Title: Composite Internal Audit and Counter Fraud Report – Quarter 3 2014/15

Report of the Group Manager, Internal Audit & Counter Fraud

Open | For Discussion & Agreement
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Wards Affected: None | Key Decision: No

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Accountable Director: Jonathan Bunt, Chief Finance Officer

Summary:
This report brings together all aspects of assurance and counter fraud work undertaken in Quarter 3 2014/15, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority. The main body of the report provides the Head of Audit’s ongoing assurance opinion on the internal control environment, highlights key outcomes from audit & counter fraud work and provides information on wider issues of interest to PAASC as the Council’s Audit Committee. The appendices provide greater detail of the performance of each of the Teams for the period.

Recommendation(s):
Members are asked to note the contents of the report

Reason(s)
The Council’s vision and priorities are underpinned by the theme ‘a well-run organisation’ as set out in the corporate delivery plan. The work of audit & counter fraud supports this theme to ensure the Council meets both its legal responsibilities and the needs of the community.

1. Level of Assurance and any issues arising

1.1. In September 2014, Members received the Head of Internal Audit opinion based upon the work undertaken in 2013/14 which concluded that reasonable assurance could be given that the internal control environment is operating adequately.

1.2. Based upon the work undertaken since the last update to Members, no material issues have arisen which would impact on this opinion. 1 limited assurance report has been issued:
• Commercial Property Management – beyond the basic processes of letting & renewing leases and undertaking rent reviews which were found to be stable, a lack of investment in, and management oversight of, the service contributed to weaknesses regarding asset management and monitoring of the estate to maximise its value to the Council.

2. Executive Summary of work undertaken in Quarter 3 2014/15

2.1. Progress in delivery of the Audit Plan has fallen behind target in Quarter 3. There are several factors contributing to this, as set out in Appendix 1. It is however still anticipated that the Audit Plan will be delivered in full within available resources by the end of the year.

2.2. Performance of management in implementing outstanding audit recommendations broadly remains strong. However, recommendations relating to one audit review – Policy Management – have not been implemented as planned and is the subject of a separate report on this agenda, to be presented by the relevant Senior Manager.

2.3. A self assessment against the code of practice has concluded that the internal audit function is effective.

2.4. Reactive work undertaken by the respective Counter Fraud and Housing Investigation Teams continues to deliver positive outcomes. The nature of the cases undertaken by the Housing Investigation Team is evolving toward more prosecution work.

2.5. A Counter Fraud Team Proactive review of Council Tax student exemptions/disregards has resulted in re-instatement of £41,000 of council tax liability.

3. Current/Future Key Issues

3.1 The Counter Fraud Team was successful in their bid to the DCLG for funding to support the fight against fraud. The funding will increase counter fraud resources over the next 2 years and enable development of wider powers, such as the pursuit of convicted fraudsters under proceeds of crime legislation. Only councils that could demonstrate innovation and sustainability were awarded funding so this is testament to the strength of the Council’s approach to tackling fraud.

3.2 As Members are aware, the Internal Audit service is provided by an in-house team in partnership with a private sector provider, through a contract with Croydon Council. In accordance with the provisions of a previous Cabinet recommendation pending the agreement of the Procurement Board and Chief Finance Officer, this contract, which is due to expire on 31st March 2015, will be extended to March 2018.

3.3 The Government has released its latest guidance relating to local transparency (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf) which has been extended to include publication of information relating to counter fraud work. Accordingly, the required data is being placed on the Council’s website.
4. List of Appendices setting out performance of and outcomes from audit & counter fraud work

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| 1        | INTERNAL AUDIT TEAM  
Internal Audit Strategy & Terms of Reference  
Annual Audit Plan 2014/15 Changes  
Progress Against Annual Audit Plan 2014/15  
Outcomes from Internal Audit Work  
Implementation of Audit Recommendations  
Internal Audit Performance  
Annual Review of Internal Audit Effectiveness |
| 2        | COUNTER FRAUD TEAM  
Key Counter Fraud Policies  
Regulation of Investigatory Powers Act  
Summary of Counter Fraud Activity including Whistleblowing |
| 3        | HOUSING INVESTIGATION TEAM  
Summary of Housing Investigation Team Activity and key outcomes |

5. Financial Implications

Implications completed by: Jonathan Bunt, Chief Finance Officer

5.1 The Audit & Counter Fraud Teams are fully funded and there are no additional financial implications arising directly from this report. Robust internal controls and preventative counter fraud activity prevents financial loss to the Authority.

6. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

6.1 This report provides information to Members for noting and does not require decision. There are no further legal comments to add.