Report to	Audit committee	**Item**
Report of	19 January 2016	
	Head of internal audit and risk management, LGSS	**6**
Subject	Internal audit 2015-16 – November to December update	

Purpose

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

Recommendations

To note:

1) the work of internal audit between November and December 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 for value for money services.

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

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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 November to December 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

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 November to December 2015

4. The following areas were reported on between November and December:

    *   Cemeteries – moderate assurance. The operational aspects of the service are performed by the cemeteries team and the administrative side (including miscellaneous income collection and operation of the management system) is the responsibility of the business support team (BST). The majority of the processes (both operational and administrative) involve manual paper-based records, however the service has introduced a new computer based system (Epitaph) which will replace much of the paper-based records.

        The audit provided assurance over the management plan to 2022; the memorial testing programme and scheduled re-tests; the three-year plan to increase fees in order to reduce the charge to the general fund; the well-managed cemetery records; and the manual procedures in place in the business support team.

        However, the policy relating to the insurance of gravestones needed review; policies and procedures relating to contract funerals were out of date and some improvements were needed to documentation; VAT was incorrectly treated for some income streams; and fees charged for grave maintenance had not been increased as intended.

        Thirteen recommendations were made which are due to be implemented by April 2016.

    *   Payroll – substantial assurance. The council outsourced its payroll service to Arvato which is responsible for the payroll system; making all payroll changes as required; and issuing the monthly pay runs. The contract also provides for a web-based self-service end for employees (MyView) for submission and authorisation of travel and subsistence claims and accessing payslips and P60s. Overtime claims are not submitted via Myview - these come in via the 'forms for payroll' mailbox and are then transferred to payroll via a secure folder.

The audit reviewed the checks and controls which occur at the council. There was assurance across the following areas: procedures and checks for the payroll run are sufficient to prevent mistakes or fraud; exception reports are produced and reviewed in a timely manner; reconciliations from HR records to the payroll system are completed regularly and correctly.

However, some minor weaknesses were found: two members of staff who had moved or left had not had their access to folders containing payroll information removed; guidance for managers when someone leaves the council could be improved; there had been regular problems with the payroll data file received from Arvato; and authorisation of the payroll journal in finance required improvement.

Six recommendations were made, four of which are complete. The other two are due to be implemented by January 2016.

- Bank reconciliations – substantial assurance. Following the re-tender for banking services during 2014-15, most of the new Barclays accounts were operational from December 2014. A separate new account with Co-operative Bank was also opened, for receipt of income from customers using payment cards at various participating shops and post offices, as this is not currently available from Barclays.

  There was assurance over the reconciliation of bank accounts on a regular basis; older unpresented cheques are cleared on a regular basis; and bank account mandates for authorised signatories are updated when staff changes occur.

  However, some reconciliations had not been reviewed; interest that was credited to a capital investment account in error instead of the general account was not noticed; and written procedures could be improved to provide resilience in the event of staff absence.

  Three recommendations were made, two of which are complete. The third is due to be implemented by March 2016.

- Garages/parking bays – moderate assurance. The council has in excess of 4,000 garages and a small number of parking bays for letting, with gross income in the region of £1m.

  There was assurance over the well-managed allocation process; verification and recording of documentation; and the management of arrears which are in line with the target.

  However, one garage and one parking bay which were shown as tenanted had actually been vacant for a number of years and so should have been available to let; there were discrepancies between the information on Academy and the records maintained by the allocations team; and six garages used by the arrears team were no longer required and as a result of the audit were made available to let; and the charging categories could be simplified.

  Seven recommendations were made, five of which are either complete or due to be implemented by February 2016. Two recommendations were not agreed – to formally accept the use of garages for non-vehicular use; and the splitting of the allocations spreadsheet to facilitate the monitoring of assets and reduce the risk of errors.

