



Brent

Audit Committee
29 September 2014

**Report from the Chief
Finance Officer**

For Information

Wards affected: All

Internal Audit Progress Report 2014/15

1. Summary

- 1.1. This report provides an update on progress against the internal audit plan for the period 1st April 2014 to 31st August 2014. The appendix to the report also summarises those reports from the 2013/14 plan which have been finalised since the last committee meeting. The report also provides a summary of counter fraud work for 2014/15.

2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan, the review of fraud work and the limited assurance reports as set out in appendix 1.

3. Detail

Internal Audit

- 3.1. The Internal Audit Plan for 2014/15 comprises 1,200 days. 905 days will be delivered by Mazars. The in-house resource delivers a further 295 days.
- 3.2. Much of the work in the first quarter of the year focussed on completion of the 2013/14 plan. A summary of reports finalised during the first quarter of the year relating to last year's plan are summarised within appendix 1.
- 3.3. The key points to note with regard to progress for the current year are:
- There are 78 projects on the current plan (excluding follow up and advisory work). Work has commenced on 39 of these.
 - 6 projects were removed from the original agreed plan and have been replaced with 4 others as set out in tables 2 and 3.
 - 10 projects have been delayed at the request of management from quarters 1 or 2. These are set out in table 4.

- 18 projects have been completed to draft or final stage. 14 of these have an audit opinion associated with them, 11 are substantial, 3 are limited. The other projects were grant certifications which do not have an assurance rating attached.

3.4. A summary report setting out the completed audit work is attached as Appendix 1. The status of all projects planned is set out in the table 1 below.

| Audit | Plan Days | Total days delivered | Progress | Assurance Opinion |
|---|------------|----------------------|----------------------------------|-------------------|
| Assistant Chief Executive | | | | |
| Public Health Grant Receiving Organisations | 10 | 6 | WIP | |
| Review of Payment Processes to Public Health Suppliers and Grant Recipients | 10 | 4 | WIP | |
| Review of Security of Personal Data across PH Providers | 10 | 1 | E-mail sent out requesting info. | |
| Contingency for Public Health work | 20 | | | |
| Public Health Board Meetings | 5 | 2 | Ongoing | |
| ACE Total | 55 | 13 | | |
| | | | | |
| Adult Social Care | | | | |
| Adult Commissioning | 15 | | Q3/4 | |
| Carers | 10 | | Q3/4 | |
| Mental Health | 15 | | Q2/3 | |
| Safeguarding | 15 | 5 | WIP | |
| Appointeeship & Deputyship | 15 | 10 | WIP | |
| Personalisation - Direct Payments & Personal Budgets | 20 | 18 | WIP. | |
| Supporting People | 12 | 8 | WIP | |
| | | | | |
| ASC Total | 102 | 41 | | |
| | | | | |
| Children and Young People | | | | |
| Anson | 10 | 10 | Draft Report | Substantial |
| Barham | 10 | 10 | Draft Report | Substantial |

| | | | | |
|---|----|----|---|-------------|
| Kilburn Park Junior | 10 | 10 | Draft Report | Substantial |
| Michael Sobell Sinai | 10 | 10 | Final Report | Substantial |
| Park Lane | 10 | 10 | Draft Report | Substantial |
| Preston Park | 10 | 10 | Draft Report | Substantial |
| St Margaret Clitherow | 10 | 10 | Draft Report | Substantial |
| St Andrews and St Francis | 10 | 10 | Final Report Issued | Substantial |
| St Mary's RC | 10 | 2 | WIP | |
| Princess Frederica | 10 | 9 | Draft Report to be issued | |
| Islamia | 10 | | Audit postponed at request of school . Director notified. Audit will now be carried out in Q3 | |
| JFS | 10 | 9 | School to provide clarification/additional information | |
| Follow up work for the schools with Limited Assurance | 7 | 2 | | |
| Troubled Families System Audit | 15 | | Q3 | |
| Troubled Families Grant Claim Certification Families Worked with June 2013 | 6 | 6 | Completed 16/5/14 | Certified |
| Troubled Families Grant Claim Certification Payment By Results August 2014 | 6 | 8 | Grant Certified | Certified |
| Troubled Families Grant Claim Certification Payment By Results October 2014 | 6 | | | |
| Troubled Families Grant Claims January 2015 | 12 | | | |
| Adoption Allowance Grant Certification | 1 | 1 | Completed 29/05/14 | Certified |
| Adoption Allowances | 12 | 12 | Draft Report to be issued | |
| Care Leavers | 10 | 10 | Draft Report | Substantial |
| No Recourse to Public Funds (Adolescent Prevention Service) | 10 | 10 | Draft Report | Limited |
| School Admissions | 12 | 10 | WIP | |

