



**Audit Committee**  
24 November 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 1<sup>st</sup> April 2014 to 31<sup>st</sup> October 2014. The report also provides a summary of counter fraud work for 2014/15.

### **2. Recommendations**

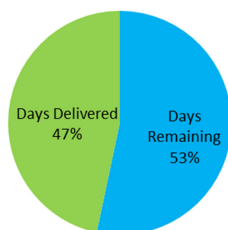
- 2.1. That the Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan, the review of fraud work and the limited assurance reports as set out in appendix 1.

### **3. Detail**

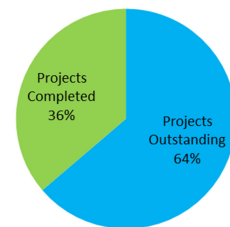
#### **Internal Audit**

- 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. The key points to note with regard to progress for the current year are:

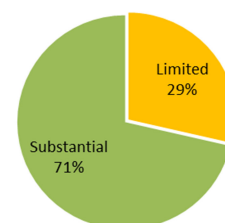
- 640 days have been delivered of a total of 1,200.



- There are 80 projects on the current plan (excluding follow up and advisory work). 29 projects have been completed to draft or final stage



- 21 of these have an audit opinion associated with them, 15 are substantial, 6 are limited. The other projects were grant certifications which do not have an assurance rating attached.



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	Plan Days	Total days delivered	Progress	Assurance Opinion
<b>Assistant Chief Executive</b>				
Public Health Grant Receiving Organisations	10	6	WIP	
Review of Payment Processes to Public Health Suppliers and Grant Recipients	3	3	Final Report	Non Assurance
Review of Security of Personal Data across PH Providers	10	6	WIP	
Contingency for Public Health work	20			
Public Health Board Meetings	5	3	Ongoing	
<b>ACE Total</b>	<b>48</b>	<b>18</b>		
<b>Adult Social Care</b>				
Adult Commissioning	15		Q4	
Carers	10		Q3	
Mental Health	15	2	WIP	
Safeguarding	15	15	WIP	
Appointeeship & Deputyship	15	14	WIP	
Personalisation - Direct Payments & Personal Budgets	20	20	Draft Report	Limited
Supporting People	12	12	Final Report	Substantial
<b>ASC Total</b>	<b>102</b>	<b>63</b>		
<b>Children and Young People</b>				
Anson	10	10	Final Report	Substantial
Barham	10	10	Final Report	Substantial
Kilburn Park Junior	10	10	Final Report	Substantial
Michael Sobell Sinai	10	10	Final Report	Substantial
Park Lane	10	10	Final Report	Substantial
Preston Park	10	10	Draft Report	Substantial
St Margaret Clitherow	10	10	Final Report	Substantial
St Andrews and St Francis	10	10	Final Report	Substantial
St Mary's RC	10	2	WIP	
Princess Frederica	10	10	Draft Report	Limited
Islamia	10	10	Q4	
JFS	10	10	Draft Report	Limited
Follow up work for the schools with Limited Assurance	7	4		
Troubled Families System Audit	15		Q3	
Troubled Families Grant Claim Certification	6	6	Grant	Certified

Families Worked with June 2013			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	8	Grant Certified	Certified
Troubled Families Grant Claims January 2015	12			
Adoption Allowance Grant Certification	1	1	Grant Certified	Certified
Adoption Allowances	12	12	Draft Report	Substantial
Care Leavers	10	10	Draft Report	Substantial
No Recourse to Public Funds (Adolescent Prevention Service)	10	10	Draft Report	Limited
School Admissions	12	12	Draft Report	Substantial
<b>C&amp;YP Total</b>	<b>217</b>	<b>183</b>		
<b>Finance</b>				
Accounts Payable	15		Q3	
Accounts Receivable	15		Q3	
General Ledger	15		Q3	
One Oracle Project	5	3	Ongoing	
Treasury Management	10	10	Final Report	Substantial
Cash & Bank	15		Q3/4	
<b>Finance Total</b>	<b>75</b>	<b>13</b>		
<b>Human Resources</b>				
Pension Administration	15	1	WIP	
Payroll	20	1	WIP	
<b>HR Total</b>	<b>35</b>	<b>2</b>		
<b>IT</b>				
Information Governance	20	16	WIP	
Acolaid	15	2	WIP	
IT Digital Delivery	15	3	WIP	
One Oracle Post Implementation	20	4	WIP	
Ecoh	12		Q4	
IT Contracts	10	10	Final Report	Limited
Contingency for IT projects	5			
Follow up	10	3	Throughout Year	
<b>IT Total</b>	<b>107</b>	<b>40</b>		
<b>ENVIRONMENT &amp; NEIGHBOURHOOD SERVICES</b>				
Parking	20		Q4	
Parking Contract (Special Project)	16	16	Final Report	Substantial
Highways Contract (Special Project)	16	16	Final Report	Substantial
Highways Maintenance	12		Q4	
Public Realm Contracts – Waste & Recycling	12		Q3	
Vale Farm Contract	8	2	WIP	
Licencing	15	10	WIP	