Follow ups

5. The following audits were followed up:

- Worforce IT system – the two recommendations are complete
- Planning income – nine of the ten recommendations are complete. The recommendation to reconcile income from the planning portal to the general ledger will be reviewed when the improved portal payments software is in place.

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

Non-assurance work

7. The main areas of non-assurance work in the period were:

- Updating the risk management strategy for CLT and the risk management policy and corporate risk register for CLT and November's audit committee.
- Investigating matches from the NFI 2014-15 data matching exercise, uploading the datasets for the 2015-16 council tax single person discount exercise and circulating the results of the matches to managers in LGSS revenues.

Progress against the audit plan

8. 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.

9. To the end of December 2015, 318 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.

10. It is good practice to keep audit plans under review to take account of changed circumstances, and several factors affect the delivery of the audit plan. These include the need to re-programme some audits into next year; an under-estimate of the contingency needed for completion of 2014-15 audits; and the delayed restructure of LGSS internal audit (now complete pending certain appointments).

11. In view of these changed circumstances, which have been discussed at the business management group, the following amendments to the plan are proposed:

Table 1: Proposed changes

Area	Audit	Add/Delete	Comments
Financial systems	Cash receipting	Delete	Part covered by audit of ICON cash receipting system
	Fees and charges	Add	Replaces cash receipting audit
Business relationship management	Finance & HR IT system implementation	Delete	Re-programme to 2016-17 due to delayed implementation
	UNIFORM IT system	Delete	Re-programme to 2016-17 due to major upgrade in Qtr 4 of 2015-16
Business relationship management	Insurance	Delete	Low risk and part covered by NFI
	Register of electors	Delete	Low risk and part covered by NFI
Regeneration &	CIL expenditure	Delete	BMG agreed to re-programme to

Area	Audit	Add/Delete	Comments
development			2016-17
Strategy, people, neighbourhoods	HRA business plan and HIP	Delete	BMG agreed to re-programme to 2016-17
	Private sector leasing	Delete	Re-programme to 2016-17

12. It is also proposed to include under 'Corporate governance' the time spent by the audit manager on servicing the audit committee, drafting the internal audit plan and preparing performance figures for client monitoring purposes under the SLA with Norwich. This time is currently categorised as non-productive time and is therefore not reflected in the plan. The proposed change will bring the audit plan into line with those at Cambridgeshire and Northamptonshire.

13. Subject to the agreement of this committee to the proposed changes, a revised forecast of the audit plan will be agreed with the chief finance officer and reported to your next meeting.

Counter fraud developments

National fraud initiative

14. For the 2014-15 exercise 3,079 matches for possible investigation have been released so far. To date approximately 64% have been closed with no fraud detected; the outstanding matches are being reviewed by staff from the LGSS counter fraud team in conjunction with staff from LGSS revenues and benefits and the council's housing service.

15. For 2015-16 the council was required by the Cabinet Office to supply council tax and electoral register data for the annual data matching exercise for council tax single person discount (SPD) eligibility. The datasets were uploaded to the flexible matching service, which provides results almost immediately. These have been passed to managers in LGSS revenues to consider as part of a wider exercise to review all SPDs with the help of Equifax's data matching facilities.

TEICCAF *Protecting the English Public Purse Fraud Briefing 2015*

16. The council's voluntary submission to The European Institute for Combatting Corruption and Fraud (TEICCAF) fraud and corruption survey 2014-15 was reported to audit committee in June 2015. Following this TEICCAF has produced a tailored fraud briefing comparing the council's fraud detection performance against other district councils across the east of England that took part. The briefing is attached at **appendix 2** for members' information.