| | | | | |
|---|------------|------------|---|-------------|
| | | | | |
| C&YP Total | 217 | 159 | | |
| | | | | |
| Finance | | | | |
| Accounts Payable | 15 | | Q3 | |
| Accounts Receivable | 15 | | Q3 | |
| General Ledger | 15 | | Q3 | |
| One Oracle Project | 5 | 2 | Ongoing | |
| Treasury Management | 10 | 6 | WIP | |
| Cash & Bank | 15 | | Q3/4 | |
| | | | | |
| Finance Total | 75 | 8 | | |
| | | | | |
| Human Resources | | | | |
| Pension Administration | 15 | | Q3 | |
| Payroll | 20 | | Q3/4 | |
| HR Total | 35 | 0 | | |
| | | | | |
| IT | | | | |
| Information Governance | 20 | | Q2 | |
| Acolaid | 15 | | Q3 | |
| IT Digital Delivery | 15 | 3 | WIP | |
| One Oracle Post Implementation | 20 | | Q2/3 | |
| Ecoh | 12 | | Service requested to move to Q3 Email sent to Conrad Hall | |
| IT Contracts | 10 | 10 | Draft Report | Limited |
| Contingency for IT projects | 5 | | | |
| Follow up | 10 | 3 | Throughout Year | |
| | | | | |
| IT Total | 107 | 16 | | |
| | | | | |
| ENVIRONMENT & NEIGHBOURHOOD SERVICES | | | | |
| Parking | 20 | | Q3/4 | |
| Parking Contract (Special Project) | 16 | 16 | Final Report | Substantial |
| Highways Contract (Special Project) | 16 | 16 | Final Report | Substantial |
| Highways Maintenance | 12 | | Q3/4 | |
| Public Realm Contracts – Waste & Recycling | 12 | | Q3/4 | |

| | | | | |
|--|------------|-----------|---|-------------|
| Vale Farm Contract | 8 | 1 | Planning meeting held. Audit to commence in mid September. | |
| Regulatory Services | 15 | | Q3 | |
| Street Tree Contract | 10 | 8 | File Review in progress | |
| Barham Park Trust Accounts | 5 | 5 | Opinion Issued | Unqualified |
| E&N Total | 114 | 46 | | |
| | | | | |
| Legal and Procurement | | | | |
| Category Management | 15 | | Q2/3 | |
| Members – Declarations of Interests & Gifts and Hospitality | 10 | 1 | Audit postponed from Q2 to Q3 due to the number of outstanding declarations from members. Approved by Director (FL) | |
| Election Expenses | 10 | | Audit postponed to Q4 at request of Service. Operational Director notified for approval. | |
| Procurement | 20 | | Q3/4 | |
| L & P Total | 55 | 1 | | |
| | | | | |
| Regeneration and Growth | | | | |
| Capital Projects (contract audits) | 30 | | Q3 | |
| Civic Centre Project (Final Accounts) | 15 | | Q3 | |
| Choice Based Lettings/ Housing Allocations | 15 | | Q2/Q3 | |
| Income from Civic Centre (Melting Pot & Other Hire Facilities) | 10 | 8 | WIP | |
| Facilities Management | 10 | 0 | Q3/4 | |
| Council Tax | 10 | | Q3/4 | |
| Local Council Support Scheme (formerly Council Tax Benefit) | 10 | | Q3/4 | |
| National Non Domestic Rates (NNDR) | 10 | | Q3/4 | |
| Housing Benefits / Discretionary Payments | 10 | | Q3 | |
| Concessionary Fares | 10 | 3 | WIP | |
| Blue Badges | 10 | 3 | WIP | |

| | | | | |
|--|-------------|------------|--------------|---------|
| | | | | |
| R&G Total | 140 | 14 | | |
| | | | | |
| BHP | | | | |
| Former Tenants Arrears | 15 | 15 | Draft Report | Limited |
| Procurement | 20 | | Q3/4 | |
| Recruitment & Selection | 12 | | Q2/3 | |
| TMO (To cover either Watling Gardens or Kilburn Square) | 15 | | Q3 | |
| Tree Management | 8 | 6 | WIP | |
| Garages | 4 | 3 | WIP | |
| Lift Maintenance | 12 | | Q3/4 | |
| Governance & Risk Management | 15 | | Q3/4 | |
| Complaints | 12 | 9 | WIP | |
| IT Audit – New Leasehold Management System Implementation (Pre & Post Migration) or Application on new system. | 10 | | Q3/4 | |
| Follow Up Audits | 12 | 2 | | |
| Consultation, Communication, Reporting | 15 | 5 | | |
| | | | | |
| BHP Total | 150 | 40 | | |
| | | | | |
| OTHER | | | | |
| Risk Management | 15 | 3 | | |
| Governance & Audit Planning | 10 | | | |
| Consultation, Communication and Reporting (Mazars) | 55 | 23 | | |
| Follow-Up | 45 | 18 | | |
| Contingency | 25 | 4 | | |
| OTHER Total | 150 | 48 | | |
| | | | | |
| Total | 1200 | 386 | | |

