 Brent	<p style="text-align: center;">Audit Committee 23 June 2015</p> <p style="text-align: center;">Report from the Chief Finance Officer</p>
For Information	Wards Affected: ALL
Final Internal Audit Progress Report 2014/15	

1 Summary

- 1.1 This report summarises the work of Internal Audit and the Investigation Team and provides an update on progress since the previous report to this Committee on 24th March 2015.

2 Recommendations

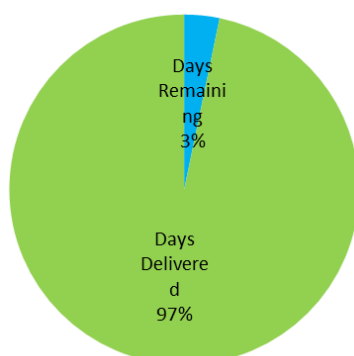
- 2.1 That the Audit Committee notes the progress made in achieving the 2014/15 Internal Audit Plan and the review of fraud work.

3 Detail

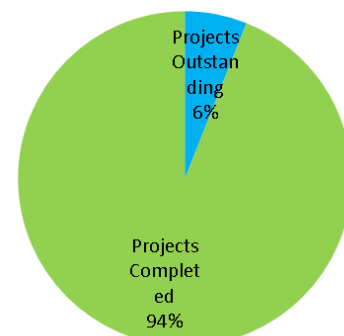
Audit

- 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:

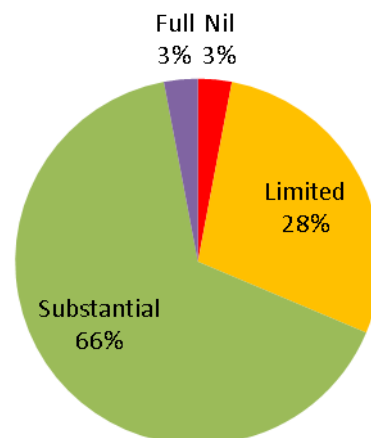
- 1,161 days have been delivered of a total of 1,200.



- There are 83 projects on the current plan (excluding follow up and advisory work). 78 projects have been completed to draft or final stage



- 67 projects have an audit opinion, 2 are full, 44 substantial, 19 limited and 2 nil assurance (both schools).



3.2 The outstanding projects are set out below:

- Civic centre final account – delays due to late decision to proceed, initially awaiting final account to be produced but this has still not been finalised. Then delays awaiting documentation from Turner Townsend.
- Pensions Administration – awaiting information from Capita
- Testing on accounts payable data using computer audit software – late addition to plan
- BHP, Tenant Management Organisations – failure to engage by client
- BHP, Leasehold Management IT system – delays due to client

3.3 A summary report setting out the final reports issued since the previous committee meeting is attached as Appendix 1. The status of all projects planned is set out in the table 1 below.

Audit	Report Status	Assurance Opinion
Chief Operating Officer - Corporate and Business Support		
Public Health Contracts	Final	Substantial
Accounts Receivable & Income Management	Final	Substantial
General Ledger & Cash Management	Final	Substantial
Treasury Management	Final	Substantial
Payroll	Draft	Substantial
Election Expenses	Final	Substantial
Accounts Payable	Draft	Limited
Members – Declarations of Interests & Gifts and Hospitality	Draft	Limited
Review of Payment Processes to Public Health Suppliers and Grant Recipients	Final	Non Assurance

