

Report to Audit committee
22 September 2015
Report of Head of internal audit and risk management, LGSS
Subject Internal audit 2015-16 – June to August update

Item

8

Purpose

To advise members of the work of internal audit between June and August 2015, and progress against the 2015-16 internal audit plan.

Recommendations

To note:

- (1) work of internal audit between June and August 2015;
- (2) the progress on the internal audit plan;
- (3) the latest counter fraud developments.

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 Stonard – Resources and income generation

Contact officers

Neil Hunter, head of internal audit and risk management, LGSS 01223 715317

Steve Dowson. Internal audit manager, LGSS 01603 212575

Background documents

None

Report

Background

1. The internal audit plan for 2015-16 was endorsed by members in March 2015.
2. This report covers the following areas:
 - audit assurance work June to August 2015
 - other areas of non-assurance and financial consultancy work
 - the audit plan 2015-16, showing progress against planned audits
 - the latest counter fraud developments, including the national fraud initiative and the recent *Protecting the English Public Purse 2015* report
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 June to August 2015

4. The following areas were reported on between June and August:
 - Housing rents debit and income management – full assurance. Rent setting and income collection are part of the responsibilities of the housing income service area, which overall covers almost a quarter of all homes in Norwich.

There was assurance across all areas reviewed for this audit, including the starting and ending of tenancies; annual rent increases; arrears monitoring and write-offs; and reconciliations of income to the housing system and housing stock. A few minor queries were raised, which were either satisfactorily resolved or left for action by the team leaders. Although some minor variances from the debt recovery timetable were seen in the cases reviewed, the action taken was generally considered appropriate for the individual circumstances. It was therefore not necessary to make any recommendations.
 - Housing benefits – substantial assurance. The administration of housing benefit is carried out by LGSS under the shared service agreement with the council.

There was assurance across the review of new claims prior to entering on to the system; the daily reconciliation of council tax reduction payments to the council tax control account; access to the system; backdated claims; discretionary housing payments; and BACS payments. In addition, at the request of the revenues manager, we reviewed the recovery of overpayments and found that good progress has been made on increasing the amount of overpayments recovered.

However, write offs are not always being authorised in line with the financial procedures; and testing of backdated awards identified that backdate decision notices are not always completed (although 'good cause' had been evidenced).

Two recommendations were agreed, which are due to be implemented by the end of August 2015.
 - Council tax – substantial assurance. The administration and collection of council tax is carried out by LGSS under the shared service agreement with the council.

There was assurance across the arrangements in place for maintaining the council tax database; exemptions applied to council tax accounts; monitoring of arrears and collection rates; refunds and write-offs; reconciliation of the council tax database to the general ledger at year end; and access to systems.

However, the council has a high percentage of dwellings receiving the 25% single person discount (SPD), and while there is a proposal from LGSS to use a third party to help with a review of these, this is subject to agreeing funding with the county council. Agreement has not yet been reached, which means that matches from the latest NFI exercise have not been investigated.

There were other minor issues identified relating to errors with discounts awarded; and no quality assurance undertaken on third-party remote workers.

Four recommendations were made, which are due to be implemented by the end of September 2015.

- Licensing – substantial assurance. Norwich City Council has a statutory duty to issue licences to a variety of people and organisations. These include the licensing of hackney carriages, private hire vehicles, drivers of these vehicles, taxi operators, licensed premises and designated premises supervisors.

There was assurance across all of the areas reviewed during the audit, with full assurance over the collection of income; debt management; the independence of complaints handling; and control over IT access to licensing systems.

However, procedure notes need to be updated; in some cases licensing information has not been recorded on the IT system; the application form for taxi drivers should be updated to include the applicant's right to work; random inspections are no longer conducted on licensed premises to ensure that these continue to fulfil their licensing requirements; and suspended/revoked licences were not being marked on the IT system.

Five recommendations were made, of which four were agreed and are due to be implemented by the end of December 2015.

The recommendation to carry out risk-assessed inspections of licensed premises was not agreed by management, as there is no resource for inspections to be carried out solely on the basis of licensing compliance. The food & safety team do visit premises at risk-based intervals, and officers have in the past been made aware of the general requirements of licensing conditions on such premises, and can then raise any concerns with the environmental protection team as appropriate. This process contributes to management's assurance that licensees are fulfilling the requirements of their licence.

