



Audit Committee
9 January 2013

**Report from the Deputy Director of
Finance and Corporate Services**

For Information

Wards Affected:
ALL

3rd Internal Audit Progress Report 2012/13

1. Summary

- 1.1. This report summaries the work of Internal Audit and the Investigations Team from 1st April 2012 to 28th February 2013. 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 1004 days have been delivered against the overall Plan, made up of 761 Deloitte PSIA days and 243 days in-house days. This represents 84% of the Plan.
- 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:

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	13	Work In Progress					
Comensura	15	15	Final Report	Limited	4	6	-	15/09/2012
Oyster Card	12	10	Work In Progress					
Additional days appointment of Consultant	3	0	Additional days required due to the extended sample and additional works required to create reports to facilitate the work.					
Corporate/Cross Cutting Total	40	38						
Finance and Corporate Services (FCS)								
Council Tax	15	20	Draft Report	Substantial		7	1	11/03/2013
Reform of National Non Domestic Rates (NNDR)	1	1	N/A					
NNDR	15	15	Draft Report	Substantial		5		14/03/2013
Reform of Council Tax Benefits	10	8	Initial Phase Complete	Non-Assurance				
Housing and Council Tax Benefits	20	18	Draft Report	Substantial	3	4	1	15/03/2013
Treasury Management	10	10	Final Report	Substantial (unchanged)	1	1	1	08/03/2013
Payroll	20	25	Final Report	Substantial (unchanged)	4	5	1	11/03/2013
Accounts Payable	15	15	Final Report	Limited (Deteriorated)				18/12/2013
Accounts Receivable	15	15	Final Report	Substantial (Improved)	1	7	1	
General Ledger	15	15	Final Report	Substantial (Improved)		3		18/12/2013
Cash and Banking	15	10	Draft Report	Substantial				15/03/2013
Pension Fund Administration	20	20	Final Report	Substantial	-	6	1	06/09/2012
One Council Project – Project Athena (One Oracle)	4	4	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 recommendations have been raised. The recommendations have not been given a priority as all implemented as soon as possible.				18/12/2013
Financial Planning	15	15	Final Report	Full	-	-	-	08/03/2013
FCS Total	210	211						
Children & Families								
School Audits								
Primary/Junior Schools (Total 150)								
Chalkhill	10	10	Final Draft Report	Limited	6	11	1	02/08/2012
Our Lady of Grace Infants	10	0	March (School now asked to defer to 13/14)					

Woodfield	10	0	March (School now asked to defer to 13/14)					
Furness	10	0	March					
Lyon Park Juniors	10	12	Final Report	Substantial	1	9	-	15/09/2012
St Mary's CE	10	12	Draft Report	Substantial	2	8	4	15/03/2013
Oliver Goldsmith	10	11	Final Report	Substantial	3	5	5	12/12/2012
Convent of Jesus and Mary	10	10	Final Report	Substantial	1	7	5	01/02/2013
Elsley	10	10	Final Report	Substantial	3	5	2	26/11/2012
Roe Green Infants	10	10	Final Report	Substantial	1	10	0	28/11/2012
Roe Green Juniors	10	10	Final Report	Substantial	1	10	1	28/11/2012
Sudbury	0	0	Withdrawn as the School is now Academy					
St Joseph Junior	10	10	Draft Report	Substantial	2	6	2	20/02/2013
St Joseph Infants	10	10	Draft Report	Substantial	1	4	1	20/02/2013
St Joseph's RC Primary	10	10	Final Report	Substantial	2	3	2	22/11/2012
Newfiled	10	12	Final	Substantial	2	11		10/01/2013
St Mary Magdalen	10	9	Draft Report	Substantial	4	4	2	26/11/2012
Stonebridge	10	11	Draft Report	Limited	11	8	-	09/10/2012
Torah Temimah	10	11	Final Report	Nil	16	7	-	21/11/2012
Newman CC (Secondary)	10	10	Work in Progress					
Preston Manor (Secondary)	10	9	Draft Report	Limited	10	16	-	03/12/2012
St Gregory's (Secondary)	5	7	Final Draft Report	Substantial (Unchanged)	-	4	2	28/02/2013
The Village (Special)	10	8	Work in Progress					
Granville Plus	10	0	March					
Phenix Arch	10	0	April					
Fawood	10	0	April					
Manor (Special)	3	3	Final Report	Non Assurance Work.				31/08/2012
Follow up of limited assurance Schools	18	12	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	2						
School Additional Days	11	0	See above for relevant schools - Torah Temimah (1), St Mary's CE (2), St Gregory's (2), Oliver Goldsmith (1), Lyon Park (2), Stonebridge (1), Newman Catholic (2)					
Children & Families Total	294	211						
Environment & Neighbourhood (EN)								
Parking Enforcement (Withdraw from the plan)	0	0	Deferred to 2013/14 Plan					
Olympics	10	10	Final Report	Non Assurance Work.				27/07/2012
Libraries	15	2	WIP					
EN Total	25	12						
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	10	Work In Progress					
Appointeeship, Receivership, and Power of Attorney	20	25	Final Report	Limited	15	9	1	16/11/2012
Personalised Budgets and Direct Payments	20	20	Draft Report	Limited				
HCC Total	75	75						
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	25	Work In Progress					
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) - Withdrawn due to ongoing consultation	0	0	Withdrawn due to ongoing consultation.					
Property Disposal	10	9	Draft Report to be issued	Substantial	-	6	-	
Building Control and Enforcement	15	18	Final Report	Substantial	3	13	-	16/11/2012
Additional days for Building Control and Enforcement	3	0	See above.					
RMP Total	68	62						
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 (Deteriorated)	3	6	1	28/11/2012
Automated Customer Contact (One Council Project)	10	9	Final Report	Substantial	1	5		14/03/2013
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					

