

<b>Subject:</b>	<b>Internal Audit and Corporate Fraud Progress Report</b>		
<b>Date of Meeting:</b>	<b>10 January 2017</b>		
<b>Report of:</b>	<b>Executive Director, 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 purpose of this report is to provide assurance to the Audit & Standards Committee that:
- the internal audit and corporate fraud teams are delivering the audit and corporate fraud strategy and plan for 2016/17;
  - the council is dealing with governance and control weaknesses appropriately.
- 1.2 The report summarises:
- the progress made against the Internal Audit and Corporate Fraud Plan;
  - the key issues identified and action being taken;
  - progress made by management in implementing audit recommendations.

**2. RECOMMENDATIONS**

- 2.1 That the Audit & Standards Committee notes the report.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The Audit & Standards Committee approved the revised Internal Audit and Corporate Fraud Plan on 15 November 2016. This comprised:
- 1100 audit days covering:
    - audit reviews based on assessment of risk;
    - following up progress on implementing audit recommendations.
  - 475 anti-fraud and corruption days for:
    - reviewing and updating of fraud policies;
    - fraud awareness and publicity;
    - data matching;
    - investigating and pursuing fraud focused on high priority areas.

#### 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

##### Progress against the audit plan

- 4.1 Internal audit has issued 35 reports out of an original planned total of 61 reports (revised to 62). The team is on target to deliver 90 - 95% of the revised audit plan. The status of audits delivered to date is set out in appendix 1. Key findings since the November Audit & Standards Committee are set out in table 1.

**Table 1 – Key audit findings (since November Audit & Standards Committee)**

Audit report	Assurance rating	Key issues	Agreed management action
Risk management	Reasonable	<p>The council has a well-established risk management process. The audit made a series of recommendations to strengthen the council's arrangements including:</p> <ul style="list-style-type: none"> <li>• Linking risks more clearly to the corporate plan and directorate objectives;</li> <li>• Communicating directorate risks to stakeholders (strategic risks are already published publically);</li> <li>• Ensuring that the Integrated Risk Management System is updated with the review dates.</li> </ul>	<p>Recommendations have been agreed and will be implemented by 31 March 2017.</p>
Building and systems access control follow up	Limited	<p>Although progress has been made on a significant number of recommendations from our original report, there are still areas of significant risk. The follow up report has identified the need to:</p> <ul style="list-style-type: none"> <li>• develop a corporate and systematic solution to ensure that the access rights for all leavers are promptly removed</li> </ul>	<p>All recommendations have been agreed.</p> <p>The audit report will be considered by the Information Governance Board on 13 January 2017.</p> <p>As part of developing a corporate and systematic solution a business process improvement (BPI)</p>

		<p>from all IT systems;</p> <ul style="list-style-type: none"> <li>strengthen access controls over suspended staff and staff not directly employed by the council;</li> <li>ensure managers always collect ID cards from those no longer working at the council.</li> </ul>	<p>project is currently reviewing the systems and processes involved with identifying and removing leavers from systems.</p>
Administration of banking system	Limited	<p>The audit made a series of recommendations to strengthen the controls over the administration of the banking system.</p>	<p>Most of these have now been implemented, or alternative solutions put in place to address underlying risks.</p> <p>Management are satisfied that controls in the remaining areas are appropriate and proportionate to identified risks, and that any residual risk is covered by the council's insurance arrangements.</p>

### Progress made in implementing recommendations

4.2 We have received confirmation that 77% of recommendations due to be implemented by 30 September 2016 had been implemented (see table 2).

**Table 2 – implementation of audit recommendations (as at 30 September 2016)**

Year	Audit Recs due	Database not updated by managers	Not implemented (or less than 50% implemented)	Implemented (includes part implemented > 50%)	Implemented (%)
30 Sep 2016	272	46	17	209	77%

4.3 This is similar to the rate reported at a similar time last year but is lower than the final implementation rate of 88% for 2015/16.

- 4.4 We have not been provided with progress for 17% of recommendations. We have treated these recommendations as not implemented. We are currently reminding managers to provide updates and we expect this proportion to reduce and the percentage of implemented recommendations to increase.
- 4.5 The high priority recommendations that have not been yet implemented are set out in table 3.

