



Brent

Audit Committee
5th January 2016

**Report from the Chief Finance
Officer**

For Information

Wards Affected:
ALL

Internal Audit & Counter Fraud Progress Report for the period 1 August 2015 – 31 October 2015

1. Summary

- 1.1 This report provides an update on the progress against the internal audit plan for the period 1 August 2015 to 31 October 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 Audit Committee. The report also provides a summary of counter fraud work for the first two quarters of 2015/16 including October 2015.

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. 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 39 of these.
 - Twenty two assignments have been completed to draft or final stage since the last report to the Audit Committee September 2015 (twenty seven for the year to date). Of the twenty two assignments, eighteen had an assurance opinion associated with them and four were in respect of non-assurance work including a grant and trust account certification.

Please see summary below:

Table 1 – Summary of Audits Completed Since last audit report

Total Number of Audits Completed	Substantial 	Limited 	None 	Non Assurance
22	13	5	0	4

3.3 The Head of Audit & Investigations alerted members to the slow progress being made against the plan at the Audit Committee meeting in September 2015. This has largely been due to the significant work required to finalise the outstanding 14/15 audits, during the first quarter. A number of audits scheduled to be carried out in the first and second quarters were either also removed from the plan or as a result of request by management that they should be deferred. This was partly caused due to structural changes within some departments, or system changes because the proposed assignments were similar to audits recently undertaken. Where assignments were removed or deferred, the consequent available resources were re-allocated. The key changes to the plan are set out below:

Table 2 – Planned Assignments 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.
Public Realm Contract – COO Department	10	Area had been subject to a recent similar review.
Total	20	

Table 3 – Assignments Added to original plan

Audit		
DFG Grant Determination Certification	2	Grant required to be signed off by Head of Audit & Investigations.
Health and Safety – transferred from COO Contingency Budget	15	Review to be undertaken by Specialist from Mazars.
Pre audit verification – Information Governance	5	Audit work to prepare for visit from Information Commissioner’s Office
Total	22	

Table 4 – Assignments Delayed

Audit		
START (Previously BACES) (R&G Department)	15	Request from Operational Director for audit to be delayed until December 2015 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
Recruitment Audit – Council	15	Request by the HR Director due to implementation of new recruitment system.
S17 Payments	15	Request from Head of Service and Operational Director for audit to be delayed due to Ofsted Inspection and another internal audit.
Safeguarding (BHP)	12	Request from Director of Operations for audit to be delayed to quarter 4 due to appointment of new head of service responsible for safeguarding.
Troubled Families Grant (August 2015 Grant claim)	5	No Claim submitted. Claim now due to be submitted in January 2016
Total	89	

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

Table 5 – Delivery Status as at 31 October 2015

Delivery Status	
Total days in the plan	996
Number of days delivered to date	399
% of days delivered to date	40%
Days to be delivered	597
Total number of reports to be delivered in current plan	79
Number of draft/final reports/certifications issued to date	27
% of reports issued to date	35%

3.4 The Audit Committee will note that significant improvement in performance since the last progress report in September 2015 when only 6% of the reports had been issued. A number of planned audits as indicated above had to be rescheduled due to systems changes or other external reviews. There are also a number of assignments in progress with work on the key financial systems is scheduled to take place in the quarters 3 and 4.

3.5 Follow Up of 2014/15 Audit Recommendations

The Public Sector Internal Audit Standards requires the Chief Audit Executive (the Head of Audit & Investigation) to establish a process to monitor and follow up management actions to ensure that they have been actively implemented or that senior management have accepted the risk of not doing so.

Of the 200 recommendations arising from 2014/15 audits and due to be implemented by 30th October 2015, 113 had either been fully or partly implemented and 20 had yet to be implemented. We were unable to determine the status of 67 recommendations because responsible officers had not updated the relevant details on Infostore as required. As will be noted from the table below, some action plans agreed by management as part of the audit process are not being completed effectively and on a timely basis. Some officers are not updating the status of the implementation of recommendations on Infostore as part of the self assessment process agreed with management.

Table 6 – Status of 2014/15 Priority 1 and 2 Recommendations

Total Number of Recommendations	Priority	% Implemented	Partly Implemented	Not implemented	Status Unknown
Priority 1	71	42%	7%	13%	38%
Priority 2	129	55%	5%	9%	31%
Total	200	51%	6%	10%	33%

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

Table 7 – Internal Fraud 2015/16

Internal	2015/16 qtr 2 plus October 2015	2015/16 qtr 1
Open Cases b/f	33	33
New Referrals	6	26
Closed Cases	20	4
Fraud / Irregularity identified	5	2
Dismissal	2	0
Resignation/Officer Left	2	2
Warning	1	0
Open cases carried c/f	19	33

- 3.7. It should be noted that there has been an increase in internal fraud cases specifically identified via the National Fraud Initiative (NFI) data matching exercise. These relate to matches which suggest that staff are claiming housing benefit which they may not be entitled to. These cases are currently being subject to further assessment.

Housing Tenancy Fraud

- 3.8. 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 8 – Housing Fraud 2015/16

Housing Fraud	2015/16 qtr 2 plus October 2015	2015/16 qtr 1
Open cases b/f	182	185
New Referrals	131	73
Closed Cases	139	76
Fraud Found	29	21
Recovered Properties Brent	24	18
Applications Refused	1	1
Property Size Reduced (Rehousing)	3	0
Right to Buy Stopped	1	2
Value of properties recovered*	£432,000	£324,000
Value of Right to Buy Discount prevented**	£103,900	£177,700
Property Size Reduced	£54,000	£0
Open cases c/f	174	182
Cases with Legal for Possession	18	23

*Notional value of recovered properties is £18,000

** Actual amount of discount stopped

Actual value of housing fraud identified to date is £1,091,600

It should be further noted that in respect of the Right to Buy stopped case, a subsequent Suspicious Activity Report was submitted to the National Crime Agency under Anti Money Laundering Legislation.

Other External Fraud

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

Table 9 – Other External Fraud 2015/16

Other External Fraud	2015/16 qtr 2 plus October 2015	2015/16 qtr 1
Open cases b/f	12	18
New Referrals	71	9
Closed Cases	34	15
Fraud / Irregularity	6	0
Prosecution	0	0
Warning / Caution	3	0
Overpayment Identified	3	0
Open cases carried c/f	49	12

- 3.9. There has been an increase in new referrals due to the start of a new Service Level Agreement (SLA) with Revenues and Benefits Service with regards to council tax reduction referrals. An overpayment was identified which is in excess of £1,000.
- 3.10. A blue badge fraud operation was carried out in partnership with the Police and Parking Enforcement in September 2015. Four blue badges were seized for being misused, eleven parking charge notices were issued and the police arrested a driver at the scene as a result of this proactive operation.
- 3.11. The NFI matching exercise which dealt with single person's discount (where more than one adult was registered on the electoral role) and resulting in overpayments of £62,000 (including a case from Q1) was closed.

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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