Review of Security of Personal Data across PH Providers	Final	Non Assurance
Pension Administration	WIP	
Chief Operating Officer – Strategic Commissioning		
Information Governance	Final	Substantial
Procurement	Draft	Substantial
Departmentally managed IT Contracts	Final	Limited
Chief Operating Officer – Community Services		
Council Tax	Final	Substantial
Local Council Support Scheme (formerly Council Tax Benefit)	Final	Substantial
National Non Domestic Rates (NNDR)	Final	Substantial
Local Welfare Assistance Scheme	Final	Substantial
Parking Contract (Special Project)	Final	Substantial
Highways Contract (Special Project	Final	Substantial
Highways Maintenance	Final	Substantial
Public Realm Contracts – Waste & Recycling	Final	Substantial
Vale Farm Contract	Draft	Full
Acolaid	Final	Substantial
Street Tree Contract	Final	Substantial
Barham Park Trust Accounts	Opinion Issued	Unqualified
Concessionary Fares	Draft	Substantial
Blue Badges	Draft	Substantial
Echo	Final	Limited
Parking	Final	Limited
Discretionary Housing Payments	Final	Limited
Adult Social Care		
Adult Commissioning	Final	Substantial
Respite Care Payments	Final	Substantial
Mental Health	Final	Substantial
Personalisation - Direct Payments & Personal Budgets	Final	Substantial
Supporting People	Final	Substantial

Safeguarding	Final	Substantial
Appointeeship & Deputyship	Final	Limited
Regeneration and Growth		
Capital Projects (contract audits - Stonebridge School Expansion and Re-development of Surrounding Area)	Final	Full
Capital Projects (contract audits - Crest Academy)	Final	Substantial
Choice Based Lettings/ Housing Allocations	Final	Substantial
Facilities Management	Final	Substantial
Income from Civic Centre (Melting Pot & Other Hire Facilities)	Final	Limited
Licensing (Alcohol & Entertainment)	Final	Limited
Civic Centre Project (Final Accounts)	WIP	
Children and Young People		
Troubled Families System Audit	Final	Advice report
Troubled Families Grant Claim Certification June 2014	Certified	Certified
Troubled Families Grant Claim August 2014	Certified	Certified
Troubled Families Grant Claim October 2014	Certified	Certified
Troubled Families Grant Claims January 2015	Certified	Certified
Adoption Allowance Grant Certification	Certified	Certified
Care Leavers	Final	Substantial
School Admissions	Final	Substantial
No Recourse to Public Funds	Final	Limited
Adoption Allowances	Final	Advice report
Schools		
Anson	Final	Substantial
Barham	Final	Substantial
Kilburn Park Junior	Final	Substantial
Michael Sobell Sinai	Final	Substantial
Park Lane	Final	Substantial
Preston Park	Final	Substantial
St Margaret Clitherow	Final	Substantial
St Andrews and St Francis	Final	Substantial
Village	Final	Substantial

Malorees Infants	Final	Substantial
Oakington Manor	Final	Limited
JFS	Final	Limited
Newman CC	Final	Limited
Princess Frederica	Final	Limited
St Mary's RC	Final	NIL
Islamia	Draft	NIL
BHP		
Payroll Processing and Payroll SLA	Draft	Substantial
Lift Maintenance	Final	Substantial
General Ledger	Final	Substantial
Former Tenants Arrears	Final	Limited
Procurement	Final	Limited
Tree Management	Draft	Limited
Accounts Payable	Draft	Limited
Complaints	Final	Limited
Garages	Final	Advice report
TMO (To cover either Watling Gardens or Kilburn Square)	WIP	
IT Audit – New Leasehold Management System	WIP	

Table 1 – Planned Projects and Progress as at 4/06/15

- 3.4 Of the 78 reports issued to date, 11 are yet to be finalised. These are either in the process of being discussed with management or responses are not yet due. There are no reports where responses from management are overdue.

Internal Fraud

- 3.5 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 2 below:

Internal	2014/15	2013/14
Open Cases b/f	21	10
New Referrals	41	55
Closed Cases	51	44
Fraud / Irregularity identified	17	16
Dismissal	5	11
Resignation	7	2
Warning	5	2
Open cases carried c/f	11	21

Table 2 – Internal Fraud 2014/15

- 3.6 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. Some cases will take longer than 13 weeks due to their complexity. The team is currently averaging 15 weeks for all closed cases. There has been a deterioration of 1.5 weeks in this indicator since first reported to the Audit Committee in November 2014. This is explained by a number of historic National Fraud Initiative cases being finalised which, previously, had a low priority within the team. However, significant improvement has been achieved in the average age of open cases, which is currently at 10.3 weeks, down from 22 weeks at the end of January. This should help to improve performance on closed cases in 2015/16.

