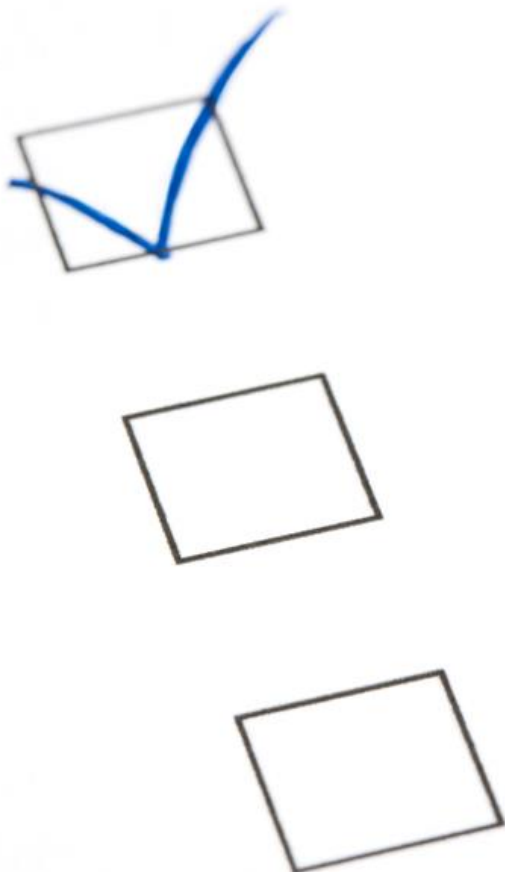


# Sunderland City Council

## Audit Progress Report

February 2015



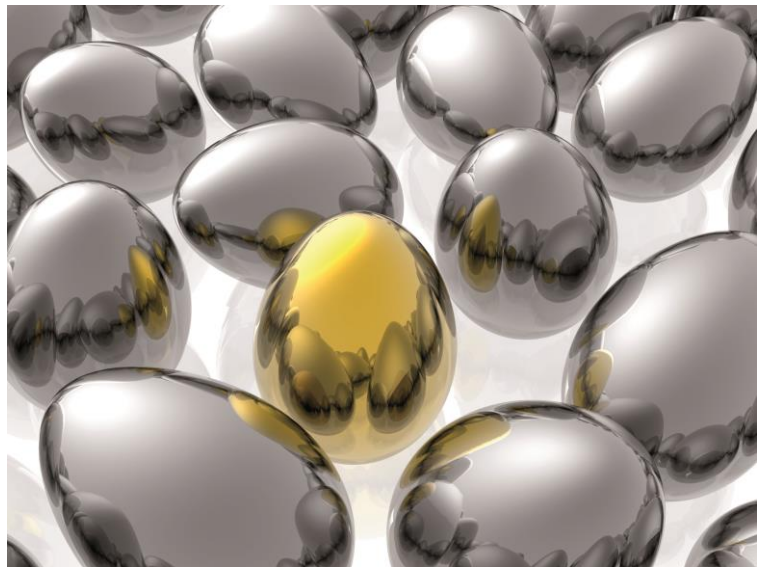
# Contents

- 01 Purpose of this paper
- 02 Summary of audit progress
- 03 Emerging issues and developments
- 04 Contact details

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# 01



## Purpose of this paper

This paper updates the Audit and Governance Committee on our progress in meeting our responsibilities as your external auditor. It also highlights key emerging national issues and developments which may be of interest to you.

If you require any further information please contact your Engagement Lead or Senior Manager using the contact details at the end of this update.

# 02

## Summary of audit progress



### **2013/14 work**

We have now completed all 2013/14 work, including work on s256 agreements and on the Port of Sunderland accounts.

The agreed fee for s256 agreements was reduced from £6,310 to £5,205 plus VAT, when it became clear that a certified return was not required for the scheme with NHS England.

### **2014/15 Audit Planning**

Our planning for the 2014/15 audit is now well under way.

We are on target to present our Audit Strategy Memorandum to the Audit and Governance Committee on 27 March 2015. This document will set out the risks we identify for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit.

## **Protecting the Public Purse - 2013/14 Fraud Briefing for Sunderland City Council**

Elsewhere on this Committee's agenda is a joint fraud and law & regulations briefing by Mazars and the Council's internal auditors. This will refer to outcomes in terms of identified fraud at the Council for the 2013/14 financial year. The Audit Commission publishes a briefing on 2013/14 outcomes, and the slide pack for this is attached as Appendix 1.

