

Report to Audit committee
17 November 2015
Report of Head of internal audit and risk management, LGSS
Subject Internal audit 2015-16 – September to October update

Item

7

Purpose

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

Recommendations

To note the:

- (1) work of internal audit between September and October 2015;
- (2) progress on the internal audit plan;
- (3) 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 2015-16 was endorsed by members in March 2015.
2. This report covers the following areas:
 - audit assurance work September to October 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 September to October 2015

4. The following areas were reported on between September and October:
 - **Home improvements** – moderate assurance. The council has a statutory duty to offer disabled facilities grants (DFG) to eligible residents, plus the discretionary power to provide financial assistance (grants or loans) to vulnerable home owners to carry out minor repairs or to tackle hazardous conditions in their homes. Support and assistance to clients was brought in-house with effect from April 2014 under the management of the home improvement team, which comprises experienced technical officers, caseworkers, social care occupational therapists and administrative staff.

There was assurance over the processes and documentation for applications; assessment of applicants' needs and eligibility; allocation of work to approved contractors; any variations to the work; and work completion certificates.

However, in one case initiated by the previous management organisation the full value of the loan could not be verified due to a lack of prime documentation, and no legal charge had been registered against the property. Also, the interests of adult occupiers are not considered when taking out a legal charge against a property. Finally, for some of the cases sampled the total cost of works were not supported by scanned documentation.

Ten recommendations were made, eight of which are either complete or are due to be implemented by January 2016 if systems development officers are available. Two recommendations, relating to procedures requiring legal charges to be placed against properties in certain circumstances, were not agreed as the new financial assistance policy has clarified the position.
 - **Parking income** – substantial assurance. Pay and display and multi-storey car parks contribute significantly to the council's income (nearly £3m in 2014-15), although there are restrictions on what any surplus on the parking account can be spent on. In addition, the council manages on-street parking and civil enforcement on behalf of Norfolk County Council under the joint highways agency agreement.

There was assurance over compliance to statutory requirements; monitoring the cash collection contractor's performance; reconciliations of cash collected to machine tickets, systems data, bank records and general ledger; and provision of on-street income and expenditure details to the county council as required under the agency agreement.

However, there are no regular checks of cash held in the safe which is used to store coins for machine refills, and no key control records to confirm who is authorised to hold keys to the safe or the ticket machines for top-up purposes.

Two recommendations were agreed which are due to be implemented by November 2015.

- **Allotments** – full assurance. Norwich has more than 1,900 allotment plots on 18 sites which are located throughout the city. Allotment records are maintained on the Colony system, which also produces the invoices and maintains the record of payment.

There was assurance over the arrangements for maximising and collecting income, including cross-checking against the Go 4less database to ensure concessions are correctly applied; regular reviews of Colony to ensure that empty plots are offered to people on the waiting list as soon as possible; and steps taken to reduce administration.

One minor recommendation was agreed and is complete.

- **Go 4less discount scheme** – substantial assurance. Go 4less discount cards are issued free to eligible residents of Norwich and entitle them to money off certain charged-for council services, plus various non-council attractions around the city.

There was assurance over security of the cards; controls for ordering and issuing blank cards to the issuing sites; and staff awareness of procedures.

However, staff do not always record what evidence they have seen to confirm eligibility; in some circumstances cards could be issued for longer than one year in order to reduce administration; and the database should be held in a restricted folder to improve data security.

Three recommendations were agreed which are due to be implemented by January 2016.

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

Non-assurance work

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

- (a) Preparing the final version of the annual governance statement 2014-15 for CLT and September's audit committee
- (b) Updating the corporate risk register for CLT and November's audit committee
- (c) Investigating matches from the NFI 2014-15 data matching exercise.

Matters arising from previous meeting

7. At your meeting in June a question arose about the retention of emails and the council's server capacity.
8. During discussion of this matter at your September meeting a member queried whether the council was retaining email log files for six months as required by the Public Sector Network (PSN) code of connection. At the time the audit manager confirmed that the council was PSN certified, but he would make further enquiries.
9. Subsequent to the meeting Councillor Boswell pointed out that the PSN code requires audit logs, including email log files, to be retained for a minimum of six months.
10. The infrastructure support manager in LGSS IT has stated that they retain various logs from various systems with varying lengths of time but are constrained by factors such as capacity and whether systems do allow for logging. As such a decision was made earlier this year to obtain a new solution so that LGSS IT can pull together the required logs and hold them in a central repository, which will hold six months of log files. They are currently part way through this deployment.
11. The system support team leader at Norwich, who is responsible for co-ordinating the actions necessary for PSN compliance, has confirmed that it is not necessary to comply 100% with all of the requirements in the PSN code; it is only necessary to demonstrate that actions are in hand to address any non-compliance.

Progress against the audit plan

12. 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.
13. To the end of October 2015, 262 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.
14. The council has indicated that it is looking for savings from the LGSS partnership, which may or may not impact on the current internal audit plan. Discussions will be held with senior managers in the council, including the chief finance officer, to determine their view of the risks covered by the plan. Depending on the outcome of these discussions there may be a reduction or reallocation of resources within the plan. Further details will be reported to members at your next meeting.

Counter fraud developments

National fraud initiative

15. For the 2014-15 exercise 2,840 matches for possible investigation have been released so far. So far approximately 68% have been closed with no fraud detected; the outstanding matches are being reviewed by staff from LGSS revenues and benefits and LGSS counter fraud.

16. 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.
17. For 2015-16 the council 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 council tax data has been extracted and checked; the register of elector data will be extracted in December.

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated	Actual to	
	Days	Wk 31	Comments / Latest position
Financial systems			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10	0.1	
Housing rents/arrears	15		
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5	3.4	In progress
Cash receipting	15		
Sub-total	135	3.5	
Corporate			
Strategic risk management	15	7.4	Administration and reporting of corporate risk register
Corporate governance	25	9.4	Co-ordination & preparation of AGS; corporate governance group; policy updates
Sub-total	40	16.8	
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	14.1	In progress
Register of electors	10		
ICT audits:	10	4.5	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	28.9	
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	25.4	In progress
Safeguarding duties	15	0.1	
Garages	5	7.4	In progress
Allotments	5	7.2	Complete
Sub-total	70	40.1	
Customers, communications & culture			
Go4Less	5	5.5	Complete
Sub-total	5	5.5	
Fraud & corruption			
Anti-fraud and NFI work	80	34.9	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	1.6	Contingency
Sub-total	95	36.5	
Contingencies			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		14.1	Complete
Home improvements		10.4	Complete
Payroll		0.2	Draft report issued
Housings rents/arrears		11.6	Complete
Cemeteries		14.7	Draft report issued
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		4.0	Slipped from 14-15 - in progress
Follow-ups	20	18.1	Follow ups required by Code of Practice
Advice, guidance, etc	25	11.5	Contingency for advice, guidance & unplanned work requests
Sub-total	85	130.8	
Total planned time	590	262.1	
Indicative resources	Days		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	590		