

Report to	Audit committee	Item
	24 September 2013	
Report of	Head of internal audit and risk management, LGSS	5
Subject	Internal audit and fraud team 2013-14 – June to August update	

Purpose

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

Recommendations

To note the:

- (1) work of internal audit between June and August 2013
- (2) the progress on the internal audit plan
- (3) the work of the fraud team between June and August 2013
- (4) 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

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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 June to August 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 June to August 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 June to August 2013

4. The following areas were reported on between June and August:
 - Emergency planning – substantial assurance. Detailed emergency plans are in place and staff of all levels attend relevant training and take part in regular practical exercises. Recommendations agreed and due to be implemented by the end of September 2013
 - Tourist information centre – substantial assurance. Most aspects relating to income, sales, stock and procedures found to be working well. Recommendations agreed and due to be implemented by the end of October 2013
 - Performance management – substantial assurance. The framework for measuring and reporting performance works well, but in order to improve clarity we recommended changes to the way two of the indicators are reported. This was agreed for implementation by October 2013
 - Construction industry tax deduction scheme (transactions audit) – arrangements working well. Two minor recommendations were agreed for implementation by August 2013
5. Other assurance work which is in progress is shown in **annex 1**.

Follow ups

6. The following audits were followed up:
 - Strategic partnership with Homes and Communities Agency – recommendation implemented
 - Starters and leavers – recommendations implemented
 - Contract management in citywide services – recommendations implemented

- Oracle purchasing - all of the agreed actions have either been implemented or are in progress
- Council tax – most recommendations have been implemented or are in progress. Two actions regarding the suspense account have started but have been delayed due to resourcing issues
- National non-domestic rates – little progress on the two recommendations. The action to establish a quality assurance process has been delayed due to the service review in connection with the on-boarding of Northants Borough Council. It should now be in place by the end of October 2013. The second action aimed at providing some resilience in connection with a key member of staff has been started but is incomplete.
- Care and repair contract. At your previous meeting it was reported that no action had been taken on the recommendation to obtain details from the previous contractor in respect of decent homes loans. A new in-house team has been set up and is currently addressing this issue

Non-assurance work

7. The main areas of non-assurance work in the period were the finalising of the draft annual governance statement; progressing the national fraud initiative, and reviewing the garden waste (brown bin) scheme.

Progress against the audit plan

8. Details of the annual audit plan for 2013-14 are at annex 1, showing progress for the year to date.
9. To the end of August 2013, 168 days has been spent on audit assurance work by Norwich-based staff, plus 20 days by other LGSS auditors. Norwich staff also spent 38 days on non-assurance work and unplanned request work.
10. 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 June to August 2013

11. A summary of work by the fraud team from the end of June to the end of August follows:
 - Number of benefit cases referred to the fraud team – 147 (380 so far this year)
 - Number of referred benefit cases investigated – 95 (209 so far this year)
 - Number of benefit sanctions and prosecutions – 3 (14 so far this year)
 - As at the end of August, 28 cases were awaiting reassessment from fraud investigations and Benefits have dedicated a resource to deal with the backlog
 - At present there are 65 cases outstanding from the national fraud initiative, of which 33 are being investigated as possible fraud cases and 32 are with Benefits to carry out enquiries

- In this period there have been eight fraud awareness sessions with different teams within the authority, plus six staff from customer contact attended one-to-one shadowing with the fraud team leader to obtain a better understanding of investigations and improve the quality of referrals. Additionally, an awareness session was carried out with call handlers at the Department for Work and Pensions as they now take calls for the Local Authority National Benefit Fraud Hotline

