

	<p style="text-align: center;"><b>Audit Committee</b> 9 January 2013</p> <p style="text-align: center;"><b>Report from the Deputy Director of Finance and Corporate Services</b></p>
For Information	<p style="text-align: right;">Wards Affected: ALL</p>
<p style="text-align: center;"><b>Report Title: 2<sup>nd</sup> Internal Audit Progress Report 2012/13</b></p>	

## 1. Summary

- 1.1. This report summaries the work of Internal Audit and the Investigations Team from 1<sup>st</sup> April 2012 to November 30<sup>th</sup> 2012. The attached report provides further details of this together with assurance ratings of reports issued.

## 2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2012/13 Internal Audit Plan and the review of fraud work.

## 3. Detail

### Audit

- 3.1. The Internal Audit Plan for 2012/13 comprises 1,200 days, of which 905 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team.
- 3.2. A total of 756 days have been delivered against the overall Plan, made up of 576.5 Deloitte PSIA days and 179.5 days in-house days. This represents 63% of the Plan and represents an improvement when compared to 2011/12 when delivery at the same stage was 51%.
- 3.3. A summary report setting out the completed audit work is attached as Appendix 1. The status of all projects planned is set out in table 1 below:

**Table 1 – Internal Audit Delivery Status**

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Corporate/Cross Cutting								
Appointment of Consultant and Non Comensura Temporary/Interim Staff	10	7	Work In Progress					
Comensura	15	15	Final Report	Limited	4	6	-	15/09/2012
Corporate/Cross Cutting Total	25	22						
Finance and Corporate Services (FCS)								
Council Tax	15	0.5	Q4					
Reform of National Non Domestic Rates (NNDR)	5	1	Q3/4					
NNDR	15	0.5	Q4					
Reform of Council Tax Benefits	10	0	Q4					
Housing and Council Tax Benefits	20	18	Work In Progress					
Treasury Management	10	8	Work In Progress					
Payroll	20	16	Work In Progress					
Accounts Payable	15	15	Final Report	Limited ←	3	5	1	14/12/2012
Accounts Receivable	15	15	Final Report	Substantial →	1	7	1	17/12/2012
General Ledger	15	15	Final Report	Substantial →	1	1	-	14/12/2012
Cash and Banking	15	10	Work In Progress	Substantial				17/12/2012
Pension Fund Administration	20	20	Final Report	Substantial ↔	-	6	1	06/09/2012
One Council Project – Project Athena	10	2.5	Attendance at various Athena meetings (2* Managers)					
Once Council Project – Customer Service	0	0	Withdrawn following a meeting with the Head of Service. 12 to 0.					
Staff Expenses (Contingency days used)	20	20	Final Report	N/A	8 Action Points have been raised and agreed.			14/12/2012
Financial Planning	15	0	Draft Report					
FCS Total	220	141.5						
Children & Families								
School Audits	Total							
Primary/Junior Schools	150							
Chalkhill Primary	10	0	Final Draft Report	Limited	6	11	1	02/08/2012
Our Lady of Grace Infants	10	0	Q4					

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Woodfield	10	0	Q4					
Furness	10	0	Q4					
Lyon Park Juniors	10	12	Final Report	Substantial	1	9	-	15/09/2012
St Mary's CE	10	12	Work in Progress					
Oliver Goldsmith	10	11	Final Report	Substantial	3	5	5	14/12/2012
Convent of Jesus and Mary	10	8.5	Work in Progress					
Elsley	10	10	Final Report	Substantial	3	5	2	13/12/2012
Roe Green Infants	10	10	Final Report	Substantial	1	10	0	13/12/2012
Roe Green Juniors	10	10	Final Report	Substantial	1	10	1	13/12/2012
Sudbury	0	0	Withdrawn as the School is now Academy					
St Joseph Junior	10	9	Draft Report	Substantial	2	5	3	18/12/2012
St Joseph Infants	10	9	Draft Report	Substantial	1	5	1	18/12/2012
St Joseph's RC Primary	10	10	Final Report	Substantial	2	3	2	22/11/2012
Newfield	10	15	Draft Report	Substantial	2	11		07/12/2012
St Mary Magdalen	10	9	Final Draft Report	Substantial	4	4	2	26/11/2012
Stonebridge	10	9	Final Draft Report	Limited	11	8	-	09/10/2012
Torah Temimah	10	11	Final Report	Nil	16	7	-	21/11/2012
Newman CC (Secondary)	10	0	Q4					
Preston Manor (Secondary)	10	9	Draft Report	Limited	10	16	-	03/12/2012
St Gregory's (Secondary)	5	7	Work in Progress					
The Village (Special)	10	0	Q4					
Manor (Special)	3	3	Final Report	Non Assurance Work.				31/08/2012
Follow up of limited assurance Schools	20	9	Throughout the year.					
Safeguarding of Children	15	2	Postponed to Q4 due to appointment of new Head of Service. Audit Brief prepared and issued to current Head					
School CRF Data Analysis	2	1						
School Additional Days	9	0	See above for relevant schools - Torah Temimah (1), St Mary's CE (2), St Gregory's (2), Oliver Goldsmith (1), Lyon Park (2), newfields (1)					
Children & Families Total	264	176.5						
Environment & Neighbourhood (EN)								
Parking Enforcement	20	0	Q4					
Olympics	10	10	Final Report	Non Assurance Work.				27/07/2012
Libraries	15	2	Q4					
EN Total	45	12						