One key thing to note when reviewing this information is that the levels of identified fraud are a matter of fact and are not in themselves a good indicator of the strength of your arrangements in this area. Appendix 1 is attached for Members' information, but needs to be considered in the context of the Council's overall arrangements, which will be outlined in the joint presentation by Mazars and Internal Audit.

## **National Fraud Initiative – 2012/13 Outcomes and Information for Elected Members of Sunderland City Council**

The Audit Commission has also published its briefing on 2012/13 National Fraud Initiative outcomes, and the slide pack for this is attached as Appendix 2.

This needs to be viewed in the same context as the Fraud Briefing above.

# 03

## Emerging issues and developments



The following pages outline for your attention some significant emerging issues and developments in respect of:

- Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting.

# Emerging issues and developments

Issue / development	Possible action
<p><b>Auditing the Accounts 2013/14, Quality and timeliness of local public bodies' financial reporting</b></p> <p>This Audit Commission report summarises the financial reporting outcomes for local authorities and other bodies within its regime. Audit opinions were issued at 99% of councils by 30 September 2014. The report names authorities that produced their accounts early and also names those where there were delays or non standard wording to the auditor's reports.</p>	<p>Sunderland City Council met all of the statutory deadlines and received an unqualified audit opinion and VFM conclusion on 30 September 2014.</p> <p>The report can be found at <a href="http://www.audit-commission.gov.uk/2014/12/local-government-financial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/">http://www.audit-commission.gov.uk/2014/12/local-government-financial-reporting-remains-strong-nevertheless-over-1000-small-bodies-have-their-accounts-qualified/</a></p>

# 04

## Contact details



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# Appendix 1

## Protecting the Public Purse Fraud Briefing 2014 Sunderland City Council



# Purpose of Fraud Briefing



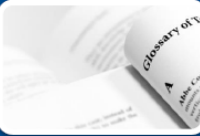
Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud



# Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A '\*' symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

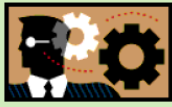
In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.



# Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)

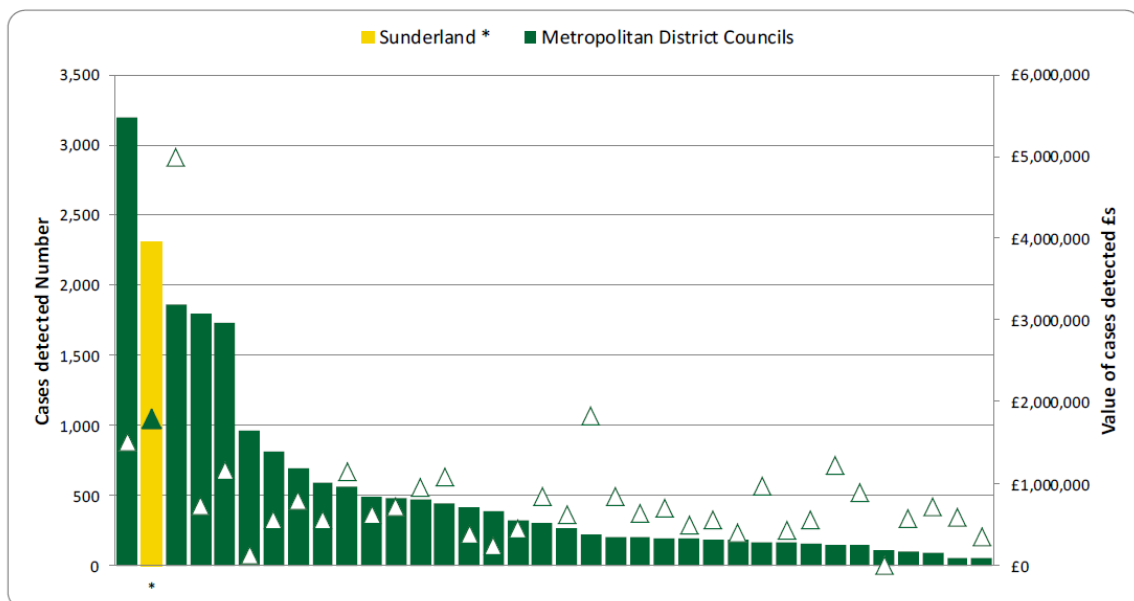


Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)



## Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

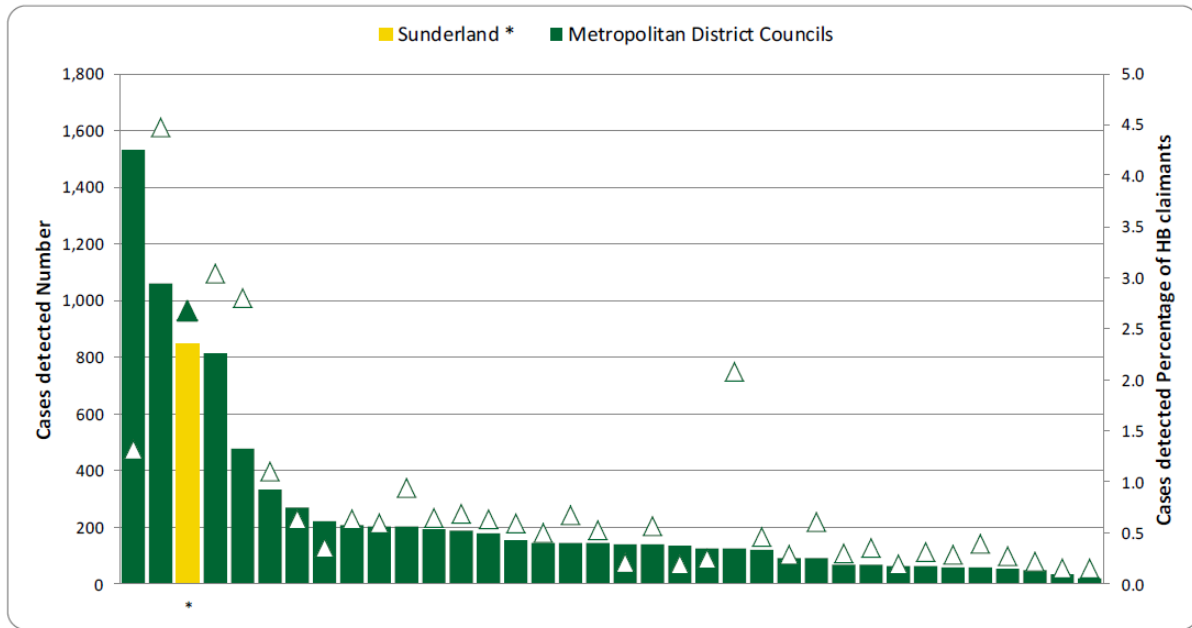
### Sunderland



Sunderland detected 2302 cases #. The value of detected fraud was £1,774,143 #.  
Average for other Metropolitan District Councils: 522 cases, valued at £835,654



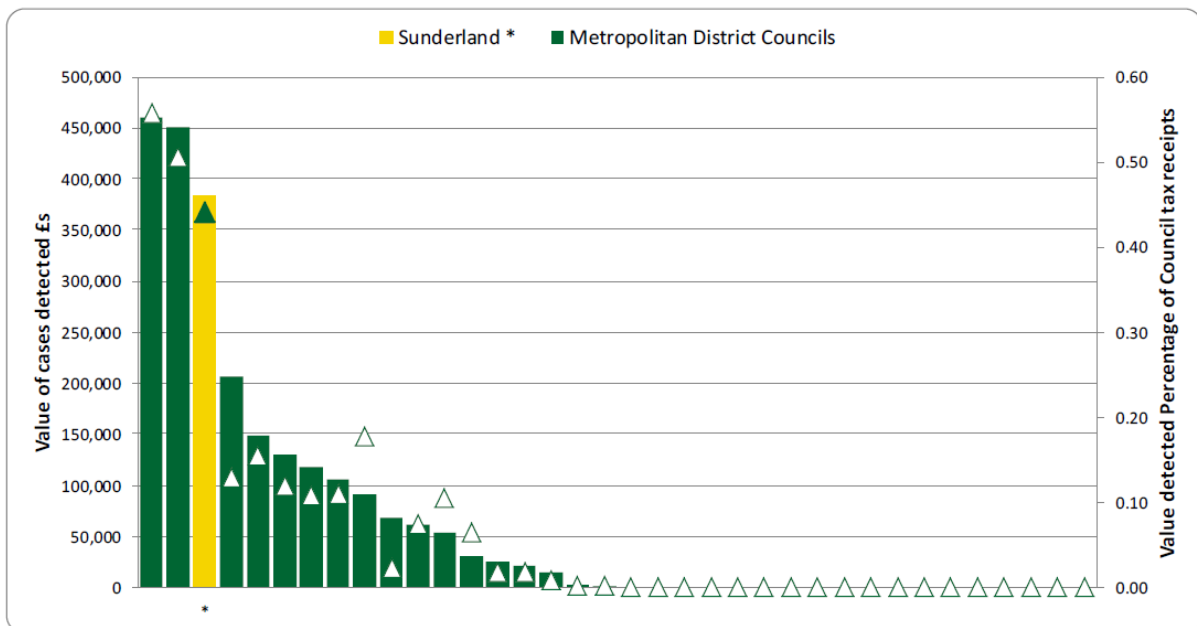
## Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14 Total detected cases, and as a proportion of housing benefit caseload Sunderland