5. Other assurance work which is in progress is shown in **appendix 1**.

Follow ups

6. The following audits were followed up:
 - Housing benefits – the four recommendations are complete.
 - Provision market – seven of the eight recommendations are complete or in hand. As previously reported, market rents were not reviewed for 2015-16. The public protection manager has stated that rents will be reviewed for 2016-17 and tenants will be informed of any increase in November 2015.

Non-assurance work

7. The main areas of non-assurance work in the period were:
 - Preparing the draft annual governance statement 2014-15 for CLT and audit committee
 - Updating the corporate risk register for CLT and audit committee
 - Investigating matches from the NFI 2014-15 data matching exercise and training a benefits team leader to use the NFI web application.

Matters arising from previous meeting

8. At your meeting in June a question arose about the retention of emails and the council's server capacity.
9. The policy on the retention of emails is contained in the council's shared folder policy, which states that the email system and Outlook public folders should not be used for long-term storage of emails. As they form part of the corporate record they must instead be stored in the relevant shared folder in order to be accessible.
10. The email system is backed up every night and is available for four weeks, should emails be required for evidence purposes. There are currently no issues with the capacity of the email server.

Progress against the audit plan

11. Details of the annual audit plan for 2015-16 are shown at **appendix 1**, showing estimated and actual days for each area of audit assurance work, with non-assurance and consultancy work shown separately.
12. To the end of August 2015, 186 days have been delivered against the audit plan. This includes work on audits started at the end of 2014-15 but not completed by the end of March.
13. The restructure of the LGSS internal audit service is now complete, but resourcing the audit plan is still under review due to the unexpected resignation of a temporary principal auditor, who had been providing additional support to the Norwich team.

Counter fraud developments

National fraud initiative

14. For the 2014-15 exercise 2,842 matches for possible investigation have been released so far. Work is continuing to review these matches, and so far approximately half have been closed with no fraud detected. However, it should be noted that in the case of housing benefit matches staff in LGSS revenues and benefits are only responsible for identifying potentially fraudulent claims, which are then passed to DWP for investigation. To date there have been no reports back from the DWP that any of the referred matches are fraudulent.
15. For 2015-16 the council has received a request from the Cabinet Office to supply council tax and electoral register data for the annual data matching exercise for council tax single person discount fraud. The relevant staff have been made aware in order to ensure that the data is made available later this year.

Protecting the English Public Purse 2015

16. At your meeting in June 2015 members were informed about the annual fraud and corruption survey undertaken by The European Institute for Combatting Corruption and Fraud (TEICCAF).
17. The TEICCAF has now summarised the results of the survey in a report, *Protecting the English Public Purse 2015 (PEPP 2015)*.
18. The focus of *PEPP 2015* is to report year-on-year changes in cases and values of detected fraud, as well as highlighting longer term trends and regional developments. In future years the focus will be on the identification and sharing of good practice.
19. *PEPP 2015* is for those with overall responsibility for tackling fraud and corruption at councils, including councillors. Above all, it aims to help local authorities understand the fraud risks they face and to assist the development of appropriate and proportionate counter-fraud arrangements at councils.
20. The report, which is available on e-councillor, includes a checklist for councillors, senior officers and others responsible for audit and governance to review counter-fraud arrangements.

Housing tenancy counter fraud exercise

21. At the end of last year the housing management team commissioned a data matching exercise to help assess existing tenancies and investigate possible tenancy fraud.
22. Callcredit's ThreeSixty Tenant View is a batch data-matching product which uses the council's tenant data to ensure that the expected tenants are still resident or, where this is not the case, trace the expected tenants and name the current occupiers. The service checks for tenancy fraud by identifying discrepancies in tenant and property records. Results are delivered in summary form together with a detailed report for each property where fraud appears to be taking place, to enable further investigation.
23. 14,991 records were matched, of which 378 resulted in some form of action, ranging from simple updating of records to reporting possible benefits and council tax fraud.

