 <h1 data-bbox="470 257 837 369">Brent</h1>	<p data-bbox="965 257 1316 347"><b>Audit Committee</b> 24 March 2015</p> <p data-bbox="917 436 1364 526"><b>Report from the Chief Finance Officer</b></p>
For Information	Wards affected: All
<h2 data-bbox="399 660 1197 705">Internal Audit Progress Report 2014/15</h2>	

### 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 28<sup>th</sup> February 2015. The report also provides a summary of counter fraud work for 2014/15.

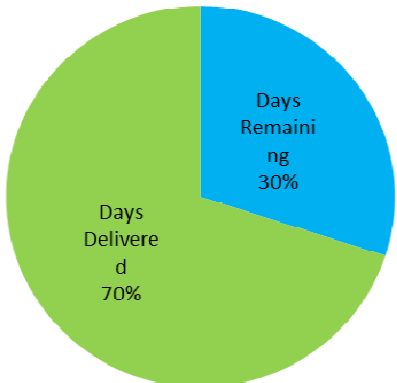
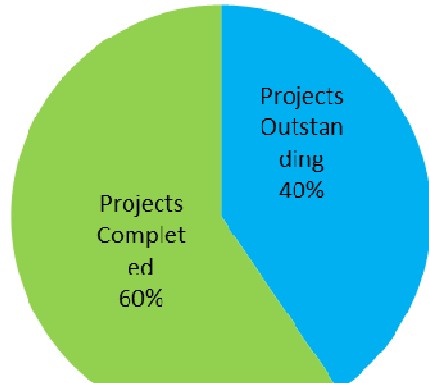
### 2. Recommendations

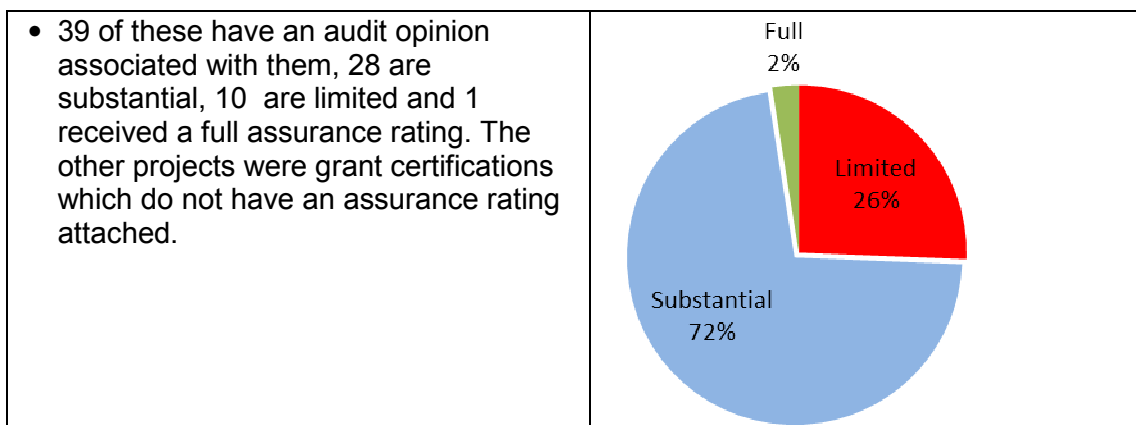
- 2.1. That Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan and the update on counter fraud.

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

<ul style="list-style-type: none"> <li>840 days have been delivered of a total of 1,200.</li> </ul>	 <p>Days Delivered 70%</p> <p>Days Remaining 30%</p>	<ul style="list-style-type: none"> <li>There are 84 projects on the current plan (excluding follow up and advisory work). 50 projects have been completed to draft or final stage</li> </ul>	 <p>Projects Completed 60%</p> <p>Projects Outstanding 40%</p>
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3.2. 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	Not Applicable
Review of Security of Personal Data across PH Providers	10	10	Draft Report (11/2/15)	Not Applicable
Contracts with Public Health Funded Organisations	20	1	Q4	
Public Health Board Meetings	5	4	Ongoing	
<b>ACE Total</b>	<b>48</b>	<b>24</b>	7 days added back to contingency for Payments	
<b>Adult Social Care</b>				
Adult Commissioning	15	1	WIP	
Carers	10	10	Draft Report (4/2/15)	Substantial
Mental Health	15	15	Final Report	Substantial
Safeguarding	15	15	Draft Report (22/12/14)	Substantial
Appointeeship & Deputyship	15	14	Final Report	Limited
Personalisation - Direct Payments & Personal Budgets	20	20	WIP	
Supporting People	12	12	Final Report	Substantial