Sunderland detected 845 cases of this type of fraud. The value of detected fraud was £694,863.  
Average for other Metropolitan District Councils: 225 cases, valued at £721,707



## Council tax discount fraud 2013/14 Total detected value, and value as a proportion of council tax income Sunderland



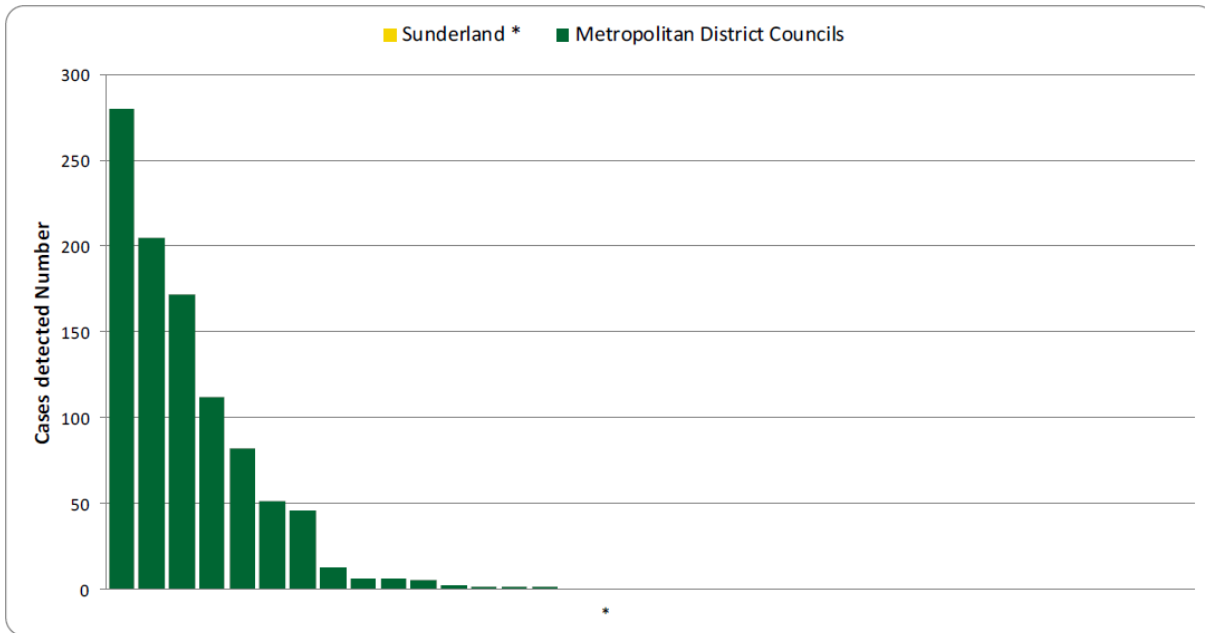
Sunderland detected 1390 cases #. The value of detected fraud was £383,864 #.  
Average for other Metropolitan District Councils: 256 cases, valued at £56,665





## Disabled parking (Blue Badge) fraud 2013/14

### Sunderland



Sunderland did not detect any cases of this type of fraud.  
Average for other Metropolitan District Councils: 28 cases



## Other frauds 2013/14 Sunderland

**Procurement:** Sunderland did not detect any cases of this type of fraud.  
Total for other Metropolitan District Councils: 7 cases, valued at £620,540