National fraud initiative (NFI) 2012-13

12. This is the main data matching exercise which occurs every two years. The results were received at the end of January 2013.
13. 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. 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 76% of reports have been closed.
14. So far the exercise has uncovered one housing fraud which led to the recovery of a council property; and identified one duplicate creditor payment for £2,474 made in error – however, this had already been picked up by the supplier and refunded.
15. In addition, £7,753 of housing benefit overpayments were identified - one overpayment totalling £6,371 which was due to an error by the council, and five cases totalling £1,382 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 21			
Audit Assurance Work	Estimated Days	Norwich staff	Camb. staff	Total	Comments
Fundamental systems					
Accounts payable (creditors)	25				To include review of purchase card use
Accounts receivable (debtors)	15				
NCC payroll	10				
Housing rents/arrears	20				
Treasury & cashflow management	10				
Housing & council tax benefits	25				
Council tax	10				
NNDR	10				
General ledger	10				
Sub-total	135	0	0	0	
Corporate					
City Deal	20				
CIL income / arrangements	10	0.1		0.1	Preparation
Oracle replacement	6				
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		8.3		8.3	Embedded audit presence on project team
New payroll contract		3.0		3.0	Embedded audit presence on project team
Procurement guide & toolkit		0.3		0.3	Audit review of procurement guide & toolkit - complete
Construction industry tax scheme		6.9		6.9	Complete
Outsourcing arrangements	30				Management of joint ventures / shared services
Budgetary control	20				Revenue and capital
Probity	10	5.2		5.2	In progress - pool cars, fuel cards and travel & subsistence
Sub-total	156	23.8	0	23.8	
Business relationship management					
Asset management	20				Housing & non-housing
ICT audits:	10	0.6		0.6	
Parking Gateway	10)
Bacstel IP	10) Taken from IT audit needs analysis
Remote / mobile computing	10)
GCSX / PSN compliance	10				
Sub-total	70	0.6	0	0.6	
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. Includes permit parking & dispensations
Safety of council properties	20	11.4		11.4	In progress. Covers gas servicing, asbestos, inspections
Sub-total	65	32.7	0.0	32.7	

Strategy, people & democracy					
Commissioning / partnerships	15	11.8		11.8	In progress. Includes grants awarded under commissioning programme
Sub-total	15	11.8	0	11.8	
Customers, communications & culture					
Managing customer demand	10	0.5		0.5	Preparation
The Halls	10	10.2		10.2	Draft report issued
Norman Centre	10	1.7		1.7	In progress
Tourist Information Centre	10	11.3		11.3	Complete
Sub-total	40	23.7	0	23.7	
Non-specific					
Ad-hoc investigations	20	0.6		0.6	Contingency
To complete 2012-13 plan:	25				
Business support/customer contact teams		8.7		8.7	In progress
Anti-fraud measures		2.4		2.4	Complete
Accounts receivable		16.3		16.3	Draft report issued
Accounts payable		3.3		3.3	In progress
Payroll		4.8		4.8	Complete
Treasury management		2.8		2.8	Complete
Housing rents		0.8		0.8	Complete
General ledger		6.1		6.1	In progress
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)		0.5	3.6	4.1	Draft report issued
Oracle (financial)		9.2	3.1	12.3	Draft report issued
Disaster recovery		0.4	3.3	3.7	Draft report issued

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		0.7		0.7	
Oracle purchasing		1.2		1.2	
Council tax		0.4		0.4	
NNDR		0.2		0.2	
Housing & council tax benefits		1.1		1.1	
Others		0.3		0.3	
Sub-total	65	75	19.8	94.8	
Total for audit assurance work	546	167.6	19.8	187.4	
Consultancy & non-assurance work					
Corporate governance	15	14.2		14.2	Preparation of annual governance statement; corporate governance group
Fraud plan, incl. NFI work	34	7.0		7.0	Fraud survey. Key contact duties for NFI 2012 (matches) and 2013 (data upload)
Advice, unplanned work requests	30	17.4		17.4	Contingency. Incl. garden waste review; sheltered housing
Total for non-assurance/consultancy work	79	38.6	0	38.6	
Total Allocated Days	625	206.2	19.8	226.0	
Indicative resources					
Regional audit & risk manager	20				
Principal client auditor	175				
Client auditors x 2	400				
LGSS support	30				
	625				