 <b>Brent</b>	<p><b>Audit Committee</b> 23 March 2016</p> <p><b>Report from the Chief Finance Officer</b></p>
For Information	Wards Affected: ALL
<b>Report Title: Internal Audit &amp; Counter Fraud Progress Report for the period 1 November 2015 – 29 February 2016</b>	

## **1. Purpose of the Report**

- 1.1 This report provides an update on the progress made against the delivery of the audit plan up to the 29 February 2016. The report further provides the Audit Committee with any key findings and agreed management comments to address areas of control weaknesses.
- 1.2 Further, the report also provides a summary of counter fraud work for the first three quarters of 2015/16 including January 2016.

## **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 63 of these.
  - Twenty seven assignments have been completed to draft or final stage since the last report to the Audit Committee Team in January 2016 (fifty one for the year to date). Of the twenty seven assignments, twenty five had an assurance opinion associated with them and two were in respect of non-assurance work including the certification of a grant claim.

Please see summary below:

**Table 1 – Summary of Audits Completed Since last audit report**

Total Number of Audits Completed	Substantial 	Limited 	None 	Non Assurance
<b>27</b>	14	8	3	2

- 3.3 A number of changes have had to be made to the original audit plan approved by members. This has been partly due to structural changes within some departments, or system changes because the proposed assignments were similar to audits recently undertaken. Where assignments were removed, 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**Table 2 – Planned Assignments Withdrawn from original plan**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.
Adoption & Special Guardianship Orders and Payments	15	Area had been subject to a recent non-assurance review
March 2016 Troubled Families Claim	5	No claim to be submitted in March
S17 Payments	15	Service is undergoing a restructure and realignment
Care Act Contingency	20	Not required.
IT Contingency	30	Not required
Multi-agency data exchange	10	Covered as part of Safeguarding Audits
<b>Total</b>	<b>115</b>	

**Table 3 – Assignments Added to original plan**

Audit		
DFG Grant Determination Certification	2	Grant required to be signed off by Head of Audit & Investigations.
Pre audit verification – Information Governance	5	Audit work to prepare for visit from Information Commissioner's Office
Schools – Leadership Pay and Summary Report for Schools	5	Requested by Chief Finance Officers and Schools
Health & Safety & Other Projects	30	Requested by Chief Finance Officer and Strategic Director of Regeneration & Environmental Services
<b>Total</b>	<b>42</b>	

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

**Table 4 – Delivery Status as at 29 February 2016**

<b>Delivery Status</b>	
Total days in the plan	996
Number of days delivered to date	681
% of days delivered to date	68%
Days to be delivered	315
Total number of reports to be delivered in current plan	79
Number of draft/final reports/certifications issued to date	51
% of reports issued to date	65%

- 3.4. The Audit Committee should note that 30% of the planned audit days are yet to be delivered. There are a number of reasons for this:
- A number of audits in the original plan were postponed until the last quarter of the year at the request of management;
  - Eight audits have had to be withdrawn from the plan as indicated in Table 2 above;
  - The plan was resourced based on the availability of a graduate trainee as part of the in-house resource. However, this resource was unavailable for four months during the year.

The majority of outstanding work will be progressed in March with the assistance of the internal audit contractor. However, successful delivery assumes that the auditees are able to respond to requests for information within the appropriate timescales.

- 3.5. The Audit Committee should also note that audits in the last quarter show persistent issues with some schools. It is expected that proposed change in the approach to school audits planned in 2016/17 to more thematic based audits will to some extent address some of these concerns. We will continue to work with the Children & Young People's department to improve the internal control environment within schools.

**3.6. 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 228 Priority 1 and 2 recommendations arising from 2014/15 audits and due to be implemented by 29<sup>th</sup> February 2015, 158 had either been fully or partly implemented and 16 had yet to be implemented. We were unable to determine the status of 54 recommendations because responsible officers had still to update the relevant details on Infostore.

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 5 – Status of 2014/15 Priority 1 and 2 Recommendations**

<b>Total Number of Recommendations</b>	<b>Total</b>	<b>% Implemented</b>	<b>Partly Implemented</b>	<b>Not implemented</b>	<b>Status Unknown</b>
Priority 1	78	64%	6%	8%	22%
Priority 2	150	63%	6%	7%	24%
<b>Total</b>	<b>228</b>	<b>64%</b>	<b>6%</b>	<b>7%</b>	<b>23%</b>

### **Internal Fraud**

- 3.7. 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 6 – Internal Fraud 2015/16**

<b>Internal</b>	<b>2015/16 including Jan/Feb 2016</b>	<b>2014/15</b>
Open Cases b/f	11	21
New Referrals	42	41
Closed Cases	31	51
Fraud / Irregularity identified	9	17
Dismissal	3	5
Resignation/Officer Left	4	7
Warning	1	5
Open cases carried c/f	22	11

- 3.8. 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 by the Department of Works & Pensions (DWP) to confirm whether they are due to fraud or error.

## Housing Tenancy Fraud

- 3.9. 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 7 – Housing Fraud 2015/16**

Housing Fraud	2015/16 including Jan / Feb 2016	2014/15
Open cases b/f	150	77
New Referrals	234	380
Closed Cases	258	307
Fraud Found	68	61
Recovered Properties Brent	58	51
Applications Refused	2	4
Property Size Reduced (Rehousing)	5	5
Right to Buy Stopped	3	0
<b>Value of properties recovered*</b>	£1,044,000	£918,000
<b>Value of Right to Buy Discount prevented**</b>	£281,600	0
<b>Value of Property Size Reduced</b>	£90,000	£90,000
Open cases c/f	161	150
Cases with Legal for Possession	18	25

\*Notional value of recovered properties is £18,000

\*\* Actual amount of discount stopped

**Actual value of housing fraud identified to date is £1,415,600**

## Other External Fraud

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

**Table 8 – Other External Fraud 2015/16**

Other External Fraud	2015/16 including Jan / Feb 2016	2014/15
Open cases b/f	18	24
New Referrals	93	65

Closed Cases	59	71
Fraud / Irregularity	6	22
Prosecution	0	1
Warning / Caution	3	2
Overpayment Identified	3	19
Open cases carried c/f	52	18

- 3.11. 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. Fifty plus referrals are in respect of Council Tax Reduction Scheme (CTRS) and are awaiting Revenues & Benefits approval.
- 3.12. A blue badge fraud operation was carried out in partnership with the Police and Parking Enforcement in February 2016. Two blue badges were seized for being misused and two vehicles were lifted due to the use of counterfeit badges operation.
- 3.13. As a result of NFI data matching 272 blue badges were cancelled and records updated. The notional value of these cancellations is £136,000 (£500 per badge).

#### **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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