**Insurance:** Sunderland detected 59 cases of this type of fraud. The value of detected fraud was £680,000.  
Total for other Metropolitan District Councils: 35 cases, valued at £568,884

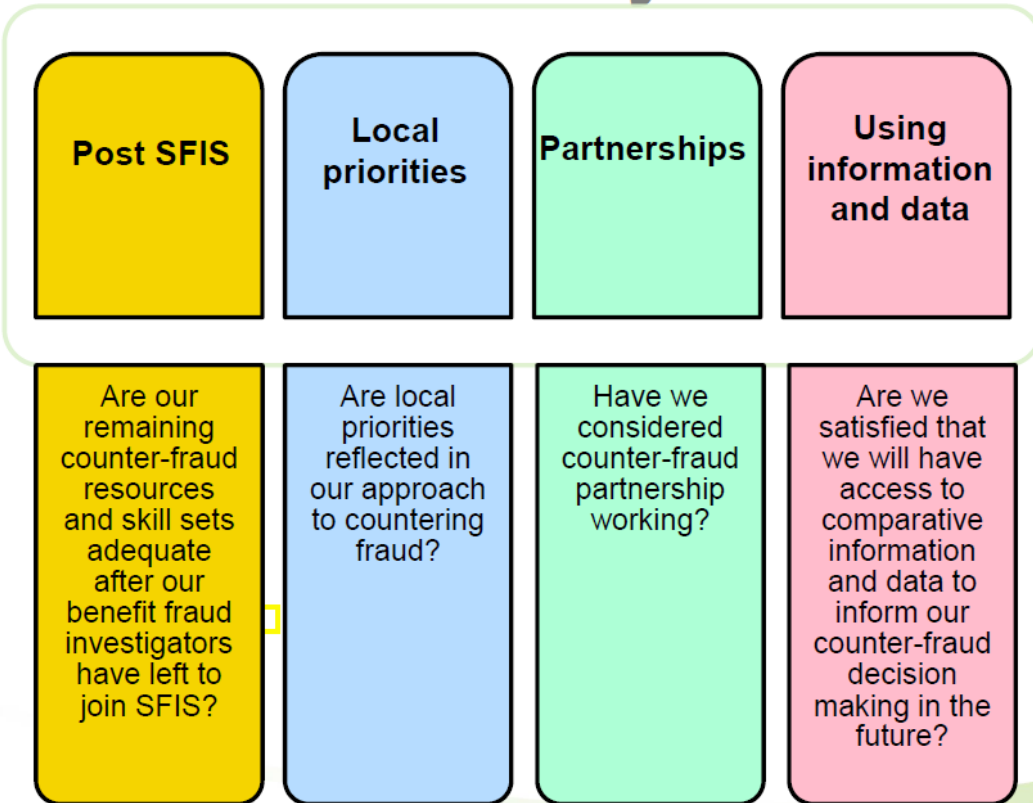
**Social care:** Sunderland did not detect any cases of this type of fraud.  
Total for other Metropolitan District Councils: 61 cases, valued at £490,078

**Internal:** Sunderland detected 9 cases of this type of fraud. The value of detected fraud was £17,734.  
Total for other Metropolitan District Councils: 326 cases, valued at £641,632

*Correctly recording fraud levels is a central element in assessing fraud risk.  
It is best practice to record the financial value of each detected case*



# Questions elected members and decision makers may wish to ask



# Appendix 2

## National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

Sunderland City Council





# Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation



We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)