**Table 3 – high priority recommendations due by 31 October not implemented**

Audit/Recommendation	Directorate	Due date	Progress
<p><b>Residents parking permits</b></p> <ul style="list-style-type: none"> <li>• All applications (whether physical or electronic) should be adequately retained to enable easy retrieval in the event that this is required. This should also be extended to include copies of any proofs supplied in support of an application.</li> <li>• All renewal applications should be validated (electronically if possible) to ensure evidence of ongoing eligibility is confirmed. Should the service move towards awarding permits with no expiry through a Direct Debit process, verification checks should still be undertaken every 12 months. Any applications which cannot be validated electronically should be subject to robust address proof checks, both at initial application stage, and on every renewal.</li> <li>• Parking should ensure that any improvements to the verification process are extended to the processing of all other relevant permit types where residency is a condition of issue.</li> </ul>	<p>Economy, Environment and Culture</p>	<p>30 Jun 2016</p>	<p>As reported to Audit &amp; Standards, the council is procuring an online permit system. It is expected that this will become operational by February 2017.</p>

<p><b>Temporary accommodation</b></p> <ul style="list-style-type: none"> <li>The housing service needs to set out clearly an overview of the process and responsibilities for managing voids including monitoring, clearing, escalating voids and recovering void losses. This should be set out in a formal procedure document.</li> </ul>	<p>Neighbourhoods, Community and Housing</p>	<p>26 Aug 2016</p>	<p>Database not updated.</p> <p>This will be subject to a follow up audit in the first quarter of 2017.</p>
<p><b>Access controls</b></p> <ul style="list-style-type: none"> <li>Processes to ensure access [for staff who no longer work for the council] to external systems is removed should be developed.</li> </ul>	<p>Finance and Resources</p>	<p>29 Feb 2016</p>	<p>This is subject to a follow up audit.</p> <p>Some action has been taken but developing an effective solution requires system changes which will take longer to implement. A project board, supported by Internal Audit, is being put in place.</p>
<p><b>IT waste disposal</b></p> <ul style="list-style-type: none"> <li>Review, implement, and formally disseminate the ICT Waste Disposal Policy and ensure that operational guidance documentation is aligned to the policy requirements.</li> </ul>	<p>Finance and Resources</p>	<p>31 October 2016</p>	<p>Database not updated</p>
<p><b>Corporate procurement</b></p> <ul style="list-style-type: none"> <li>Actions should be agreed to monitor and provide assurance on compliance with Contract Standing Orders</li> </ul>	<p>Finance and Resources</p>	<p>30 April 2016</p>	<p>Implementation would require a significant investment.</p>

4.6 We continue to work with ELT and other senior managers to ensure that all managers give sufficient priority to address audit recommendations, particularly high priority recommendations.

**Progress against the corporate fraud plan**

4.7 The Corporate Fraud Team continues to make good progress against its plan for 2016/17.

- **Counter-fraud framework**
  - The council's counter-fraud framework was approved by the Audit & Standards Committee on 21 June 2016. It has proved useful in helping the council deal with employee disciplinary cases and suspected money laundering.
  
- **Fraud awareness and publicity**
  - Our fraud e-learning tool now forms part of the council's induction process and is being refreshed for 2017. We continue to raise fraud awareness internally through positive counter-fraud articles on the council's intranet site.
  - Externally, we have:
    - published a web based fraud reporting tool for members of the public to raise concerns
    - publicised a county-wide counter fraud phone hotline, working with the East Sussex fraud-hub
    - launched a two month tenancy amnesty (from 1 December to 31 January) supported by publicity in the local media.
  
- **Data matching**
  - We have developed and are currently reviewing data matching reports to identify potential cases for misuse of council dwellings and residents parking permits.
  - We have submitted our complete set of data to the National Fraud Initiative (NFI). We will work with colleagues across the council to review the outcomes when the data matches are released from January 2017.
  
- **Investigating and pursuing fraud focused on high priority areas**
  - 10 properties have been returned to the council following investigations into housing tenancy fraud.
  - The Corporate Fraud Team has also worked with colleagues in housing to introduce additional checks on the eligibility of Right to Buy cases. This has identified and prevented 11 potentially fraudulent Right to Buy cases from proceeding and provides a deterrent for ineligible applicants.
  - The council has retained or destroyed 85 Blue Badges, agreed 59 community resolutions, undertaken 27 prosecutions and cancelled five residents parking permits.
  - The corporate fraud and audit teams have together worked on a range of cases that have resulted in referrals to relevant authorities, recovery of funds and disciplinary action against Brighton & Hove staff.

## 5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

## 6. CONCLUSION

6.1 The Committee is asked to note the report.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2016/17 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: 14/12/16*

### 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: 20.12.16*

### Equalities Implications:

7.3 There are no direct equalities implications.

### Sustainability Implications:

7.4 There are no direct sustainability implications.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. None

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

1. None

### **Background Documents**

1. None