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Customer & Community Engagement								
Mayor's Office	8	8	Final Report	Limited	5	1	-	15/09/2012
Language Shop	12	12	Final Report	Limited	4	2	-	17/09/2012
Customer & Community Engagement Total	20	20						
Adult Social Services								
Mental Health Partnership	20	20	Final Report	Limited	7	1	-	10/09/2012
Home Care	15	0	Q4					
Appointeeship, Receivership, and Power of Attorney	20	25	Final Report	Limited	15	9	1	29/08/2012
Personalised Budgets and Direct Payments	20	10	Work in Progress					
HCC Total	75	55						
Legal and Procurement								
Procurement	0	0	This is covered under the Athena Project and withdrawn from the plan.					
High Value Contracts – Compliance with the Blue Book	20	20	Final Report	Limited	6	3	-	25/07/2012
Legal and Procurement Total	20	20						
Regeneration and Major Project (RMP)								
Capital Projects (contract audits)	30	0	Q4					
Civic Centre Project (Move to the Civic Centre)	10	10	Final Report	Non Assurance Report				14/09/2012
Housing Solutions (Choice based letting/housing allocations)	15	0	Q4					
Building Control and Enforcement	15	17	Final Report	Substantial	3	13	-	16/11/2012
RMP Total	70	27						
Strategy, Partnership, and Improvement (SPI)								
Partnership Management	10	10	Final Report	Substantial	-	2	-	21/09/2012
Public Sector Reform – Policy and Key Legislative Changes	15	15	Final Report	Substantial	-	1	-	21/09/2012
SPI Total	25	25						
Computer Audit								
Oracle Financials Application Audit	0	0	Withdrawn due to Project Athena. 10-0					
Northgate Sx3 Housing Benefits System	10	9	Draft Report	Limited ←	3	6	1	28/11/2012

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Automated Customer Contact - Web Enhancement Project Pre-implementation audit (One Council Project)	10	9	Draft Report	Limited	2	6	-	13/12/2012
Abacus	0	0	Withdrawn as the system is now due to be decommissioned next year. 10-0					
IT Service Management (Information Technology Infrastructure Library ITIL, V3 Gap Analysis)	15	14	Draft Report	Limited	1	6	2	03/12/2012
Wireless Networks	15	10	Work in Progress					
Virtual Desktop Infrastructure (VD)	20	0	Throughout the year.					
Civic Centre IT Controls	20	3	Senior Computer Audit Manager to attend IT projects for Move to Civic Centre Project meeting.					
Follow up of previous IT audits	12	5	Throughout the year.					
New audit to replace Oracle and Abacus	20	0						
	0	0						
Computer Audit Total	122	50	*Plus 10 days delivered on V5 (BHP) Total Computer Audit days = 132 days.					
Others								
Risk Management	10	7						
Consultation, Communication and Reporting	55	45						
Follow up	55	34						
Office Move	14	16						
Contingency	24	0						
	158	102						
BHP								
Housing Repairs and Maintenance	12	1	Q4					
Housing Rents	8	8	Final Report	Substantial ↔	1	1	3	14/12/2012
Major Works Contracts	20	10	Work In Progress					
Procurement & Contracts (Non Major Works)	15	15	Final Report	Substantial	2	3	-	04/10/2012
Treasury Management	8	0	Q4					
Internal Financial Controls	10	0	Q4					
Rent Arrears Management	15	15	Draft Report	Substantial ↔	1	2	2	17/12/2012
Tenant Management Organisations – Watling Gardens	15	15	Final Report	Limited ⇒	7	8	1	30/10/2012

Audit	Planned Days	Total Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Management of Non-Brent Properties	15	14	Draft Report	Limited ↔	2	4	-	17/12/2012
TMO – South Kilburn TMO	0	6	Final Report	Non-Assurance work	2	8		08/11/2012
Risk Management	8	1	Work In Progress					
V5 System (Housing Rents)	10	10	Final Report	Limited	1	10	1	28/11/2012
Consultation and Management Days	20	10	Throughout the year.					
BHP Total	156	105						
Total	1200	756						

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	756
% of days delivered to date	63%
Days to be delivered	444
Total number of projects in 2012/13 plan (excluding follow up reports and Committee reports)	73
Number of reports issued to date	43
% of reports issued to date	59%

## Housing Benefit Fraud

- 3.4. At the last committee meeting it was reported that the DWP intended to create a Single Fraud Investigation Service (SFIS) to investigate all welfare benefit fraud from April 2013 and that council investigators would be working to a single national policy and procedure. In December 2012 the DWP announced that, whilst they intend for all investigations into benefit fraud to be “badged” as coming under the umbrella of a SFIS, there is no intention to impose a single national policy and procedure from April 2013. This is a significant change. The DWP have stated that only four pilot authorities will be required to work to a single national procedure and will test this with a view to national roll out in April 2014. Therefore, the council is free to continue to investigate housing benefit fraud within its own policy and procedural framework.
- 3.5. The team continues to receive a high volume of housing / council tax benefit fraud referrals and many have to be screened out without investigation. There is a process of case screening which considers the quality of evidence, likely value of overpayment and other factors. Those which are not screened out are passed for investigation. An investigation will be closed once there is sufficient evidence to establish that a fraudulent overpayment of benefit has occurred and a sanction has been applied or no further action is warranted. Investigations range in length from a few months to many years for complex prosecutions.

