



Audit Committee
27 September 2012

**Report from the Director of Finance
and Corporate Services**

Wards Affected:
ALL

1st Internal Audit Progress Report 2012/13

1. Summary

- 1.1. This report summarises the work of Internal Audit and the Investigations Team from 1st April 2012 to 31 August 2012. The attached report provides further details of this together with assurance ratings of reports issued.

2. Recommendations

- 2.1. That the Audit Committee notes the progress made in achieving the 2012/13 Internal Audit Plan and the review of fraud work.

3. Detail

Internal Audit – Delivery Status

- 3.1. The Internal Audit Plan for 2012/13¹ comprises 1,200 days, of which 905 are allocated to Deloitte Touche Public Sector Internal Audit Limited, and 295 to the in-house team.
- 3.2. A total of 368 days have been delivered against the overall Plan, made up of 267 Deloitte PSIA days and 101 days in-house days. This represents 31% of the Plan and represents the same levels of delivery as in 2011/12.
- 3.3. In a number of areas, audits have not been possible due to requests from service areas to defer work. The primary reasons for this have been given as civic centre moves and the Olympic Games. Auditee availability was partly impacted by the Olympic Games and Paralympic Games. In a number of other instances audits have had to be postponed due to changes in procedures or structural changes which need time to embed before they can be objectively reviewed.

3.4. 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	Planned Days	Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Corporate/Cross Cutting								
Appointment of Consultant and Non Comensura Temporary/Interim Staff	10	3	Work In Progress					
Comensura	15	15	Final Report	Limited	4	6	-	15/09/2012
Corporate/Cross Cutting Total	25	18						
Finance and Corporate Services (FCS)								
Council Tax	15		Q3					
Reform of National Non Domestic Rates (NNDR)	5	1	Q3/4					
NNDR	15		Q3/4					
Reform of Council Tax Benefits	10		Q4					
Housing and Council Tax Benefits	20		November 2012					
Treasury Management	10		Q3					
Payroll	20	2	Q3/4					
Accounts Payable	15		November 2012					
Accounts Receivable	15	3	Work In Progress					
General Ledger	15		Q3					
Cash and Banking	15	4	Work In Progress					
Pension Fund Administration	20	20	Draft Report	Substantial	-	6	1	06/09/2012
One Council Project – Project Athena	10		October 2012					
Once Council Project – Customer Service	12		Withdrawn following a meeting with the Head of Service.					
Financial Planning	15		Q3					
FCS Total	212	30						
Children & Families								
School Audits Primary/Junior Schools	Total 150							
Chalkhill	10	10	Draft Report	Limited	6	11	1	02/08/2012
Our Lady of Grace Infants	10		Q4					
Our Lady of Grace Juniors	10		Q4					
Furness	10		Q3					
Lyon Park Juniors	10	12	Final Report	Substantial	1	9	-	15/09/2012
St Mary's CE	10		Q3					
Oliver Goldsmith	10	10	Draft Report	Limited	7	5	3	19/09/2012

Audit	Planned Days	Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Convent of Jesus and Mary	10		November 2012					
Elsley	10		November 2012					
Roe Green Infants	10		October 2012					
Roe Green Juniors	10		October 2012					
Sudbury	10		October 2012					
St Joseph Junior	10		November 2012					
St Joseph Infants	10		November 2012					
St Joseph's RC Primary	10		October 2012					
Newfiled	10		October 2012					
St Mary Magdalen	10		November 2012					
Stonebridge	10	8	Work In Progress ¹					
Torah Temimah	10	12	Draft Report	Nil	16	7	-	10/09/12
Newman CC (Secondary)	10		Q3					
Preston Manor (Secondary)	10	7	September 2012					
St Gregory's (Secondary)	5		Reduced scope as the School achieved 'Substantial' assurance in 2010/11. November 2012					
The Village (Special)	10		Q3					
Manor (Special)	3	3	Final Report	Non Assurance Work.				31/08/2012
Follow up of limited assurance Schools	20	5	Throughout the year.					
Safeguarding of Children	15	2	Postponed to Q4 due to appointment of new Head of Service. Audit Brief prepared and issued to current Head					
Children & Families Total	263	69						
Environment & Neighbourhood (EN)								
Parking Enforcement	20		Q3					
Olympics	10	10	Final Report	Non Assurance Work.				27/07/2012
Libraries	15		Q3					
EN Total	45	10						
Customer & Community Engagement								
Mayor's Office	8	8	Final Report	Limited	5	1	-	15/09/2012
Language Shop	12	12	Draft Report	Limited	4	4	-	17/09/2012
Customer & Community Engagement Total	20	20						
Adult Social Services								
Mental Health Partnership	20	20	Final Report	Limited	7	1	-	10/09/2012

¹ Draft Report is partially completed. Final visit is arranged for 21 September 2012.