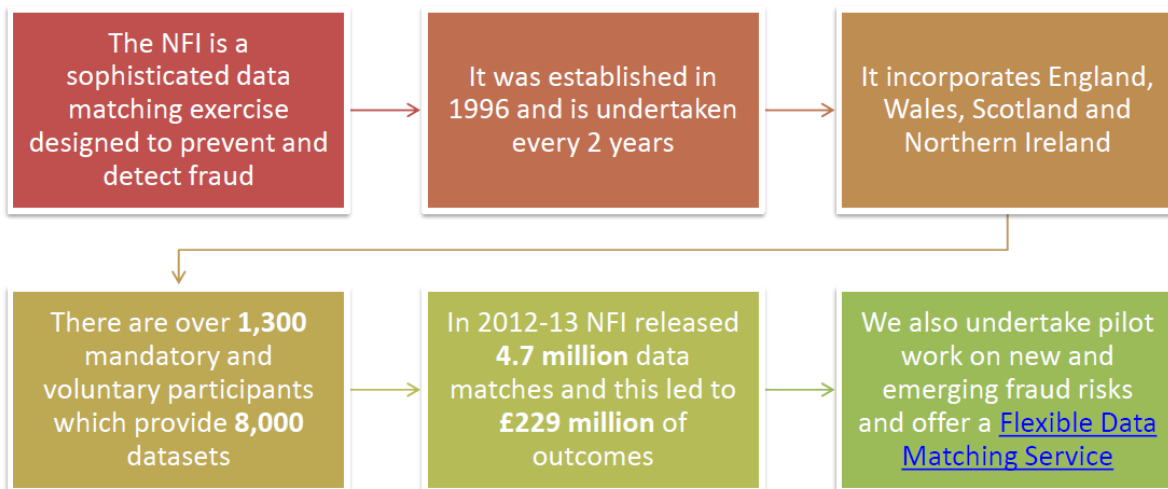
We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact [nfiqueries@audit-commission.gsi.gov.uk](mailto:nfiqueries@audit-commission.gsi.gov.uk)

2

# Background to the NFI



3

# The NFI National Report

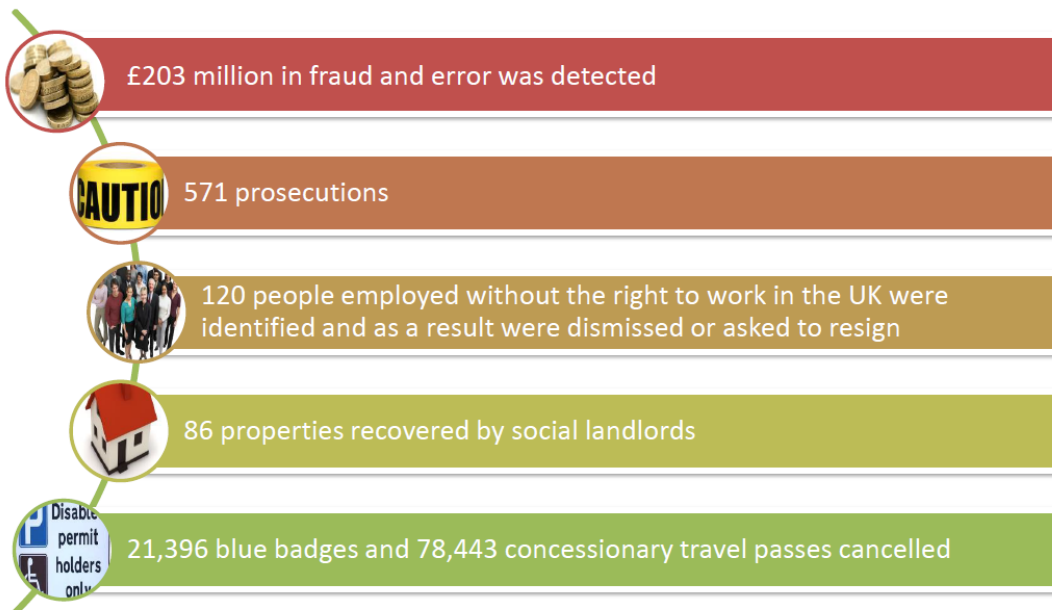
Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report

The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014

The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud

4

# Key Outcomes of the 2012/13 exercise - across England



The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

5

## Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.



The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

6

## Activity and Engagement with NFI – Sunderland City Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
Sunderland City Council	19% (3,005)	35% (803)
CIPFA nearest neighbours (Mean)	31% (2,832)	61% (1,073)
Metropolitan Districts (Mean)	20% (2,778)	47% (1,143)

