which refers to audit's involvement in the upgrade or replacement of the Oracle financial system. As this is unlikely to go ahead in the current year it is proposed that this item is removed from the audit plan.

12. At this stage there is no indication of resourcing issues which might jeopardise planned delivery of the 2013-14 audit plan.

Summary of fraud team work September to October 2013

13. A summary of work by the fraud team from September to the end of October follows:

- Number of benefit cases referred to the fraud team – 179 (559 so far this year)
- Number of referred benefit cases investigated – 86 (295 so far this year)

- Number of benefit sanctions and prosecutions – 7 (21 so far this year)
- As at the end of October, 27 cases were awaiting reassessment from fraud investigations and Benefits has a dedicated resource to deal with the backlog
- At present there are 40 benefit cases outstanding from the national fraud initiative, of which 21 are being investigated as possible fraud cases and 19 are with the benefits section to carry out enquiries
- In the months of September and October two staff from customer contact attended one-to-one shadowing sessions with the fraud team leader. In addition to this three departments received fraud awareness sessions.

National fraud initiative (NFI) 2012-13

14. This is the main data matching exercise which occurs every two years. The results were received at the end of January 2013.
15. There are 74 reports, mainly covering benefits and housing, and a total of 2,677 matches, of which the Audit Commission recommended 560 as a priority for investigation.
16. The majority of matches relate to housing benefit. Staff in various service areas have made good progress in reviewing matches to identify any further action that needs to be taken – to date 78% of reports have been closed. The council's progress was rated as 'green' by the external auditors in their recent audit results report.
17. So far the exercise has uncovered one housing fraud which led to the recovery of a council property.
18. In addition, £36,350 of housing benefit overpayments have been identified - three overpayments totalling £13,085 which were due to errors by the council, and 13 cases totalling £23,265 which were due to customer error. All the overpayments are being recovered by reductions in weekly benefits.

LGSS Internal Audit - Audit Plan for Norwich City Council 2013-14					
	2013-14				
	Actual to Wk 30				
<u>Audit Assurance Work</u>	Estimated Days	Norwich staff	Camb. staff	Total	Comments
Managed audits					
Accounts payable (creditors)	25				To include review of purchase card use
Accounts receivable (debtors)	15				
NCC payroll	10				
Housing rents/arrears	20				
Housing benefits	25				
Council tax	10				
NNDR	10				
Sub-total	115	0	0	0	
Corporate					
City Deal	20				
Treasury & cashflow management	10				
General ledger	10	0.6			In progress
CIL income / arrangements	10	4.4		4.4	In progress
Oracle upgrade/replacement	6				Upgrade/replacement now likely to be in 2014-15
Procurement & contract management arrangements, as follows:	60				Allowance to include tendering, monitoring, contract management toolkit, safeguarding, CIS, procedural compliance. Involvement in specific contracts
Cash receipting replacement project		11.4		11.4	Embedded audit presence on project team
New payroll contract		3.8		3.8	Complete. Embedded audit presence on project team
Procurement guide & toolkit		0.3		0.3	Complete
Construction industry tax scheme		6.9		6.9	Complete
Contract management in NPS		7.2		7.2	In progress
Outsourcing arrangements	30				Management of joint ventures / shared services
Budgetary control	20	3.7			In progress. Revenue and capital
Probity	10	6.7		6.7	In progress - pool cars, fuel cards and travel & subsistence
Sub-total	176	45.0	0	45	
Business relationship management					
Asset management	20				Housing & non-housing
ICT audits:	10	2.2		2.2	
Parking Gateway	10)
Bacstel IP	10) Taken from IT audit needs analysis
Remote / mobile computing	10)
GCSX / PSN compliance	10				
Sub-total	70	2.2	0	2.2	
Operations					
Emergency planning / resilience	10	10.1		10.1	Complete
HCA arrangements	10	11.0		11.0	Complete
HRA business plan & HIP	10				Risk also identified on p.22 of AGR for 2011-12
On-street parking / highways agency	15	0.2		0.2	Preparation
Safety of council properties	20	14.1		14.1	Complete
Sub-total	65	35.4	0.0	35.4	

Strategy, people & democracy					
Commissioning / partnerships	15	21.8		21.8	In progress. Includes grants awarded under commissioning programme
Sub-total	15	21.8	0	21.8	
Customers, communications & culture					
Managing customer demand	10	3.6		3.6	In progress
The Halls	10	14.7		14.7	Complete
Norman Centre	10	11.2		11.2	Draft report issued
Tourist Information Centre	10	11.3		11.3	Complete
Sub-total	40	40.8	0	40.8	
Non-specific					
Ad-hoc investigations	20	2.0		2.0	Contingency
To complete 2012-13 plan:	25				
Business support/customer contact teams		9.9		9.9	Draft reports issued
Anti-fraud measures		3.0		3.0	Complete
Accounts receivable		17.8		17.8	Complete
Accounts payable		3.4		3.4	Complete
Payroll		4.5		4.5	Complete
Treasury management		2.8		2.8	Complete
Housing rents		0.8		0.8	Complete
General ledger		6.0		6.0	Complete
Planning income		2.3	1.1	3.4	Complete
Business continuity management		2.1		2.1	Draft report issued
Homelessness		0.5	2.9	3.4	Complete
Housing voids		1.4	5.8	7.2	Complete
Members allowances		2.9		2.9	Complete
Performance management		2.7		2.7	Complete
Information management					In progress
Transformation					
Register of electors					
ICT audits:					
Academy (housing)		9.1	3.6	12.7	Draft report issued
Oracle (financial)		11.3	3.1	14.4	Complete
Disaster recovery		0.4	3.3	3.7	Complete

Follow-ups:	20				
Sports facilities		1.6		1.6	
Care & repair contract		1.0		1.0	
HCA		0.4		0.4	
Starters & leavers		0.3		0.3	
Contract management procedures		0.8		0.8	
Oracle purchasing		1.2		1.2	
Council tax		0.4		0.4	
NNDR		0.2		0.2	
Housing & council tax benefits		2.3		2.3	
Emergency planning		0.2		0.2	
Homeless		1.1		1.1	
Off-street parking		2.4		2.4	
Construction industry tax scheme		0.3		0.3	
Others		1.0		1.0	
Sub-total	65	96.1	19.8	115.9	
Total for audit assurance work	546	241.3	19.8	261.1	
Consultancy & non-assurance work					
Corporate governance	15	18.0		18.0	Preparation of annual governance statement; corporate governance group
Fraud, incl. NFI work	34	12.4		12.4	Fraud survey. Key contact duties for NFI 2012 (matches) and 2013 (data upload)
Advice, unplanned work requests	30	25.4		25.4	Contingency. Incl. garden waste review; sheltered housing
Total for non-assurance/consultancy work	79	55.8	0	55.8	
Total Allocated Days	625	297.1	19.8	316.9	
Indicative resources					
Regional audit & risk manager	20				
Principal client auditor	175				
Client auditors x 2	400				
LGSS support	30				
	625				