Audit	Planned Days	Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
Home Care	15		Q4					
Appointeeship, Receivership, and Power of Attorney	10	20	Draft Report – More work required than initially envisaged and a significant number of queries.	Limited	15	9	1	29/08/2012
Personalised Budgets and Direct Payments	20	2	Postponed to Qtr. 3 /4 due to implementation of new procedures					
HCC Total	65	42						
Legal and Procurement								
Procurement	15		Q4					
High Value Contracts – Compliance with the Blue Book	20	20	Final Report	Limited	6	3	-	25/07/2012
Legal and Procurement Total	35	20						
Regeneration and Major Project (RMP)								
Capital Projects (contract audits)	30		Q4					
Civic Centre Project (Move to the Civic Centre)	10	10	Final Report	Non Assurance Report				14/09/2012
Housing Solutions (Choice based letting/housing allocations)	15		Q4					
Building Control and Enforcement	15	16	Draft Report	Substantial	3	13	-	07/09/2012
RMP Total	70	26						
Strategy, Partnership, and Improvement (SPI)								
Partnership Management	10	10	Draft Report	Substantial	-	2	-	21/09/2012
Public Sector Reform – Policy and Key Legislative Changes	15	15	Draft Report	Substantial	-	1	-	21/09/2012
SPI Total	25	25						
Computer Audit								
Oracle Financials Application Audit	10		Withdrawn due to Project Athena. To be replaced.					
Northgate Sx3 Housing Benefits System	10	6	September 2012 –Work in Progress					
Automated Customer Contact (One Council Project)	10		November 2012					
Abacus	10		Withdrawn as the system is now due to be decommissioned next year. To be replaced.					
IT Service Management (Information Technology Infrastructure Library ITIL,	15		October 2012					

Audit	Planned Days	Actual Days	Progress	Assurance/ Direction of Travel	Priority			Issue date
					1	2	3	
V3 Gap Analysis)								
Wireless Networks	15		October 2012					
Virtual Desktop Infrastructure (VD)	20		February 2013					
Civic Centre IT Controls	20	2	Started in September 2012 but postponed to October 2012					
Follow up of previous IT audits	12	1	Throughout the year.					
Computer Audit Total	122*	9	*Plus 10 days delivered on V5 (BHP) Total Computer Audit days = 132 days.					
Others								
Risk Management	10	4						
Consultation, Communication and Reporting	55	25						
Follow up	55	16						
Office Move	14	12						
Contingency	30							
	164	57						
BHP								
Housing Repairs and Maintenance	12							
Housing Rents	8		October 2012					
Major Works Contracts	20	2	Work In Progress					
Procurement & Contracts (Non Major Works)	15	15	Draft Report	Substantial	2	3	-	15/09/2012
Treasury Management	8							
Internal Financial Controls	10							
Rent Arrears Management	15		October 2012					
Tenant Management Organisations – Watling Gardens	13	15	Draft Report	Limited	7	8	1	14/09/2012
Management of Non-Brent Properties	15		October 2012					
TMO – South Kilburn TMO		4	Draft Report	Non-Assurance work	2	8		17/0912
Risk Management	8	1	Awaiting response to request for audit to be undertaken					
V5 System (Housing Rents)	10							
Consultation and Management Days	20	5	Throughout the year.					
BHP Total	154	42						
Total	1200	368						

Delivery Status	
Total days in the plan	1200 days
Number of days delivered to date	368 days
% of days delivered to date	31%
Days to be delivered	832 days
Total number of projects in 2012/13 plan (excluding follow up reports and Committee reports)	78
Number of reports issued to date	20
% of reports issued to date	26%