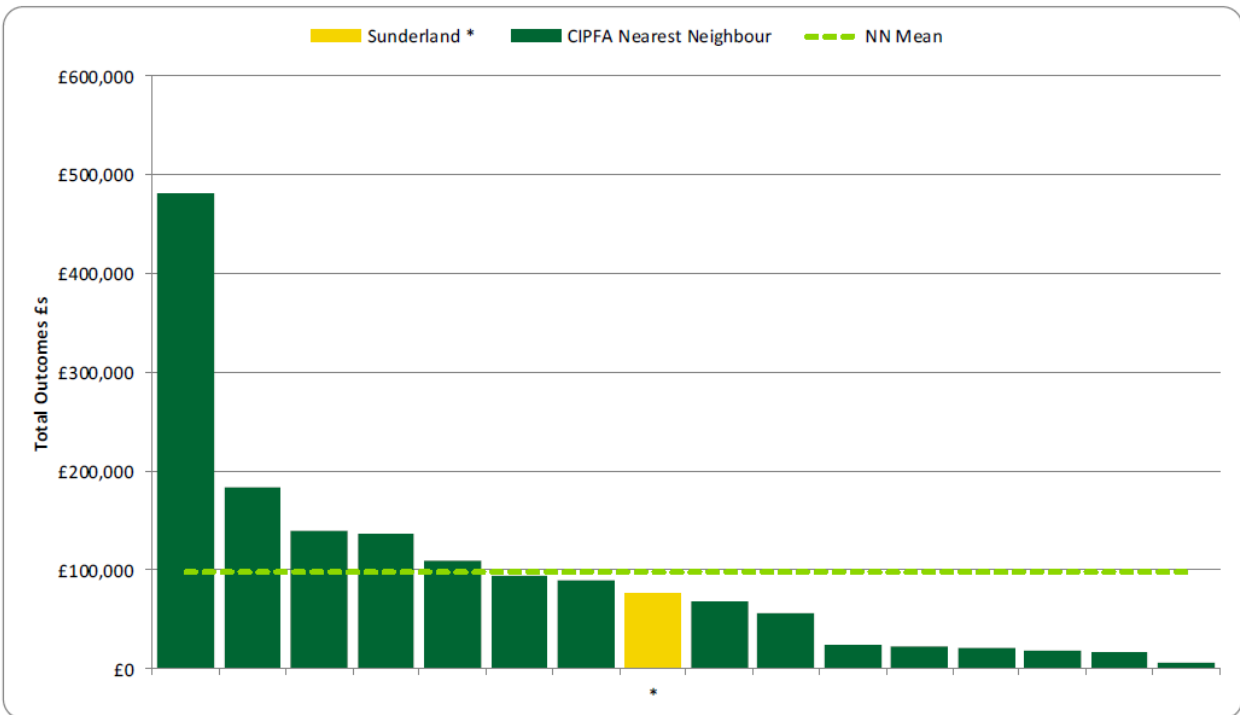
The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at [http://www.cipfastats.net/default\\_view.asp?content\\_ref=2748](http://www.cipfastats.net/default_view.asp?content_ref=2748)