Street Tree Contract	10	10	Final Report	Substantial
Barham Park Trust Accounts	5	5	Opinion Issued	Unqualified
<b>E&amp;N Total</b>	<b>114</b>	<b>59</b>		
<b>Legal and Procurement</b>				
Category Management	15		Q4	
Members – Declarations of Interests & Gifts and Hospitality	10	1	Q3	
Election Expenses	10		Q4	
Procurement	20		Q3	
<b>L &amp; P Total</b>	<b>55</b>	<b>1</b>		
<b>Regeneration and Growth</b>				
Capital Projects (contract audits)	30	13	WIP	
Civic Centre Project (Final Accounts)	15		Q4	
Choice Based Lettings/ Housing Allocations	15	2	WIP	
Income from Civic Centre (Melting Pot & Other Hire Facilities)	10	10	WIP	
Facilities Management	10	1	WIP	
Council Tax	10	7	WIP	
Local Council Support Scheme (formerly Council Tax Benefit)	10	6	WIP	
National Non Domestic Rates (NNDR)	10	6	WIP	
Local Welfare Assistance Scheme	10	8	WIP	
Discretionary Housing Payments	10	2	WIP	
Concessionary Fares	10	3	WIP	
Blue Badges	10	3	WIP	
<b>R&amp;G Total</b>	<b>140</b>	<b>61</b>		
<b>BHP</b>				
Former Tenants Arrears	15	15	Final Report	Limited
Procurement	20		Q3	
Payroll SLA	12		Q4	
TMO (To cover either Watling Gardens or Kilburn Square)	15		Q4	
Tree Management	8	6	WIP	
Garages	4	4	Final Report	Non Assurance
Lift Maintenance	12	5	WIP	
Governance & Risk Management	15		Q3/4	
Complaints	12	10	WIP	
IT Audit – New Leasehold Management System Implementation (Pre & Post Migration) or Application on new system.	10		Q4	
Follow Up Audits	12	5		
Consultation, Communication, Reporting	15	7		
<b>BHP Total</b>	<b>150</b>	<b>52</b>		
<b>OTHER</b>				
Risk Management	15	7		

Governance & Audit Planning	10		
Consultation, Communication and Reporting (Mazars)	55	32	
Follow-Up	45	26	
Contingency	12	4	
<b>OTHER Total</b>	<b>137</b>	<b>69</b>	
<b>Total</b>	<b>1200</b>	<b>560</b>	

**Table 1 – Planned Projects and Progress as at 31/10/14**

3.4. A summary of delivery is shown below

<b>Delivery Status</b>	
Total days in the plan	1200
Number of days delivered to date	560
% of days delivered to date	47%
Days to be delivered	640
Total number of projects (excluding follow up reports and Committee reports)	80
Number of reports / certifications issued to date	29
% of draft and final reports issued to date	36%
Number of final reports issued	17
% of draft reports finalised	59%

**Table 2 – Delivery Status as at 19/09/14**

3.5. At the previous committee meeting, members requested that they review, in more detail the IT contracts audit. A copy of the full audit report has been sent separately to committee members and representatives from relevant service areas will be present to discuss their response to the audit. Members may wish to consider which audits to review at their next meeting in January 2015. Although still at draft stage, both the Direct Payment audit and No Recourse to Public Funds (adolescents) currently have a limited assurance rating.

## Internal Fraud

- 3.6. Internal fraud refers to fraud committed by employees, agency staff and staff in maintained 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 3 below:

<b>Internal</b>	As at 31/10/14	<b>2013/14</b>
New Referrals	26	55
Closed Cases	27	44
Fraud / Irregularity identified	8	16
Dismissal	4	11
Resignation	2	2
Warning	2	2
Open Cases Under Active Investigation	20	
Cases referred for other action	3	

**Table 3 – Internal Fraud 2014/15**

- 3.7. Performance in relation to the length of time internal investigations take is a key priority for the team. The time taken (in weeks) from receipt of a case to the issue of a draft report to management is shown below.