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated	**Actual to**	
	Days	**Wk 40**	**Comments / Latest position**
Financial systems			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10	0.1	
Housing rents/arrears	15	5.4	In progress
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5	13.8	Complete
Cash receipting	15		
Sub-total	135	19.3	
Corporate			
Strategic risk management	15	9.7	Administration and reporting of corporate risk register
Corporate governance	25	10.5	Co-ordination & preparation of AGS; corporate governance group; policy updates
Sub-total	40	20.2	
Business relationship management			
Procurement & contract management arrangements	25	4.4	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	16.6	In progress
Register of electors	10		
ICT audits:	10	5.0	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	31.9	
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	26.7	In progress
Safeguarding duties	15	3.4	In progress
Garages	5	10.2	Complete
Allotments	5	7.2	Complete
Sub-total	70	47.5	
Customers, communications & culture			
Go4Less	5	5.5	Complete
Sub-total	5	5.5	
Fraud & corruption			
Anti-fraud and NFI work	80	45.6	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	1.6	Contingency
Sub-total	95	47.2	
Contingencies			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		14.1	Complete
Home improvements		10.4	Complete
Payroll		1.8	Complete
Housings rents/arrears		11.6	Complete
Cemeteries		17.2	Complete
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		10.8	Slipped from 14-15 - in progress
Follow-ups	20	20.1	Follow ups required by Code of Practice
Advice, guidance, etc	25	14.5	Contingency for advice, guidance & unplanned work requests
Sub-total	85	146.7	
Total planned time	590	318.3	
Indicative resources	**Days**		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	590		

Protecting the English Public Purse Fraud Briefing 2015

Norwich City Council

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Tackling public & voluntary sector corruption, fraud & money laundering

Purpose of Fraud Briefing

1. Provide an information source to support councillors in considering their council's fraud detection activities

2. Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities

3. Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed

4. Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

About TEICCAF

The European Institute for Combatting Corruption And Fraud

Not for profit charity seeking to provide counter fraud and corruption strategic vision and thought leadership for public sector and charity organisations

Staffed by the former Audit Commission Counter Fraud Team

Continuation of expertise on the fraud risks facing councils

Continuation of the award winning '*Protecting the Public Purse*' reports

Working collaboratively with public sector bodies, charities and private companies across the UK, Europe and around the World

TEICCAF | The European Institute for Combatting Corruption And Fraud

Tackling public & voluntary sector corruption, fraud & money laundering

Understanding the bar charts

All data are drawn from council submissions for the TEICCAF annual fraud and corruption survey for 2014/15

Your council is compared with the other district councils across the East of England taking part in the voluntary survey
National district council submission rate: 59.7%
English councils surveyed submission rate: 59.5%
(County councils, district councils, metropolitan districts & unitary authorities and London boroughs)

Your council for detected cases is shown in Yellow
Your council for detected value is shown in Red

All averages are 'mean' averages

In some cases, council report they have detected fraud and do not report the number of cases and/or the value - for the purposes of this fraud briefing these '*Not Recorded*' records are shown as Nil

NB it is always best practice to ensure counter fraud activity is accurately and comprehensively recorded, particularly for assessing fraud risk

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Total detected cases and value
(excluding tenancy fraud)

Your council - Total number of detected cases: 96. Total detected value: £594,237.

Comparator council average – Detected cases: 196. Detected value: £451,923.

Housing benefit (HB) and council tax benefit (CTB)

The investigation of benefit fraud is transferring from councils to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

Some councils have already transferred their benefit fraud investigators to SFIS, the remaining councils should have done so by March 2016

This makes the comparison of HB/CTB of little value, as some council did not investigate HB/CTB in 2014/15, or others only a part of the year

However, you may wish to ask:

- Does my council have enough counter fraud resource to tackle non-benefit fraud post SFIS?

- Does my council's counter fraud resource have the skill sets to tackle the wide and varied range of non-benefit frauds?

- Is there a partnership working arrangement available that helps provide a counter fraud resource and value for money?