Wireless Networks	15	10	Work in Progress					
Virtual Desktop Infrastructure	20	5	Throughout the year.					
Civic Centre IT Controls	20	12	Throughout the year.					
Follow up of previous IT audits	12	8	Throughout the year.					
New audit to replace Oracle and Abacus (Academy, Accolaid, Contender, pension)	20	0						
Computer Audit Total	122	67	*Plus 10 days delivered on V5 (BHP) Total Computer Audit days = 132 days.					
Others								
Risk Management	10	10						
Consultation, Communication and Reporting	55	50						
Follow up	56	50						
Office Move	14	16						
2013/14 Planning (DMT meetings)	8	8						
Annual Governance Statement	2	0						
Contingency	0	0						
	145	134						
BHP								
Housing Repairs and Maintenance	12	1	March					
Housing Rents	8	8	Final Report	Substantial (unchanged)	1	1	3	28/11/2012
Major Works Contracts	20	17	Work In Progress					
Procurement & Contracts (Non Major Works)	15	15	Final Report	Substantial	2	3	-	04/10/2012
Treasury Management	0	0	Audit days transferred to Internal Financial Controls at request of management					
Internal Financial Controls	18	12	Work In Progress					
Rent Arrears Management	15	15	Final Report	Substantial	-	1	2	14/01/2013
Tenant Management Organisations – Watling Gardens	15	15	Final Report	Limited	7	8	1	30/10/2012
Management of Non-Brent Properties	15	14	Draft Report	Limited (Unchanged)	2	4	-	04/01/2013
TMO – South Kilburn TMO	0	4	Final Report	Non-Assurance work	2	8		08/11/2012
Risk Management	8	2	Work In Progress					
V5 System (Housing Rents)	10	10	Final Report	Limited (Unchanged)	1	10	1	28/11/2012
Consultation and Management Days	20	16	Throughout the year.					
BHP Total	156	129						
Total	1200	1004						

Delivery Status	
Total days in the plan	1200
Number of days delivered to date	1004
% of days delivered to date	84%
Total number of projects in 2012/13 plan (excluding follow up reports and Committee reports)	73
Number of reports issued to date	54
% of reports issued to date	74%
% of reports issued to date excluding audits deferred as a result of request of schools and late booking due to Parking Audit deferred to 2013/14 in February 2013	81%