- 3.6. The sanctions available for HB fraud are: Overpayment recovery, a caution administered by the council, an administrative penalty of 30% of the overpayment and criminal prosecution. To date the team have completed investigations into 119 cases and identified fraud in 51. Overpayments in excess of £1m have been identified resulting in 12 prosecutions and 14 administrative penalties. Historical case load data and current performance is shown below:

		2012/13	
<b>HB Fraud</b>	<b>20011/12</b>	<b>Q1</b>	<b>Q2</b>
Referrals	612	276	143
Closed	597	164	210
Screened Out	339	103	157
% dropped	57%	63%	75%
<b>Investigated</b>	<b>258</b>	<b>62</b>	<b>57</b>
Fraud Found	102	25	26
Hit Rate	40%	40%	41%
Caution	3	0	0
Admin Penalty	28	4	10
Prosecution	30	9	3
<b>Total Sanctions</b>	<b>61</b>	<b>17</b>	<b>13</b>
Overpayment Only	40	12	13
HB/CTB Overpayment	£1,435,073	£618,338	£394,604

**Table 2 – HB Fraud Caseload 2012/2013**

- 3.7. High value fraud cases include:
- Claimant A, who used false tenancies and fictitious children to fraudulently claim some £200,000 in HB and CTB. After a lengthy investigation into multiple claims and addresses, she was prosecuted by the council and, after pleading guilty, received a 27 month custodial sentence in May 2012. A financial investigation for the purposes of the proceeds of crime act is currently in progress.
  - Claimant B, who set up claims in two false identities and travelled from Manchester to collect benefit in respect of tenancies in Brent and Wales. The case was initially investigated by the council and referred to the DWP organised fraud team for prosecution. The council's loss was £85,000 in HB and CTB although losses to the DWP were far higher. Mooney received an 18 month sentence in May 2012. The council has received £33,000 in compensation as a result of a confiscation hearing.
  - Claimant C claimed £71,000 falsely, as a single person when living with her partner. She was sentenced in May 2012 to 18 months in custody.

### **Social Housing Fraud**

- 3.8. Social housing fraud occurs due to the sub-letting of council properties and false declaration of circumstances on housing and homeless applications. The council has taken tenancy fraud seriously for many years. Since 2000, investigation work by A&I has resulted in the recovery of 367 properties and prevented almost 90 inappropriate Right to Buy applications. The Audit Commission currently estimates that each unlawfully sub-let council property results, on average, in a financial loss of some

£18,000 per annum. This year, to date, the team has recovered 37 properties.

3.9. Caseload information is shown below.

			2012/13		
<b>Housing Fraud</b>	<b>2011/12</b>		Q1	Q2	
Referrals	189		43	29	
Closed	185		54	31	
Screened Out	13		1	0	
<b>Investigated</b>	<b>172</b>		<b>53</b>	<b>31</b>	
Fraud Found	48		17	11	
<b>Recovered Property</b>	<b>47</b>		<b>16</b>	<b>11</b>	
RTB Stop	1		0	0	
Application refused	0		0	0	
Property Reduced			1	0	

**Table 3 – Housing Fraud Caseload**

### **Blue Badge Fraud**

3.10. There have been seven new reactive referrals in the second quarter of 2012/13 within the more serious categories. Eleven investigations have been completed, with misuse found in five cases, all of which received a warning.

### **Internal Fraud**

3.11. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, “fraud” includes any financial irregularity or malpractice or serious breach of financial regulations or the staff code of conduct.

3.12. Historic data and current year statistics are shown in the tables and charts below:

			2012/13		
<b>Internal</b>	<b>2011/12</b>		Q1	Q2	
Referrals	58		9	5	
Closed	62		9	4	
Screened Out	5		0	0	
Investigated	57		9	4	
Fraud / Irregularity	33		4	1	
Dismiss / Resign	27		4	1	
Warning	5		0	0	

**Table 4 – Internal Fraud Caseload 2012/13**

3.13. During the last quarter, one officer resigned pending a disciplinary hearing into their involvement in a false benefit application.



**4. Financial Implications**

4.1. None

**5. Legal Implications**

5.1. None

**6. Diversity Implications**

6.1. None

**7. Background Papers**

1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT  
PLAN FOR 2012/13, Audit Committee 27<sup>th</sup> June 2012

**8. Contact Officer Details**

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