24. To date no prosecution for tenancy fraud has taken place as a result of this exercise but a number of tenancies have been regularised. It is reassuring that existing checks and reviews seem to be effective, but there is no room for complacency. It is intended to publicise the outcome of the exercise in a future edition of *TLC*, the council's magazine for tenants and leaseholders, in order to raise awareness of tenancy fraud and highlight the council's actions to tackle it.

Anti-fraud and corruption and whistleblowing policies

25. The LGSS counter fraud team is currently reviewing the above policies across LGSS, and as part of this exercise they have been asked to assist with tailoring these policies for the council, in conjunction with the head of HR and learning and the monitoring officer.

| LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16 | | | |
|--|-------------|--------------|---|
| | 2015-16 | | |
| | Estimated | Actual to | |
| | Days | Wk 22 | Comments / Latest position |
| Financial systems | | | |
| Purchase to pay | 20 | | |
| Accounts receivable | 20 | | |
| Payroll | 10 | | |
| Housing rents/arrears | 15 | | |
| Housing benefits | 20 | | |
| Council tax | 15 | | |
| NNDR | 15 | | |
| Bank reconciliations | 5 | | |
| Cash receipting | 15 | | |
| Sub-total | 135 | 0.0 | |
| Corporate | | | |
| Strategic risk management | 15 | 3.4 | Administration and reporting of corporate risk register |
| Corporate governance | 25 | 6.2 | Co-ordination & preparation of AGS; corporate governance group; policy updates |
| Sub-total | 40 | 9.6 | |
| Business relationship management | | | |
| Procurement & contract management arrangements | 25 | 1.4 | Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams |
| Insurance | 10 | | |
| Finance & HR IT system implementation | 30 | | |
| Information governance | 15 | 10.9 | In progress |
| Register of electors | 10 | | |
| ICT audits: | 10 | 3.2 | Incl. embedded assurance re Corp Info Assurance Group; input into IT audits |
| ICON cash receipting | 15 | | |
| UNIFORM | 15 | | |
| Website refresh and e-forms | 15 | 5.9 | In progress |
| Sub-total | 145 | 21.4 | |
| Regeneration & development | | | |
| CIL expenditure | 15 | | |
| Sub-total | 15 | 0.0 | |
| Strategy, people & neighbourhoods | | | |
| HRA business plan & HIP | 15 | | |
| Private sector leasing | 15 | | |
| Right to buy | 15 | 9.6 | In progress |
| Safeguarding duties | 15 | | |
| Garages | 5 | 6.4 | In progress |
| Allotments | 5 | 6.8 | Complete |
| Sub-total | 70 | 22.8 | |
| Customers, communications & culture | | | |
| Go4Less | 5 | 4.2 | In progress |
| Sub-total | 5 | 4.2 | |
| Fraud & corruption | | | |
| Anti-fraud and NFI work | 80 | 13.9 | Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches) |
| Special investigations | 15 | 1.4 | Contingency |
| Sub-total | 95 | 15.3 | |
| Contingencies | | | |
| To complete 2014-15 plan: | 40 | | |
| CIL income | | 1.0 | Complete |
| Parking income | | 12.2 | In progress |
| Home improvements | | 9.1 | Complete |
| Payroll | | 0.2 | Draft report issued |
| Housings rents/arrears | | 11.5 | Complete |
| Cemeteries | | 10.3 | In progress |
| Licensing | | 5.6 | Complete |
| Shared services | | 1.0 | Complete |
| NNDR | | 9.9 | Complete |
| Council tax | | 9.7 | Complete |
| Housing benefits | | 19.0 | Complete |
| Leasehold services | | 3.5 | Slipped from 14-15 - in progress |
| Follow-ups | 20 | 13.9 | Follow ups required by Code of Practice |
| Advice, guidance, etc | 25 | 5.6 | Contingency for advice, guidance & unplanned work requests |
| Sub-total | 85 | 112.5 | |
| Total planned time | 590 | 185.8 | |
| Indicative resources | Days | | |
| Head of audit / Audit manager | 65 | | |
| Principal auditor | 180 | | |
| Senior auditor | 200 | | |
| Senior auditor / graduate trainee | 100 | | |
| Computer auditor | 45 | | |
| | 590 | | |