Council tax discount fraud

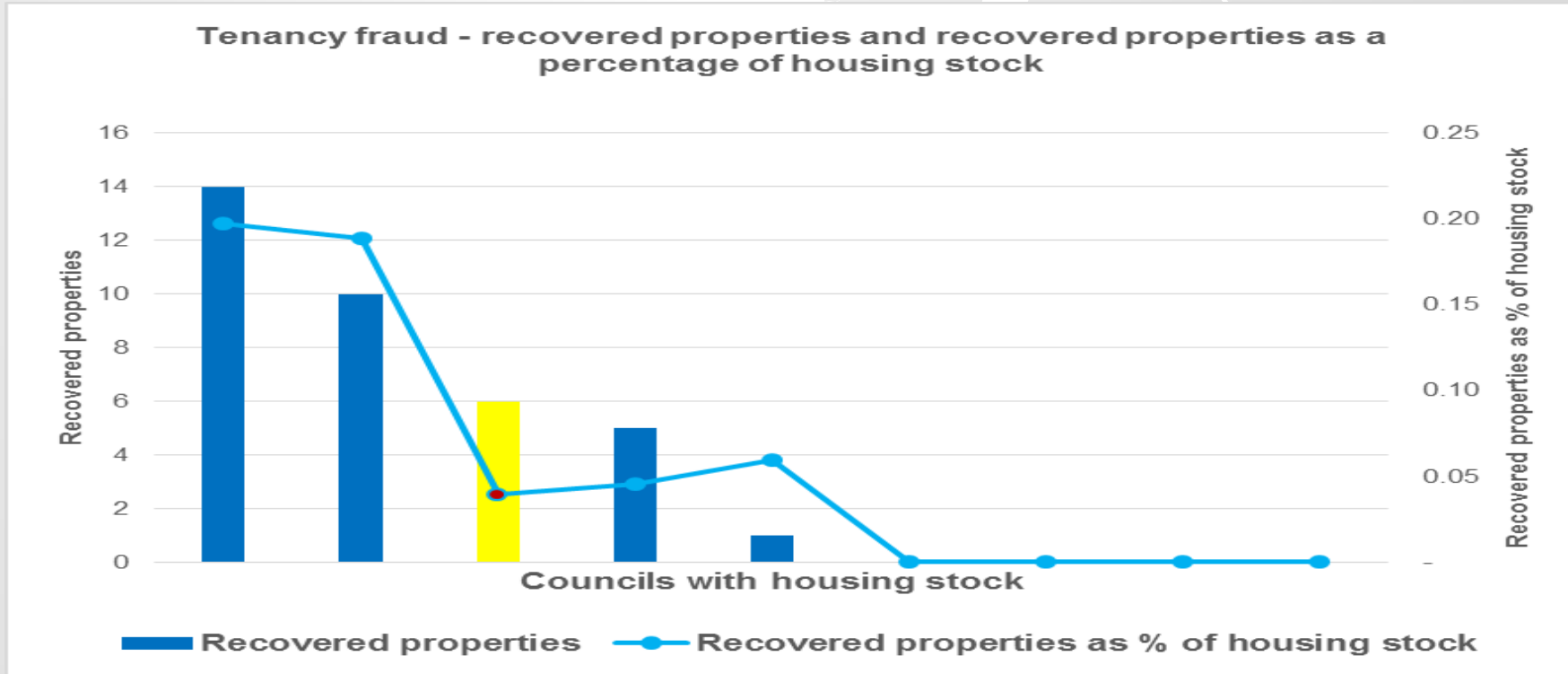**Council tax discount fraud - detected cases and value**