Table 1 – Planned Projects and Progress as at 19/09/2014

| Audit | Days | Rationale |
|---|------|--|
| Payments to Foster Carers | 12 | Replaced by Review of Adoption & Fostering Allowances. Approved by Graham Genoni. Gail Tolley notified. |
| Follow up on Implementation of recommendations from Ofsted (Transitions Team) | 10 | Initially included in the plan as requested by the Head of Service but no longer required due to the new process introduced. Transferred back to contingency. Removal approved by Phil Porter. |
| School Places | 12 | Removed and replaced by School Admissions. Agreed by Sara Williams following planning meeting for School Places. |
| IT Training | 12 | To be replaced by another IT audit. Conrad notified. |
| No Recourse to Public Funds (Adults) | 10 | Due to the small number of clients and relatively small amounts involved, agreed with Phil Porter to withdraw the work. However a number of meetings held before reaching the decision. |
| Public Health Grant Certification Audit | 10 | Grant certification by Audit not required |
| Total | 66 | |

Table 2 – Projects withdrawn from original plan

| Audit | Days | Rationale |
|----------------------------|------|--|
| Adoption Allowances | 8 | Replacement Audit for Payments to Foster Carers agreed by Operational Director and Head of Service |
| Blue Badges | 10 | Included at the request of Management due to similarity with Concessionary Fares audit |
| School Admissions | 12 | Replaced with School Admissions Audit at the request of Operational Director |
| BHP - Tree Management | 8 | Added due to link with council audit |
| Barham Park Trust Accounts | 5 | Omitted from original plan in error |
| | 43 | |

Table 3 – Projects added to plan

| Audit | Days | Rationale |
|-----------------------------------|------------|---|
| Election Expenses | 10 | Delayed until Dec14/Jan15 to correspond with submission of return to Central Govt. Part of the audit will be to provide assurance in relation to the return. Agreed with Head of Service. Operational Director notified. |
| Islamia Primary School | 10 | Request from School Bursar on 5/6/14 for audit to be delayed for another 2 weeks due to delay in completing new canteen. Office is currently being used for storage. Due to availability of audit resource the audit has now been moved to Q3. Strategic and Operational Director notified 5/6/14 |
| JFS | 10 | Postponed from Q1 to Q2 at request of Headteacher due to external audit being undertaken. Internal audit fieldwork now complete. Strategic Director (Gail Tolley notified) |
| Princess Frederica Primary School | 10 | Postponed to end of Q1 and early Q2 at the request of Headteacher due to loss of school finance officer and other reviews. Internal Audit fieldwork now complete Sara Williams notified |
| Concessionary Fares | 10 | Request from Customer Services Team for audit to be postponed to 30 June 2014 start due to staff leave & training commitments. Andy Donald & Margaret Read notified of request on 13/6/14. |
| Appointeeship & Deputyship | 15 | Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified |
| Direct Payments/Personal Budgets | 20 | Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified |
| Supporting People | 12 | Postponed to Q2 due to difficulties in arranging planning meeting. Phil Porter (SD) now notified |
| Civic Centre Final Accounts | 15 | Move to quarter 3 due to delay in finalising accounts. Andy Donald notified. |
| Members Declarations & G & H | 10 | Postponed due to the number of outstanding declarations from members. Approved by Fiona Ledden. To meet with her to discuss an alternative audit. 31/0714 |
| Totals | 122 | |

Table 4 – Projects delayed

3.5. A summary of delivery is shown below

| Delivery Status | |
|--|------|
| Total days in the plan | 1200 |
| Number of days delivered to date | 386 |
| % of days delivered to date | 32% |
| Days to be delivered | 814 |
| Total number of reports to be issued (excluding follow up reports and Committee reports) | 78 |
| Number of reports / certifications issued to date | 18 |
| % of draft and final reports issued to date | 23% |
| Number of final reports issued | 8 |
| % of draft reports finalised | 44% |