At 31/3/15	Number	Average Time in weeks	Less than 3 Months	3 to 6 months	More than 6 months
Closed Cases	51	14.9	55%	31%	14%
Open Cases	10	10.3	80%	10%	10%

Table 3 – Turnaround Times Internal Cases 2014/15

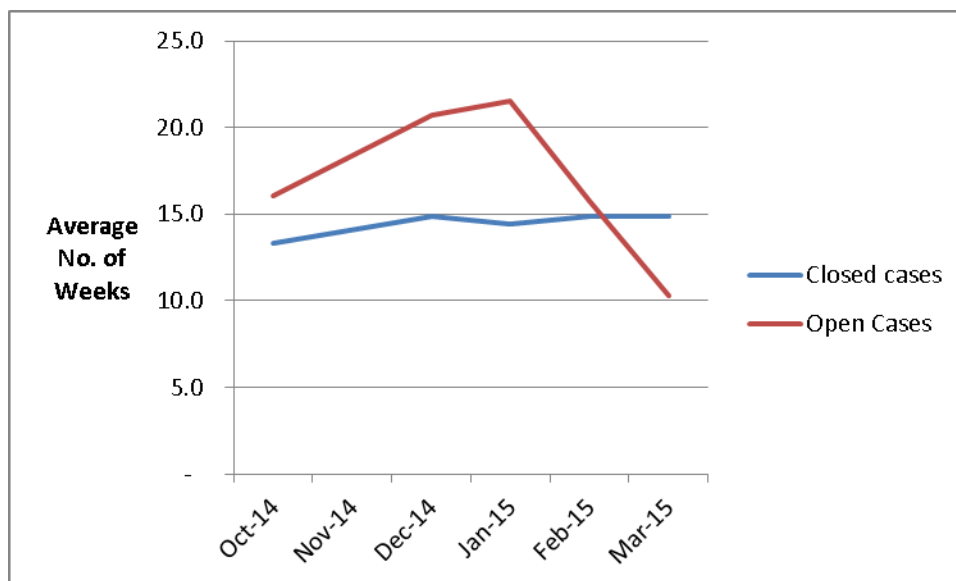


Table 4 – Turnaround Times Internal Fraud Trend Data 2014/15

Housing Tenancy Fraud

- 3.7 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 31/3/15 the Audit and Investigation team had recovered 51 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. In addition, one tenant had a home loss payment of £5,300 stopped as a result of investigation.
- 3.8 There has been a significant increase in referrals, resulting in a higher number of open cases under investigation at year end. This is due to increased work with Registered Providers (Housing Associations). Recoveries in this area result in nomination rights to additional properties for the council. Caseload information is set out in table 5 below.

Housing Fraud	2014/15	2013/14
Open cases b/f	77	83
New Referrals	380	216
Closed Cases	307	222
Fraud Found	61	49
Recovered Properties	51	46
Applications Refused	4	0
Property Size Reduced (Rehousing)	5	3
Home Loss payment recovered	1	0
Value of properties recovered*	£918,000	£828,000
Open cases carried c/f	150	77
Cases with Legal for Possession	25	

Table 5 – Housing Fraud 2014/15 (*Notional average value of recovered properties as set by the Audit Commission)

Other External Fraud

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

Other External Fraud	As at 31/03/15	2013/14
Open cases b/f	24	35
New Referrals	65	44
Closed Cases	71	55
Fraud / Irregularity	22	32
Prosecution	1	11
Warning / Caution	2	16
Overpayment Identified	19	5
Open cases carried c/f	18	24

Table 6 – Other External Fraud 2014/15

- 3.10 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 £4,200.

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. In agreement with Mazars, 35 audit days will not be delivered, resulting in a reduction on the fee of £15,800.

5 Legal Implications

- 5.1 None

6 Diversity Implications

- 6.1 None

7 Background Papers

8 Contact Officer Details

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