<b>ASC Total</b>	<b>102</b>	<b>87</b>		
<b>Schools</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	Final Report	Substantial
St Margaret Clitherow	10	10	Final Report	Substantial
St Andrews and St Francis	10	10	Final Report	Substantial
Oakington Manor	10	8	WIP	
St Mary's RC	10	2		
Princess Frederica	10	10	Final Report	Limited
Islamia	10	0	Q4	
JFS	10	10	Final Report	Limited
The Village School	10	10	Q4	
Newman Catholic College	10	10	Q4	
Malorees Infants	10	10	Q4	
Follow up work for the schools with Limited Assurance	7	5	On going	
<b>Schools Total</b>	<b>167</b>	<b>115</b>		
<b>Children and Young People</b>				
Troubled Families Certification Report	15	10	Draft Report (10/11/14)	Not Applicable
Troubled Families Grant Claim Certification Families Worked with June 2013	6	6	Final Report	Certified
Troubled Families Grant Claim Certification Payment By Results August 2014	6	8	Final Report	Certified
Troubled Families Grant Claim Certification Payment By Results October 2014	6	8	Final Report	Certified
Troubled Families Grant Claims January 2015	12	8	Final Report	Certified

Adoption Allowance Grant Certification	1	1	Final Report	Certified
Adoption Allowances	12	12	Final Report	Not Applicable
Care Leavers	10	10	Final Report	Substantial
No Recourse to Public Funds (Adolescent Prevention Service)	10	15	Final Report	Limited
School Admissions	12	12	Final Report	Substantial
<b>C&amp;YP Total</b>	<b>90</b>	<b>90</b>		
<b>Finance</b>				
Accounts Payable	15	8	WIP	
Accounts Receivable & Income Management	18	2	WIP	
General Ledger & Cash Management	18	14	WIP	
One Oracle Project	5	5	Completed	
Treasury Management	10	10	Final Report	Substantial
<b>Finance Total</b>	<b>75</b>	<b>39</b>		
<b>Human Resources</b>				
Pension Administration	15	2	WIP	
Payroll	20	10	WIP	
<b>HR Total</b>	<b>35</b>	<b>12</b>		
<b>IT</b>				
Information Governance	20	20	Final Report	Substantial
Acolaid	15	15	Draft Report (19/2/15)	Substantial
IT Digital Delivery	15	3	WIP	
One Oracle Post Implementation – Data Migration	20	9	WIP	
Echo	12	12	Final Report	Limited
IT Contracts	10	10	Final Report	Limited
Contingency for IT projects	5			
Follow up	10	8	Throughout Year	
<b>IT Total</b>	<b>107</b>	<b>77</b>		
<b>ENVIRONMENT &amp; NEIGHBOURHOOD SERVICES</b>				

Parking	20	10	WIP	
Parking Contract (Special Project)	16	16	Final Report	Substantial
Highways Contract (Special Project)	16	16	Final Report	Substantial
Highways Maintenance	12	1	WIP	
Public Realm Contracts – Waste & Recycling	12	12	Final Report	Substantial
Vale Farm Contract	8	3	WIP	
Licensing (Alcohol & Entertainment)	15	15	Final Report	Limited
Street Tree Contract	10	10	Final Report	Substantial
Barham Park Trust Accounts	5	5	Final Report	Unqualified
<b>E&amp;N Total</b>	<b>114</b>	<b>88</b>		
<b>Legal and Procurement</b>				
Category Management	15	1	WIP	
Members – Declarations of Interests & Gifts and Hospitality	10	6	WIP	
Election Expenses	10	8	Final Report	Substantial
Procurement	20	2	WIP	
<b>L &amp; P Total</b>	<b>55</b>	<b>17</b>		
<b>Regeneration and Growth</b>				
Capital Projects (contract audits - Crest Academy)	15	15	Final Report	Substantial
Capital Projects (contract audits - Stonebridge School Expansion and Re-development of Surrounding Area)	15	15	Final Report	Full
Civic Centre Project (Final Accounts)	15		Q4	
Choice Based Lettings/ Housing Allocations	15	12	WIP	
Income from Civic Centre (Melting Pot & Other Hire Facilities)	10	10	Final Report	Limited
Facilities Management	10	10	Final Report	Substantial
Council Tax	10	10	Final Report	Substantial