Table 5 – Delivery Status as at 19/09/14

3.6. At the previous committee meeting, members invited attendance from an Operational Director to talk through one of the finalised limited audit reports. Audits from the 2013/14 plan which have been finalised since the previous committee meeting are set out in the appendix. The Chief Finance Officer has consulted with the Chair and they have selected the Children’s Placements report for detailed analysis. A copy of this report will be sent separately to committee members. The relevant officer(s) from Children and Young People will attend the committee meeting. The limited reports issued since the committee last met are set out below:

- Children’s Placements
- Corporate Income Collection Arrangement (Conference and Events Team income)
- Sickness & Absence Management
- Kingsbury Resource Centre
- John Billam Resource Centre
- New Millennium Day Care Centre
- Contract Audit – Demolition / Disposal of Bronte and Fielding House
- Christchurch Primary School

Internal Fraud

- 3.7. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, "fraud" includes instances of theft, fraud, misappropriation, falsification of documents, undisclosed conflicts of interest and serious breach of financial regulations. Activity for the year to date is shown in table 6 below:

| Internal | Quarter 1 2014/15 | 2013/14 |
|-------------------------|------------------------------|----------------|
| Referrals | 13 | 55 |
| Investigated | 12 | 44 |
| Fraud / Irregularity | 5 | 16 |
| Dismiss | 3 | 11 |
| Resign | 1 | 2 |
| Warning | 1 | 2 |

Table 6 – Internal Fraud 2014/15

Housing Benefit Fraud

- 3.8. Caseload information is set out in table 7 below.

| HB Fraud | Quarter 1 2014/15 | 2013/14 |
|---|------------------------------|----------------|
| Referrals | 233 | 596 |
| Investigated | 25 | 109 |
| Fraud Found | 13 | 67 |
| Admin Penalty | 3 | 20 |
| Prosecution | 4 | 26 |
| Total Sanctions | 7 | 46 |
| Summons Only | 2 | 3 |
| Overpayment Only | 2 | 18 |
| Value of HB/CTB fraud | £229,200 | £1,140,000 |
| Average HB/CTB Overpayment per fraud | £17,600 | £17,000 |

Table 7 – HB / CTB Fraud 2014/2015

- 3.9. The unit has been reducing focus on HB fraud due to the impending removal of responsibility for this function and transfer of staff to the DWP.

Housing Tenancy Fraud

- 3.10. Caseload information is set out in table 4 below. The team's investigations resulted in 8 properties being recovered in the first quarter of the year these are primarily sub letting cases. The team is taking steps to increase performance in this area.

| Housing Fraud | Quarter 1 2014/15 | 2013/14 |
|-----------------------|------------------------------|----------------|
| Referrals | 67 | 216 |
| Investigated | 30 | 222 |
| Fraud Found | 8 | 49 |
| Recovered Property | 8 | 46 |
| Application refused | 0 | 0 |
| Property Size reduced | 0 | 3 |

Table 8 – Housing Fraud 2013/14

Other External Fraud

- 3.11. This category includes all other external fraud/irregularity cases excluding HB and Housing.

| Internal | Quarter 1 2014/15 | 2013/14 |
|-------------------------|------------------------------|----------------|
| Referrals | 18 | 44 |
| Investigated | 18 | 55 |
| Fraud / Irregularity | 2 | 32 |
| Prosecution | | 11 |
| Warning / Caution | 1 | 16 |
| Overpayment Only | 1 | 5 |

Table 9 – Other External Fraud 2013/14

Single Fraud Investigation Service

- 3.12. The DWP have now established a single fraud investigation service and staff currently working within the Audit and Investigation team will transfer to the DWP on 1st October 2014. A&I are no longer accepting HB fraud referrals, all of these are now routed through to the DWP. All work on HB fraud has effectively ceased as the team prepare to migrate case files to the DWP. Cases which have already been referred to the council's legal service for prosecution will continue to be dealt with by the council, any further investigative input will come from DWP staff.

4. Financial Implications

- 4.1. The total value of the audit contract with Mazars is £300,000 in the current year and is funded within the Audit and Investigations base budget. If the total number of audit days attributable to Mazars is less than the 905 days allocated, then the total amount paid will reduce accordingly.
- 4.2. Funding for Housing Benefit Fraud is provided to the council via the main HB administration grant. Grant is not affected for 2014/15. Early indications from the DWP are that an amount of grant will be reduced in 15/16 and future years relevant to the size of the council's benefit caseload. However, no figures have, as yet, been confirmed.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

8. Contact Officer Details

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