Outcome	Number of Cases	Average weeks	Within 3 months	3 to 6 months	Longer than 6 months
Closed NFA	19	13.6	11	5	3
Closed Disciplinary Action Recommended	8	10.9	5	3	0
Open Cases	20	15.1	10	7	3

**Table 4 – Turnaround times internal cases**

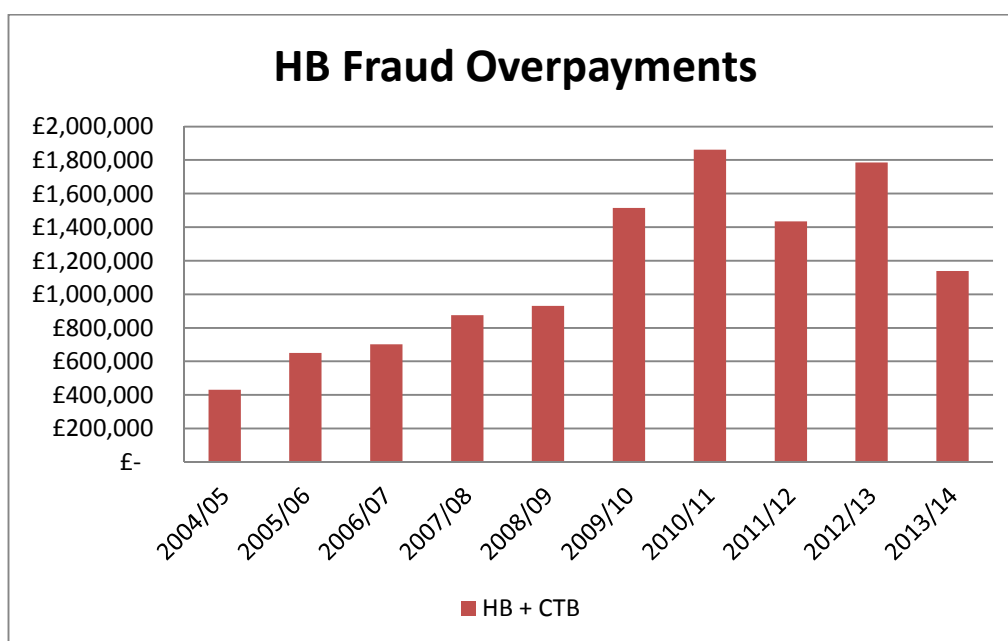
## Housing Benefit Fraud

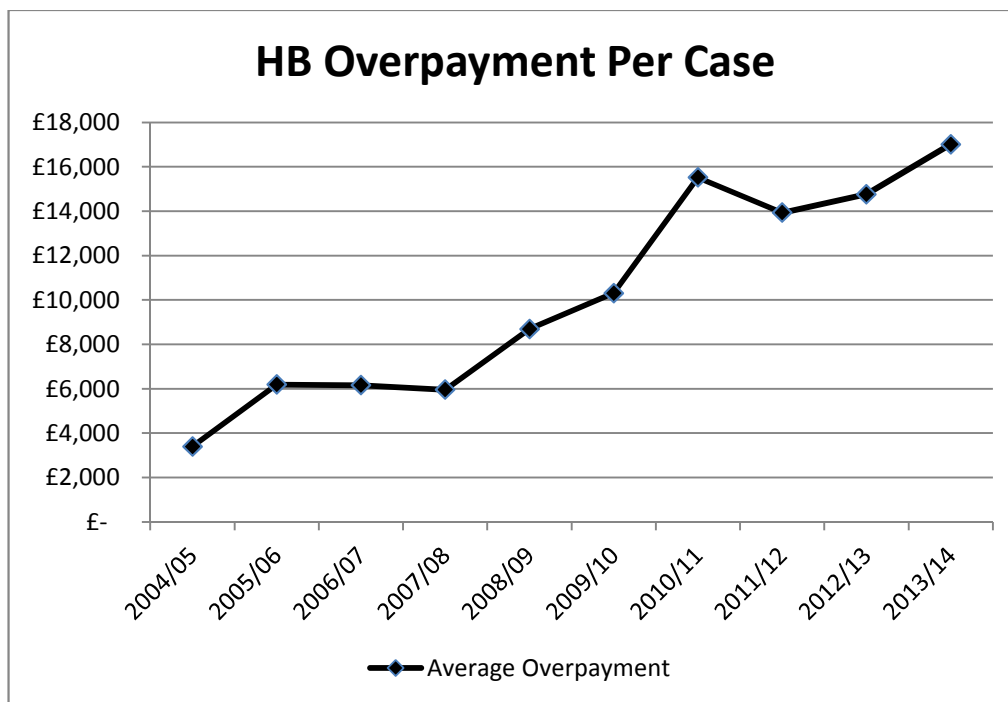
- 3.8. Responsibility for the investigation of Housing Benefit fraud transferred from the council to the DWP on 1<sup>st</sup> October 2014. Four staff were transferred with the function together with all outstanding cases, which are now recorded as closed. A&I no longer accept HB fraud referrals, all of these are now routed through to the DWP. Caseload information is set out in table 5 below.