Local Council Support Scheme (formerly Council Tax Benefit)	10	7	WIP	
National Non Domestic Rates (NNDR)	10	10	Final Report	Substantial
Local Welfare Assistance Scheme	10	10	Final Report	Substantial
Discretionary Housing Payments	10	9	WIP	
Concessionary Fares	10	3	WIP	
Blue Badges	10	3	WIP	
<b>R&amp;G Total</b>	<b>150</b>	<b>114</b>		
<b>BHP</b>				
Former Tenants Arrears	15	15	Final Report	Limited
Procurement	20		Q4	
Payroll SLA	12	3	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	12	Final Report	Substantial
Accounts Payable	8	3	WIP	
General Ledger	7	3	WIP	
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	7		
Consultation, Communication, Reporting	15	12		
<b>BHP Total</b>	<b>150</b>	<b>75</b>		
<b>OTHER</b>				
Risk Management	15	13		
Governance & Audit Planning	10	5		
Consultation, Communication and Reporting (Mazars)	55	50		

Follow-Up	45	32		
Contingency	10	0		
<b>OTHER Total</b>	<b>135</b>	<b>100</b>		
<b>Total</b>	<b>1200</b>	<b>840</b>		

**Table 1 – Planned Projects and Progress as at 28/02/15**

3.3. In addition to the programmed work set out above, seventeen follow up reports have been issued. Eleven have been finalised. Within these, 89% of recommendations have been implemented.

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	840
% of days delivered to date	70%
Days to be delivered	360
Total number of projects (excluding follow up reports and Committee reports)	84
Number of reports / certifications issued to date	49
% of draft and final reports issued to date	60%
Number of final reports issued	44
% of draft reports finalised	90%

**Table 2 – Delivery Status as at 28/02/15**

3.5. The Strategic Directors of Adult Social Care and Environment and Neighbourhoods (or their representatives) will be present to discuss their service's response to the limited assurance reports into the audit of Appointeeship and Deputyship and the Echo IT application. Members will be sent the full audit reports separately.

3.6. Members will recall that at the previous meeting they received a report from the council's external auditors concerning the certification of the housing benefit claim. A number of issues were raised in their audit concerning, primarily, the calculation of entitlement in self employed cases. Andy Donald, Strategic Director of Regeneration and Growth and Andy Monkley, Subsidy and Policy Manager, were present to explain their response to the findings. An action plan had already been developed by the department and Members sought an update in 6 months time. Andy Monkley was asked to provide a brief written update on progress to date to this committee. His comments are shown below:

*"In accordance with the action plan, all staff have now been briefed on self employed procedures and the self employed expenses spreadsheet has been live since 02/02/15. The filenote template is now live but as we have added additional functionality to link directly into the expenses spreadsheet and to prompt officers for certain information, it did take longer than expected to complete. All staff will be briefed on using the filenote template – which will be a compulsory part of assessing a claim – by 20/03/15.*

*All new self employed claims are now being checked; sample checking of cases*

*already in payment is also now in place. To assist in resourcing this exercise, we have bid for – and received - funding from the Department for Work and Pensions (DWP). To date we have checked 31 cases and we need to check approximately 390 cases in total to complete the work detailed in the action plan. The work is expected to be completed by 24 April which is three weeks behind schedule but well in advance of the next subsidy audit.”*

- 3.7. In relation to school audits, Members receive copies of all schools reports issued. Members will note the recent limited assurance rating for JFS and, earlier, Princess Frederica. Members may wish to consider whether they should request attendance at committee of either Head Teachers or Chairs of Governing Bodies. However, there are a number of complexities in the relationship with schools concerning financial management. Members will be aware that budgets are fully delegated to schools and may be spent as governing bodies determine within a financial framework set out in both statute and within the financial regulations for schools. However, the council's Chief Finance Officer also has a fiduciary duty over the funds for all maintained schools, whether these are community, voluntary aided or foundation. The employment relationship is also different for Foundation and Voluntary Aided schools where the local authority is not the employer. Any request for attendance would need to be via an invite through the Governing Body and the council would need to consider how it would deal with a refusal to attend. Although there is always the threat of removing financial delegation, this is a significant step and requires sufficient justification. It would also mean the local authority would need to resource the financial administration for the school in question.