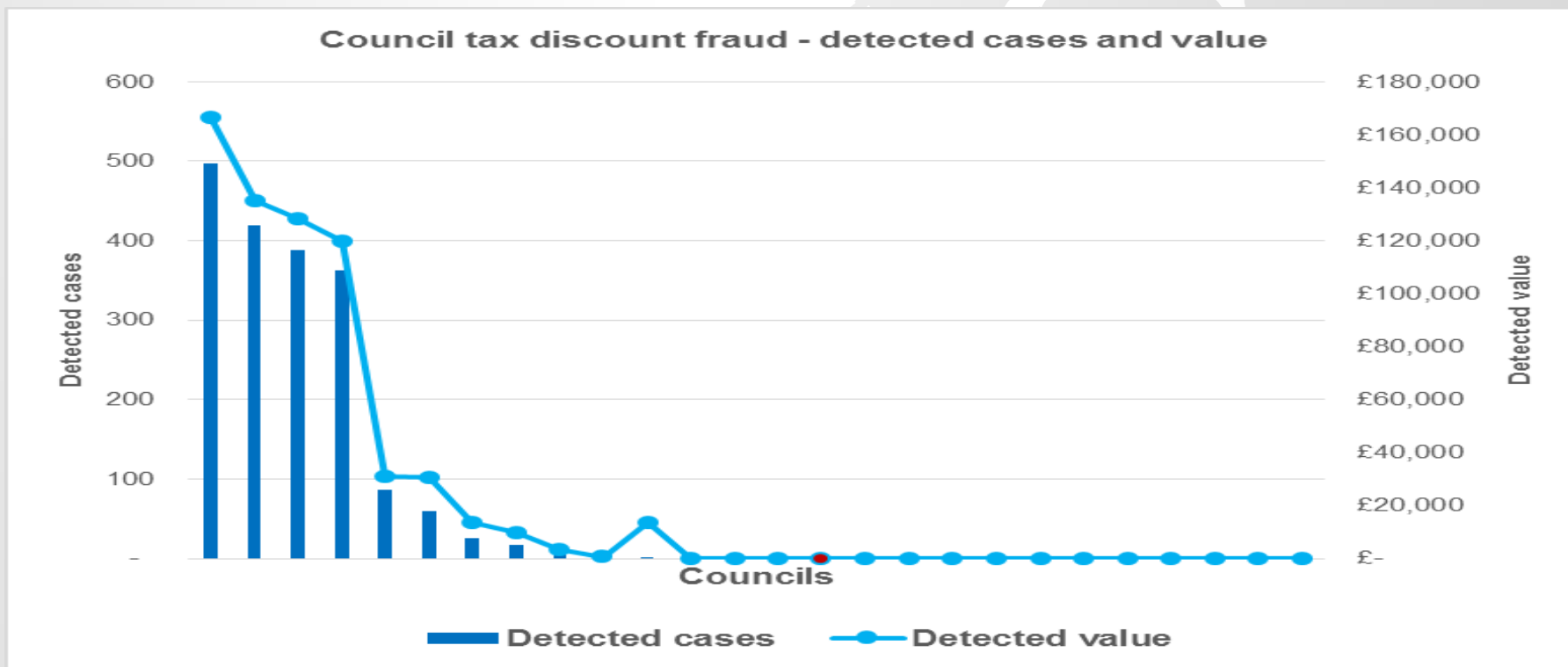
Your council - Total number of detected cases: nil. Total detected value: nil.