HB Fraud	As at 31/10/2014	2013/14
New Referrals	321	596
Closed Cases	767	109
Fraud Found	40	67
Admin Penalty	7	20
Prosecution	15	26
Total Sanctions	22	46
Summons Only	3	3
Overpayment Only	25	18
<b>Value of HB/CTB/CTRS Fraud</b>	<b>£898,000</b>	£1,140,000
Average HB/CTB/CTRS Overpayment per fraud	£22,450	£17,000

**Table 5 – HB / CTB Fraud 2014/2015**

- 3.9. This will be the final report on HB fraud performance as part of the progress reports to committee. It is, however, worth recording the council's success in this area over many years and the significant amount of fraud identified, as illustrated in the graphs below.





**The value of HB/CTB overpayment identified over the past 10 years = £12.225m**

### Housing Tenancy Fraud

3.10. Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission estimate that the average value, nationally, of each recovered tenancy is £18,000\*. Year to date, the Audit and Investigation team has recovered 26 social housing tenancies and cancelled 3 applications for housing. Two families had their (to be allocated) property size reduced following investigations. Caseload information is set out in table 6 below.

Housing Fraud	As at 31/10/14	2013/14
New Referrals	201	216
Closed Cases	139	222
Fraud Found	31	49
Recovered Properties	26	46
Applications Refused	3	0
Property Size Reduced (Rehousing)	2	3
<b>Value of properties recovered*</b>	<b>£468,000</b>	<b>£828,000</b>
Open Cases Under Investigation	164	

**Table 6 – Housing Fraud 2014/15**

3.11. Referrals are rising due to increased liaison with registered providers. Twenty one providers in the borough have been approached and a number are already making referrals to the council.



## Other External Fraud

- 3.12. This category includes all other external fraud/irregularity cases, such as blue badge, direct payments and council tax.

<b>Other External Fraud</b>	<b>As at 31/10/14</b>	<b>2013/14</b>
New Referrals	45	44
Closed Cases	38	55
Fraud / Irregularity	13	32
Prosecution	0	11
Warning / Caution	3	16
Overpayment Identified	10	5
Open Cases Under Investigation	43	

***Table 7 – Other External Fraud 2014/15***

- 3.13. There are significant savings arising from A&I activity in this area including the prevention of a mandate fraud, where a third party attempted to obtain funds due for a genuine supplier to the value of £410,000. Detailed savings figures are shown below:

<b>Closed Cases Fraud/Irregularity</b>	<b>Number</b>	<b>Value</b>
Mandate fraud	1	£410,000
Council tax discounts (Exc. Proactive)	5	£30,300
Business Rates	1	£43,300
Insurance Fraud	1	£13,000
Nursery Grant	1	£27,000
Social Services Payments	3	£9,200
Blue Badge	1	n/a
<b>Total</b>	<b>13</b>	<b>£532,800</b>

***Table 8 – Other External Fraud Cases 2014/15***

- 3.14. With the exception of the nursery grant case this represents direct additional income or losses prevented to the council.
- 3.15. In addition to the above savings A&I have been undertaking a proactive exercise in relation to single person discount claims which has, to date, identified additional income of £165,000.

3.16. Single Fraud Investigation Service

**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. The DWP have indicated that they intend to reduce the council's administration grant by £220,000 in 2015/16 and by £290,000 in 2016/17 to fund the Single Fraud Investigation Service.

**5. Legal Implications**

5.1. None

**6. Diversity Implications**

6.1. None

**7. Background Papers**

**8. Contact Officer Details**

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