



Audit Committee
16 September 2015

Report from the Chief Finance Officer

For Information

Wards Affected:
ALL

Internal Audit Progress Report for the period 1 April – 31 July 2015

1. Summary

- 1.1 This report provides an update on the progress against the internal audit plan for the period 1 April 2015 to 31 July 2015. The appendix to the report also summarises those assurance reports from the 2014/15 plan which have been finalised since the last meeting of the committee. The report also provides a summary of counter fraud work for the first quarter of 2015/16.

2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2015/16 Internal Audit Plan and the review of fraud work.

3. Detail

- 3.1. The Internal Audit Plan for 2015/16 comprises 996 days. 590 days will be delivered by Mazars. The in-house resource will deliver a further 406 days.
- 3.2. Much of the work of the first quarter of the year focused on the completion of the 2014/15 plan. Details of reports finalised during the first quarter relating to last year's plan are provided in appendix one. In summary, nine reports were finalised. Of these, six related to the council (or its schools), and of these four had substantial assurance ratings, one a limited assurance rating and one a nil assurance rating. Three reports related to BHP, of which one had a substantial assurance rating and two had limited assurance ratings.
- 3.3. The key points to note with regards to progress for the current year are:
- There are 79 internal audit assignments included within the agreed 2015/16 plan (excluding follow up and advisory work). Work has commenced on 21 of these.
 - It is recommended that one assignment is removed from the plan, as outlined within Table One below. On review of the explanation provided, the removal of this assignment from the plan is justified.
 - Four assignments have been delayed at the request of management from quarter

one to quarters three and four. These are set out in Table Three and based on the merits of these requests, it is appropriate that the commencement of these assignments is delayed.

- Five assignments have been completed to draft or final stage. Three of them have an audit opinion associated with them. One has a substantial assurance opinion and two limited. In straightforward percentage terms this is of course unacceptably high, but as the sample size is so small (just three reports) there is not yet sufficient evidence to assume that this will be representative for of the year. The remaining two relate to grant certifications which do not have an assurance rating attached and were signed off without qualification.

Table 1 – Planned Assignments to be Withdrawn from original plan

Audit		
Home Care Contract – ASC Department	10	Area had been subject to a recent review as a result of changes in delivery mechanism. Email sent to Strategic Director to confirm agreement yet to be responded to.
Total	10	

Table 2 – Assignments Added to original plan

Audit		
DFG Grant Determination Certification	2	Grant required to be signed off by Head of Audit & Investigations.
Total	2	

Table 3 – Assignments to be Delayed

Audit		
Chalkhill Primary School	8	Request from school for audit to be delayed until the autumn term due to building works at school.
START (Previously BACES) (R&G Department)	15	Request from Operational Director for audit to be delayed until Q4 as a result of restructure of service and appointment of new Head of Service. Strategic Director notified.
Transport Services	15	Request from Operational Director for audit to be delayed until Q3 as a result of restructure of service. Strategic Director notified
BHP Recruitment & Retention	12	Request from HR Manager for audit to be delayed due no permanent recruitment being undertaken within the last 12 months
Total	50	

A summary of progress is set out in table four below:

Table 4 – Delivery Status as at 31 July 2015

Delivery Status	
Total days in the plan	996
Number of days delivered to date	154
% of days delivered to date	15%
Days to be delivered	842
Total number of reports to be delivered in current plan	79
Number of draft/final reports/certifications issued to date	5
% of reports issued to date	6%

- 3.4. Members will note that progress to date on the 2015/16 internal audit plan is currently below the profiled target for Q1. This has largely been due to the significant work required to finalise the outstanding 14/15 audits, during the quarter. There are, however, a number of reports at draft report stage which will be reported to the next meeting of the committee. The committee will also note that there also a number of assignments in progress and therefore it is anticipated that significant improvement in performance will be made during quarter two.

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 first quarter of year to date is shown in table five below:

Table 5 – Internal Fraud 2015/16

Internal	2015/16 Q1	2014/15 Total
Open Cases b/f	11	21
New Referrals	26	41
Closed Cases	4	51

Fraud / Irregularity identified	2	17
Dismissal	0	5
Resignation	2	7
Warning	0	5
Open cases carried c/f	33	11

- 3.6. There has been an increase in internal fraud cases from the National Fraud Initiative, which may suggest internal staff are claiming housing benefit which they may not be entitled to. These cases are currently being subject to further assessment.

Housing Tenancy Fraud

- 3.7 Recovery of social housing properties has a significant impact upon the temporary accommodation budget. The Audit Commission has previously estimated that the average value, nationally, of each recovered tenancy is £18,000. Caseload information is set out in table six below.

Table 6 – Housing Fraud 2015/16

Housing Fraud	2015/16 Q1	2014/15 Total
Open cases b/f	150	77
New Referrals	73	380
Closed Cases	76	307
Fraud Found	21	61
Recovered Properties	18	51
Applications Refused	4	0
Property Size Reduced (Rehousing)	1	4
Home Loss payment recovered	0	1
Right To Buy	2	0
Value of properties recovered*	£324,000	£918,000
Value of Right to Buy Discount Prevented	£177,700	0
Open cases carried c/f	147	150
Cases with Legal for Possession	23	23

Other External Fraud

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

Other External Fraud	Q1	As at 31/03/15
Open cases b/f	18	24
New Referrals	9	65
Closed Cases	15	7
Fraud / Irregularity	0	22
Prosecution	0	1
Warning / Caution	0	2
Overpayment Identified	0	19
Open cases carried c/f	12	18

Table 8 – Other External Fraud 2015/16

4. Financial Implications

- 4.1. The total value of the audit contract with Croydon Council, delivered by Mazars, is £192,000 in the current year and is funded within the Audit and Investigations base budget.

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

- 7.1. None

8. Contact Officer Details

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