7

# Understanding the bar charts

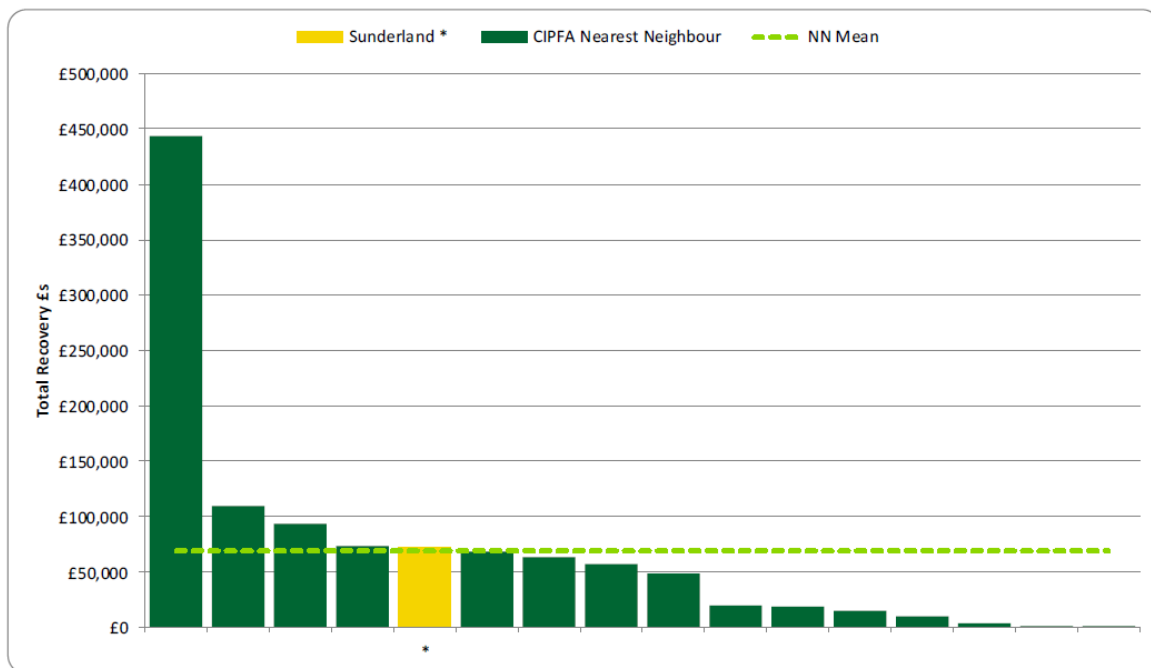


## Total NFI Outcomes – Sunderland City Council



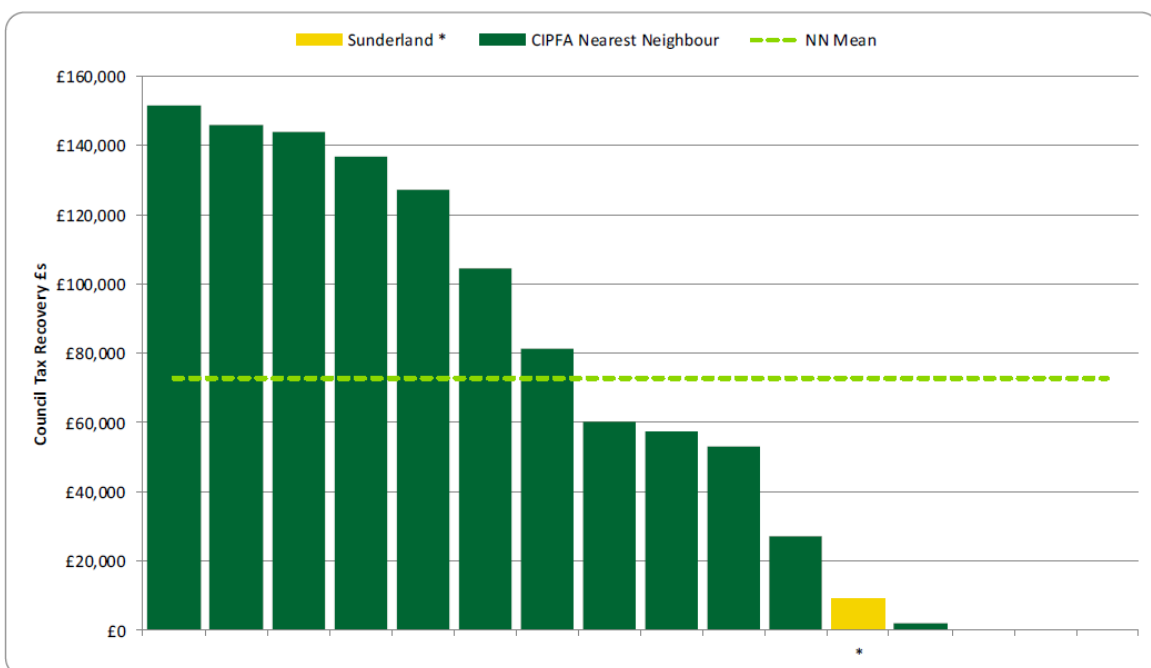
Please note outcomes from the NFI housing waiting lists pilot and council tax outcomes recorded in the NFI 2010/11 web application and FMS web application have not been included in this analysis.

## Total NFI Recovery – Sunderland City Council



Please note this excludes council tax recovery recorded in the 2010/11 web application and FMS web application.

## NFI Council Tax Outcomes – Sunderland City Council



Data relates to outcomes recorded in the 2010/11 web application and FMS web application.

# Questions for Elected Members and Decision Makers

<b>The NFI in our council</b>	<b>Maximising results</b>	<b>Broadening our council's engagement with the NFI</b>	<b>The NFI fit with wider counter-fraud policies</b>
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- What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?
- Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?

What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?
- Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?
- How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

## Glossary

<b>Council tax outcomes</b>	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
<b>Flexible matching service</b>	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
<b>Mandatory participants</b>	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
<b>NFI web application</b>	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
<b>Outcomes</b>	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
<b>Pilots</b>	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
<b>Recommended data matches</b>	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
<b>Recovery</b>	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
<b>Voluntary participants</b>	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

# Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

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