

<b>Subject:</b>	<b>Internal Audit and Corporate Fraud Progress Report</b>		
<b>Date of Meeting:</b>	<b>8 March 2016</b>		
<b>Report of:</b>	<b>Acting Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Graham Liddell</b>	<b>Tel: 29-1323</b>
	<b>Email:</b>	<b>Graham.Liddell@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report summarises the progress made against the Internal Audit and Corporate Fraud Plan 2015/16. It summarises the key issues identified by Internal Audit and the Corporate Fraud Team and the progress made by management in implementing audit recommendations.

**2. RECOMMENDATIONS**

- 2.1 That the Audit and Standards Committee note:
- progress made on the audit plan for 2015/16
  - progress made against recommendations
  - continued success in tackling fraud and corruption

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Audit and Standards Committee approved the Internal Audit and Corporate Fraud Plan on 10 March 2015 which was updated on on 23 June 2015 and 17 November 2015 to respond to new and emerging risks and reduced resources.

**4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS****Audit reports issued**

- 4.1 Internal audit has issued 54 reports representing 71% of the audit plan. The service intends to deliver 90% of the 2015/16 audit plan at the year-end.
- 4.2 Since the Audit & Standards Committee in January 2015 three reports have been finalised where we have given limited assurance. These were;
- Agency Staff
  - Housing Local Delivery Vehicle
  - On and Off Street Parking.

- 4.3 The report on Agency Staff found a significant control weakness in the authorisation process and weaknesses with a key IT access control. These control problems were rectified during the audit and additional testing conducted to confirm that the controls are now operating as expected.
- 4.4 The audit of the council's Housing Delivery Vehicle (Brighton and Hove Community Seaside Homes) identified that there are still some important issues regarding the split of costs between the two organisations that have not yet been resolved. There is also an ongoing requirement for costs and income to be closely monitored.
- 4.5 The review of On and Off Street Parking concluded that despite improvements we remain concerned that the three different council teams involved in the key income reconciliation processes still do not effectively share relevant information. In addition improvements to the communication with the cash collection contractor are required and improvements are required to ensure parking machine faults are effectively monitored and promptly dealt with.

### Progress made in implementing recommendations

- 4.6 We have received confirmation that 82% of recommendations due to be implemented by 31 January 2016 had been implemented (see table 2). This compares to 84% reported in January 2016. This reduction in the implementation rate is because there were a significant number of audit recommendations which were due to be implemented at either 31 December or 31 January.

**Table 2 – implementation of audit recommendations**

Priority	Audit Recs due by 31 January 2016 (includes c/f 2014/15)	Database not updated by managers	Not implemented (or less than 50% implemented)	Implemented (includes part implemented > 50%)	Implemented (%)
High	45	0	3	42	93
Medium	295	36	22	237	80
All	340	36	25	279	82

- 4.7 There are three high priority recommendations that had not been implemented and are overdue. These are set out below in table 3.

**Table 3 – high priority recommendations not implemented**

Recommendation	Directorate	Due date	Progress as at 31 January 2016
Cyber Security - Management should ensure that the current Network Access Protection and Network Access Controls (NAP-NAC) initiative tasks (see appendix D) being rolled out by ICT to help prevent unauthorised devices from accessing the network is adequately prioritised, resourced and monitored for achievement and ongoing trend analysis of NAP NAC incidents by the Cyber Security governance stakeholders.	F&R (ICT)	31 December 2014	Full implementation is part of a three year plan. In the meantime mitigating factors have been put in place.

Council Tax - Reviews of expired class N (student) exemptions should take place in the year of expiration. The backlog of accounts requiring a review where a Class N exemption is in place which has expired should be cleared.	F&R	31 December 2015	Two 150 sample reviews of expired N class for exemptions have been scheduled for March and April.  The backlog is being addressed and should be up to date by the end of February.
Pensions Service - Processes to ensure the relevant pension fund is informed of pension fund members leaving the authority in a timely manner should be introduced.	F&R	31 December 2015	To be included in review of processes for using Pensionsweb. Backlog of leavers currently being cleared.

There are 58 medium priority recommendations that have not been implemented and/or the corporate tracking record has not been updated. Of these there are 9 audit reports where there are two or more overdue recommendations. These are detailed in table 4 below.

**Table 4 – Reports with two or more overdue recommendations**

Report Title	No of overdue recommendations
Blue Badges	2
Direct Payments	3
Grants to Third Sector Organisations	3
Penalty Charge Notices	2
Pensions Administration	2
Pier – Management of Data*	2
Social Media	2
Street Cleansing	2
Write-offs	6

\*NB. Request for deadline to be extended has been received

4.8 We are continuing to work with ELT and other senior managers to ensure that all managers understand the importance of implementing audit recommendations, or if it is not practicable to do so to ensure that action is taken to address the underlying risk. For 2016/17 each directorate management team will include performance information on the implementation of audit recommendations as part of the council's performance management system. The Audit & Standards Committee will also have the opportunity to question executive directors about how the progress they are making in responding to audit reports.

### **Corporate Fraud**

4.9 During 2015/16 the Corporate Fraud Team has worked with colleagues across the council in three main areas:

- **Promoting a strong anti-fraud and corruption culture.** This has included:
  - the fraud e-learning awareness programme which has currently been completed by 868 members of staff
  - alerting staff to new and emerging fraud threats, including email fraud which has to the formation of a cyber intelligence hub

- working with colleagues in housing to prevent and identify housing tenancy fraud including delivering briefings to housing customer services staff and employees at Mears Ltd and PH Jones.
- **Preventing and detecting fraud and corruption.**
  - £127,133 overpayments recovered as part of the National Fraud Initiative
  - 23 Blue Badges cancelled as part of the National Fraud Initiative, 76 Blue Badges were retained as part of the joint exercise with East Sussex and 31 blue badges were handed in during a blue badge fraud amnesty. There have been 35 prosecutions and 49 community resolutions.
- **Investigating and pursuing fraud and corruption.** Following investigations by the corporate fraud team, the council has:
  - saved £80,000 in planned adaptation costs as it was found that an individual had misrepresented their circumstances
  - recovered 21 council dwellings and successfully prosecuted two individuals for subletting their council properties
  - removed council tax discounts of £9,772
  - cancelled four residents parking permits because permit holders did not reside at the relevant address
  - effected the removal seven employees either through resignation or dismissal.

4.10 During 2016 the Corporate Fraud Manager is planning to develop new initiatives on other key fraud threats including procurement and payments made to individuals as “no recourse to public funds” grants.

## 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None

## 6. CONCLUSION

- 6.1 The Committee is asked to note:
- progress made on the audit plan for 2015/16
  - progress made against recommendations
  - continued success in tackling fraud and corruption.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2015/16 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with recommendations support the robustness and resilience of the council's practices and procedures in support of the council's overall financial position.

*Finance Officer Consulted: James Hengeveld*

*Date:22/02/2016*

### Legal Implications:

- 7.2 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards'. It is a legitimate part of the Audit and Standards Committee's role to review the level of work completed and planned by internal audit.

*Lawyer Consulted: Elizabeth Culbert*

*Date:24/02/16*

### Equalities Implications:

- 7.3 There are no direct equalities implications.

### Sustainability Implications:

- 7.4 There are no direct sustainability implications.

### Any Other Significant Implications:

- 7.5 None.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. None

### **Documents in Members' Rooms**

1. None

### **Background Documents**

1. None