Table 1 – Internal Audit Delivery Status

Housing Benefit Fraud

- 3.5. The Audit and Investigation Team continues to investigate housing and council tax benefit fraud. From April 2013, the DWP intend to create a Single Fraud Investigation Service to investigate all centrally administered welfare benefit fraud. This single service will be staffed by existing fraud staff within local authorities, the DWP and HMRC. Although from April 2013 staff will remain employed by their own organisations, the intention is for a single policy and procedure to be developed under which all investigators will operate. This has significant ramifications for the council and its' ability to determine what is investigated and how. Despite the short timescale there remains a significant lack of detail about how the arrangements will operate, including governance, IT, operational and tactical methods and how investigations into fraud in council tax support will be joint worked (the DWP have stated that this will not be included as part of the SFIS remit).
- 3.6. The DWP have also announced the intention to pilot SFIS by collocating DWP and Local Authority staff in four pilot authorities. There is one pilot where the team is based within a local authority. The pilots will commence in October 2013 and test the practicalities of single policy, strategy, line management etc. It is unclear when the results of these pilots will be published. However, the DWP remain committed to introducing SFIS in April 2013.
- 3.7. The team continues to receive a high volume of housing / council tax benefit fraud referrals and many have to be screened out without investigation. There is a process of case screening which considers the quality of evidence, likely value of overpayment and other factors. Those which are not screened out are passed for investigation. An investigation will be closed once there is sufficient evidence to establish that a fraudulent overpayment of benefit has occurred and a sanction has been applied or no further action is warranted. Investigations range in length from a few months to many years for complex prosecutions.
- 3.8. The sanctions available for HB fraud are: Overpayment recovery, a caution administered by the council, an administrative penalty of 30% of the overpayment and criminal prosecution. Historical case load data and current performance is shown below:

						2012/13		
HB Fraud	2007/08	2008/09	2009/10	2010/11	2011/12	Q1		
Referrals	799	723	672	757	612	247		
Closed	922	832	744	675	597	164		
Screened Out	637	511	423	386	339	103		
% dropped	69%	61%	57%	57%	57%	63%		
Investigated	285	321	321	290	258	62		
Fraud Found	147	118	150	121	102	25		
Hit Rate	52%	37%	47%	42%	40%	40%		
Caution	26	7	5	1	3	0		
Admin Penalty	45	46	40	20	28	4		
Prosecution	44	31	36	50	30	9		
Total Sanctions	115	84	81	71	61	17		
Summons Only	3	1	0	2	0	0		
Overpayment Only	29	21	73	47	40	12		
HB/CTB Overpayment	£769,273	£849,505	£1,332,014	£1,660,613	£1,435,073	£618,338		

Table 2 – HB Fraud Caseload 2007 to 2012/2013

Social Housing Fraud

- 3.9. Social housing fraud occurs due to the sub-letting of council properties and false declaration of circumstances on housing and homeless applications. The council has taken tenancy fraud seriously for many years. Since 2000, investigation work by A&I has resulted in the recovery of 348 properties and prevented almost 90 inappropriate Right to Buy applications. The Audit Commission currently estimates that each unlawfully sub-let council property results, on average, in a financial loss of some £18,000 per annum.
- 3.10. Caseload information is shown below.

						2012/13		
Housing Fraud	2007/08	2008/09	2009/10	2010/11	2011/12	Q1		
Referrals	82	82	111	120	189	43		
Closed	56	55	82	166	185	54		
Screened Out	3	3	9	10	13	1		
Investigated	53	52	73	155	172	53		
Fraud Found	24	21	26	37	48	17		
Recovered Property	23	21	26	34	47	16		
RTB Stop	1	1	0	0	1	0		
Application refused	1		0	2	0	0		
Property Reduced						1		

Table 3 – Housing Fraud Caseload 2007 to 2012/13

Blue Badge Fraud

- 3.11. There have been five new reactive referrals in the first quarter of 2012/13 within

the more serious categories. Three investigations have been completed resulting in one warning letter.

Internal Fraud

- 3.12. Internal fraud refers to fraud committed by employees, agency staff and staff in schools. For the purposes of this report, “fraud” includes any financial irregularity or malpractice or serious breach of financial regulations or the staff code of conduct.
- 3.13. Historic data and current year statistics are shown in the tables and charts below:

						2012/13		
Internal	2007/08	2008/09	2009/10	2010/11	2011/12	Q1		
Referrals	45	26	51	53	58	9		
Closed	43	34	28	51	62	9		
Screened Out	6	3	3	3	5	0		
Investigated	37	31	25	48	57	9		
Fraud / Irregularity	17	11	16	23	33	4		
Dismiss / Resign	12	9	14	21	27	4		
Warning	2	0	0	2	5	0		

Table 4 – Internal Fraud Caseload 2007/08 to 2012/13

- 3.14. This year, to date, there have been four officers who have either been dismissed or left prior to disciplinary proceedings being concluded. Three of these have been due to identity / illegally working and one for misuse of a blue bage.

4. Financial Implications

- 4.1. None

5. Legal Implications

- 5.1. None

6. Diversity Implications

- 6.1. None

7. Background Papers

- 1. REPORT FROM THE DIRECTOR OF FINANCE – INTERNAL AUDIT PLAN FOR 2012/13, Audit Committee 27th June 2012

8. Contact Officer Details

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