Table 1 – Internal Audit Delivery Status

Housing Benefit Fraud

- 3.4. The DWP's long term proposals for the Single Fraud Investigation Service (SFIS) remain unclear. Four pilots continue to operate with more intending to follow although details are sketchy. No evaluation has yet been undertaken and there is no indication as to when local authorities will be forced to operate under a single policy or process for dealing with housing benefit fraud. Therefore, the Audit and Investigation team continues to investigate allegations of benefit fraud.
- 3.5. The team continues to receive a high volume of referrals and many have to be screened out without investigation. This is now averaging 71% over the year. Although, many of these are low quality referrals, there is a risk that potentially fraudulent claims are not being investigated. Whilst the team has always screened cases, this is a significant increase on previous years. This is caused by a combination of lack of resources and increasing referrals. The team is currently operating with three vacancies and has attempted to fill posts on a permanent basis, without success on two recent occasions and has fared little better with temporary workers. This may be due to the uncertainty caused by the SFIS proposals and Universal Credit.
- 3.6. 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.
- 3.7. The sanctions available for HB fraud are: A caution administered by the council, an administrative penalty of 30% of the overpayment and criminal prosecution. In all cases the council will seek recovery of the identified overpayment and in some cases will seek a confiscation order under proceeds of crime legislation.
- 3.8. At the end Q3 the team had completed investigations into 151 cases, identifying fraud in 76 of these. Overpayments in excess of £1.5m have been identified resulting in 21 prosecutions and 22 administrative penalties. Historical case load

data and current performance is shown below:

		2012/13	2012/13		
HB Fraud	20011/12	Year to date	Q1	Q2	Q3
Referrals	612	555	276	143	136
Closed	597	522	164	210	148
Screened Out	339	371	103	157	111
% dropped	57%	71%	63%	75%	75%
Investigated	258	151	62	57	37
Fraud Found	102	76	25	26	25
Hit Rate	40%	50%	40%	41%	68%
Caution	3	0	0	0	0
Admin Penalty	28	22	4	10	8
Prosecution	30	21	9	3	9
Total Sanctions	61	43	13	13	17
Overpayment Only	40	33	12	13	8
HB/CTB Overpayment	£1,435,073	£1,501,743	£618,338	£394,604	£488,801

Table 2 – HB Fraud Caseload 2012/2013

- 3.9. The team has recently featured on the BBC series, Saints and Scroungers, in which two cases were highlighted. Screenings were on 25th February 2013 and 5th March 2013.

Social Housing Fraud

- 3.10. 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 411 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 44 properties.
- 3.11. Caseload information is shown below.

		2012/13	2012/13		
Housing Fraud	2011/12	YTD	Q1	Q2	Q3
Referrals	189	152	43	29	80
Closed	185	137	54	31	52
Screened Out	13	7	1	0	6
Investigated	172	130	53	31	46
Fraud Found	48	46	17	11	18
Recovered Property	47	44	16	11	17
RTB Stop	1	0	0	0	
Application refused	0	1	0	0	1
Property Reduced		1	1	0	0

Table 3 – Housing Fraud Caseload

- 3.12. The team currently has four investigators, two of who are funded by temporary funding provided by DCLG to address sub-letting. This funding ceases at the end of the financial year and now has to be bid for. The deadline for bids was 22nd February and the council is waiting for a decision by DCLG as to whether or not the bid has been successful.

Internal Fraud

- 3.13. Internal fraud refers to fraud committed by employees, agency staff, consultants 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.
- 3.14. Historic data and current year statistics are shown in the tables and charts below:

	2011/12	2012/13	2012/13		
Internal	Actual	YTD	Q1	Q2	Q3
Referrals	58	33	9	5	19
Closed	62	27	9	4	14
Screened Out	5	2	0	0	2
Investigated	57	18	9	4	5
Fraud / Irregularity	33	10	4	1	5
Dismissed	11	2	0	0	2
Resign / Left	16	8	4	1	3
Warning	5	0	0	0	0
No Action	1	0	0	0	0

Table 4 – Internal Fraud Caseload 2012/13

- 3.15. During the last quarter, two officers have been dismissed and three have either resigned or left prior to disciplinary action being taken. Two cases involved staff suspected of working illegally, one involved misuse of an £880 season ticket loan and two cases involved head teachers failing to comply with financial regulations.

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 27th June 2012

8. Contact Officer Details

Simon Lane, Head of Audit & Investigations, Room 1, Town Hall Annexe.
Telephone – 020 8937 1260

Mick Bowden
Deputy Director of Finance and Corporate Services