

<b>Report to</b>	Audit committee 23 June 2015	<b>Item</b>
<b>Report of</b>	Head of internal audit and risk management, LGSS	<b>9</b>
<b>Subject</b>	Internal audit and fraud team 2014-15 – March 2015 update	

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## **Purpose**

To advise members of the work of internal audit in March 2015 and progress against the 2014-15 internal audit plan, together with the work of the fraud team in 2014-15.

## **Recommendations**

To note:

- (1) the work of internal audit in March 2015;
- (2) the progress on the 2014-15 internal audit plan;
- (3) the work of the fraud team in 2014-15;
- (4) the latest position on the national fraud initiative (NFI);
- (5) 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**

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## **Background documents**

None

# Report

## Background

1. The internal audit plan for 2014-15 was endorsed by members in March 2014.
2. This report covers the following areas:
  - audit assurance work in March 2015, plus other areas of non-assurance work
  - the audit plan 2014-15, showing progress against planned audits
  - summary of fraud team work in 2014-15
  - the latest position on the national fraud initiative (NFI)
  - the latest counter fraud developments
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 March 2015

4. The main areas of assurance work in March were progressing audits of payroll, shared services, CIL income, cemeteries, housing rents, licensing, and home improvements.
5. Draft reports were issued for payroll, shared services and CIL income. Responses were received in respect of shared services and CIL income, enabling final reports to be issued in April. Details of these findings are included in the update report for April and May included on today's agenda. A response is still awaited regarding the payroll draft report.
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 March were:
  - Updating the council's corporate risk register following review by CLT and reporting the results of the review to audit committee on 17 March.

## Matters arising from previous meeting

8. Emergency planning laptops – in May the emergency planning manager wrote to LGSS IT to confirm that, after testing the laptops, "we finally have a successful conclusion. All applications are working satisfactorily, including GIS and the Buffer Tool."
9. CLT previously agreed to adopt the LGSS anti-fraud and corruption policy and fraud response plan, subject to there being no conflict with the council's disciplinary procedures. Since then the corporate governance group has agreed that the council's whistleblowing and anti-bribery policies also need to be updated to take account of recent legislative changes. As the updates will need to go through the consultative

process it is proposed to report progress on updating these policies to your September meeting.

## **Progress against the audit plan**

10. As reported to previous meetings, implementation of the planned restructure of the LGSS internal audit service has not been finalised, which has had an impact on delivery of the audit plan.
11. As a result, the original audit plan was revised in consultation with the chief finance officer. Details of the revised audit plan for 2014-15 are shown at **appendix 1**, showing a plan requirement of 545 days.
12. To the end of March 2015, 394 days has been spent on audit assurance reviews. This includes work on audits started at the end of 2013-14 and completed in 2014-15. Further details can be found in the head of internal audit's annual report on today's agenda.
13. In addition, 101 days were spent on non-assurance work, which includes risk management and input to the plan from the head of internal audit which were not originally included.

## **Summary of fraud team work 2014-15**

14. A summary of work by the fraud team in 2014-15 follows (figures in brackets are for the 2013-14 comparator):
  - Number of benefit cases referred to the fraud team – 596 (898).
  - Number of referred benefit cases investigated – 411 (511).
  - Number of benefit sanctions and prosecutions – 96 (40). To put this in context, there are approximately 18,000 benefit claimants.
15. As at the end of March the fraud team had identified benefit overpayments in excess of £594,000. The annual KPI for this is £160,000 (approximate running costs of the fraud team), so this measure was substantially exceeded. Each case of fraud or customer error results in a subsidy payment of 40% of the total overpaid amount to the authority, therefore the team paid for itself in subsidy returns alone (£237,000).
16. The fraud team also had a major role in successful investigations into alleged tenancy frauds, with the result that six council properties were recovered.
17. LGSS was successful in securing funding from DCLG to tackle non-welfare frauds across the organisation (one of 59 successful bidders out of 160 bids). The fraud team leader based at Norwich had a major role in the background work for the bid.
18. The team carried out considerable work in preparation for the migration of benefit fraud work to the DWP from 1 April, including face-to-face meetings with the DWP and meetings with a number of service leads to work on information sharing and planning for workflow after the transfer.

## **National fraud initiative (NFI)**

19. All reports from the 2012-13 exercise have now been closed.
20. For the 2014-15 exercise, 2,306 matches for possible investigation were released at the end of January, with 465 supplementary matches released since then. Work is well under way to investigate these – to date 24 of the 85 reports (28%) have been closed with no fraud being detected.

## **Latest counter fraud developments**

21. Recruitment to posts from the DCLG counter-fraud fund is in progress, and two of the three counter fraud managers have been appointed. The LGSS head of audit and counter fraud staff will meet officers from the council in June to discuss housing related counter fraud work at Norwich.
22. The LGSS fraud team at Norwich transferred to the DWP on 1 April. Any live benefit fraud cases at close of business on 26 March were transferred to the DWP for continuation of investigation. Any files at nplaw will remain there until their conclusion.
23. The council is currently exploring whether to retain membership of the National Anti-Fraud Network (NAFN), which offers searches for investigation and enforcement purposes at preferential rates, and was mainly used by the LGSS fraud team historically. NAFN has been asked to demonstrate the benefits of the service to a variety of officers at the council in the near future.