### **Internal Fraud**

- 3.8. 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>	<b>As at 28/02/15</b>	<b>2013/14</b>
New Referrals	33	55
Closed Cases	42	44
Fraud / Irregularity identified	15	16
Dismissal	5	11
Resignation	5	2
Warning	5	2
Cases Under Active Investigation	8	

**Table 3 – Internal Fraud 2014/15**

- 3.9. The team has received six new allegations since the last reporting period. Five cases have been closed in which one irregularity was identified concerning misuse of a blue badge. The officer resigned prior to action being taken.
- 3.10. 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. The team has an internal target of an average of 13 weeks from receipt of an allegation to issue of a draft report to management. Clearly, some cases will take longer than 13 weeks due to their complexity. The team is currently averaging 15 weeks for all closed cases. The deterioration is explained by a number of historic National Fraud Initiative cases being finalised which, previously, had a low priority within the team. Within these open cases, there is only one member of staff who is currently suspended (employee has since resigned in March 2015).

<b>At 28/2/15</b>	Number	Average Time in weeks	Less than 3 Months	3 to 6 months	More than 6 months
Closed Disciplinary	15	15	53%	33%	13%
Closed NFA	27	15	56%	30%	15%
Closed All	42	15	55%	31%	14%
Open Cases	8	16	63%	13%	25%

**Table 4 – Turnaround Times Internal Fraud 2014/15**

### **Housing Tenancy Fraud**

- 3.11. Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission have estimated that the average value, nationally, of each recovered tenancy is £18,000\*. As at 31/1/15 the Audit and Investigation team had recovered 39 social housing tenancies and refused 4 applications for housing. Three families had their property size reduced (having applied for a larger property than necessary) following investigations. Caseload information is set out in table 6 below.

<b>Housing Fraud</b>	<b>As at 28/2/15</b>	<b>2013/14</b>
New Referrals	298	216
Closed Cases	274	222
Fraud Found	54	49
Recovered Properties	45	46
Applications Refused	4	0
Property Size Reduced (Rehousing)	5	3
<b>Value of properties recovered*</b>	<b>£810,000</b>	<b>£828,000</b>
Open Cases Under Investigation	169	

**Table 5 – Housing Fraud 2014/15**

- 3.12. 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**

- 3.13. 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 31/01/15</b>	<b>2013/14</b>
New Referrals	73	44
Closed Cases	71	55
Fraud / Irregularity	21	32
Prosecution	1	11
Warning / Caution	3	16
Overpayment Identified	17	5
Open Cases Under Investigation	29	

**Table 6 – Other External Fraud 2014/15**

- 3.14. Since the previous committee meeting, two further cases of fraud have been identified. These relate to false claims for single person discount with a total value of £14,000.
- 3.15. In November and December 2014 the following proactive anti-fraud exercises were conducted:

#### ***Staff expenses***

A proactive exercise was undertaken to examine staff expenses, including the procedures adopted to approve and authorise payments. The main purpose was to consider whether the expense claims were genuine and had sufficient supporting documentation to approve the claim and make payment. A sample of claims made between April 2014 and September 2014 were analysed. It is positive to note that no fraud was identified although one duplicate claim for mileage expenses was paid. This was valued at £336 and is being dealt with via recovery.

#### ***Garage Audit***

There are currently 1,200 council garages shown as void, although this list is likely to include demolished garages. Of these a sample of some 400 was selected for verification visits to check whether or not they were occupied. 17 garages were identified in phase 1 of this exercise as appearing to have signs of use. These will be followed up. Issues have been identified with the numbering of garages and phase 2 of the exercise will be undertaken once BHP have completed a garage asset review.

#### ***Business Rates – Empty Property Relief***

A list was obtained of all empty business premises. A sample of 28 cases was selected for visits. Of these, 13 were found to have signs occupation. These are being reviewed by the client team in Revenue and Benefits. Exact savings figures will be reported to the next meeting.

#### ***Housing Tenancies vs Tenants placed in permanent care homes***

The objective of this proactive is to isolate cases where tenants may have gone into permanent care and for various reasons this has not been communicated to BHP. The initial sample for verification is 16. Early indications are that around six of these cases require immediate investigation.

***The National Fraud Initiative (NFI)***

The council submitted various data sets to the Audit Commission as required under the NFI. Some 14,500 matches were received by A&I in mid January 2015 indicating potential irregularities across a number of matches. The council has sent 4,500 of these matches to the Department for Work and Pensions as they relate to potential housing benefit fraud. An update on progress will be given at the next meeting.

**4. Financial Implications**

- 4.1. The total value of the audit contract with Croydon Council, delivered by 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.

**5. Legal Implications**

- 5.1. None

**6. Diversity Implications**

- 6.1. None

**7. Background Papers**

**8. Contact Officer Details**

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**Conrad Hall**  
**Chief Finance Officer**