Comparator council average – Detected cases: 72. Detected value: £25,061.

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Tenancy fraud
(*only councils with housing stock*)

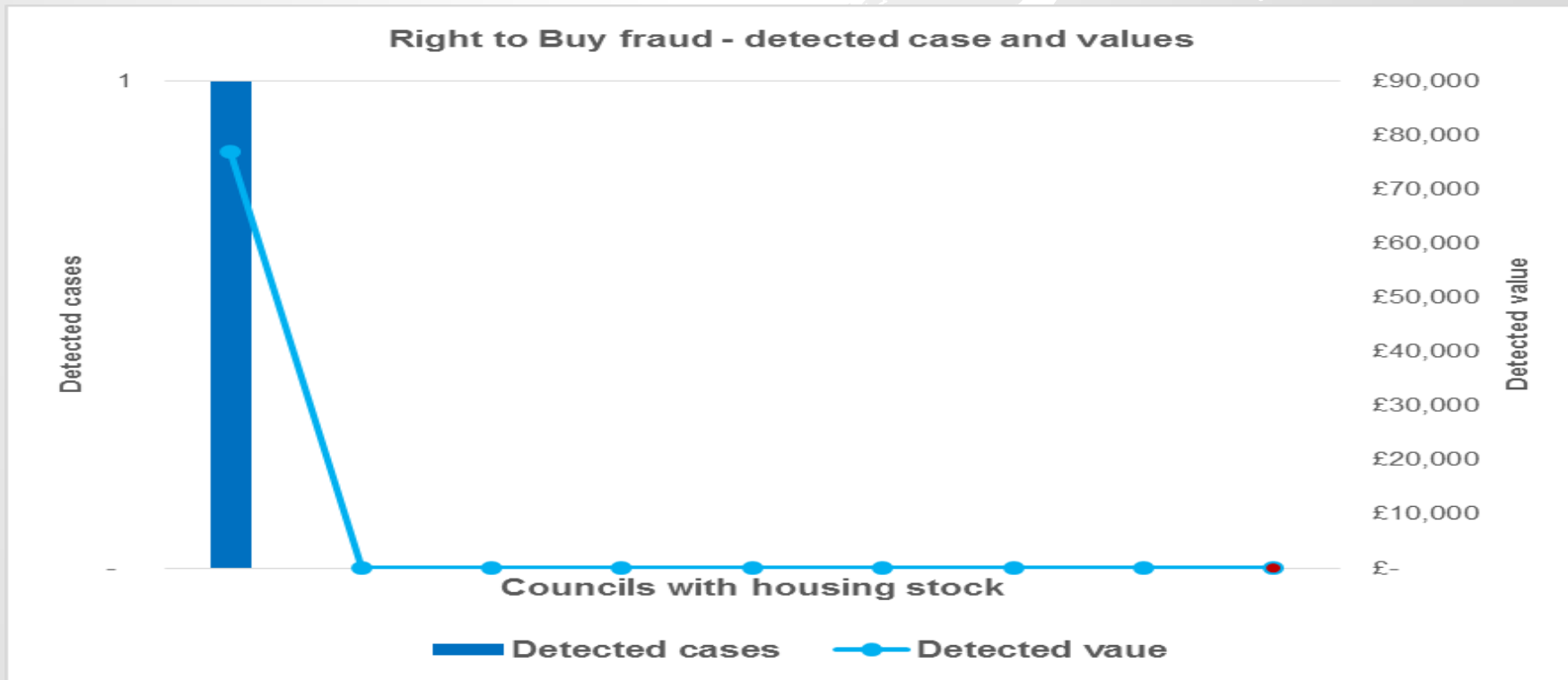Tenancy fraud - recovered properties and recovered properties as a percentage of housing stock

Your council - Total number of recovered properties: 6

Comparator council average– Recovered properties: 4

Right to Buy fraud

Right to Buy fraud - detected case and values

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £8,556.

Other frauds

Procurement fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: nil. Detected value: nil.

No recourse to public funds fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £988.

Business rates

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £2,329.

Internal fraud

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £9,095

Further information and support

The '*Protecting the English Public Purse 2015*' (PEPP) report and the '*Protecting the London Public Purse 2015*' (PLPP) report are available at **www.teiccaf.com**

These reports also contain a counter fraud checklist for councils to use – questions you may wish to ask:
- Are local priorities reflected in our approach to countering fraud?
- Have we considered counter-fraud partnership working?
- Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

If you have any questions concerning:
- this fraud briefing;
- TEICCAF; or
- how TEICCAF can support you in counter fraud, counter corruption and anti-money laundering?

Please contact Duncan Warmington, Secretary to the Board at **duncanw@teiccaf.com**

TEICCAF, and our sponsor, 'INTEC for business', hope you found this fraud briefing useful and encourage your council to participate in the 2015/16 TEICCAF annual fraud and corruption survey

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