



Report for:
INFORMATION

Item Number:

Contains Confidential or Exempt Information	No
Title	Internal Audit & Investigations Report for Quarter Two 2015
Responsible Officer	Steven Tinkler, Head of Audit & Investigations
Author	Steven Tinkler, Head of Audit & Investigations, ext 8571, Tinklers@ealing.gov.uk
Portfolio	Cllr Yvonne Johnson - Finance, Performance and Customer Services
For Consideration By	Audit Committee
Date to be Considered	20 January 2016
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	N/A

Purpose of Report:

The attached report provides the Audit Committee with an update on the work of Internal Audit & Investigations for the period 1 July 2015 - 30 September 2015.

1. Recommendation

- 1.1 It is recommended that the Audit Committee notes the performance of the Internal Audit and Investigations team and key issues arising during the period 1 July – 30 September 2015.

2. Reason for Decision and Options Considered

- 2.1 This is a programmed, periodic report outlining the progress of Internal Audit and Investigations functions against the 2015/16 Quarter Two targets, therefore no decision is required.

3. Key Implications

- 3.1 Internal audit is an assurance function that provides an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports

on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. While assurance will also be sought from third parties, the assurance gained from the programme of work set out in the 2015/16 Plan will form the main input for the development of the 2015/16 assurance opinion of the Head of Audit & Investigations.

- 3.2 The Investigations Team undertakes investigations following allegations of criminal offences committed against the authority. Positive outcomes in respect of detection of fraud have been achieved. A policy of prosecution when sufficient evidence is available and it is in the public interest to do so has been maintained.

4. Internal Audit Performance as at 30 September 2015

- 4.1 The 2015/16 Plan was approved by the Audit Committee in March 2015 and comprised of 750 days. The plan presented was indicative and can be subject to revision during the year to take account of changing priorities and emergent risks. Audit Board monitors progress against the Plan. In Quarter Two an additional audit of Ealing Healthwatch has been undertaken at the request of senior management, utilising an element of the contingency days built into the Plan.

- 4.2 The tables below set out the current status in terms of the delivery of the plan along with the assurance profile given. As can be seen 51% of the plan has been delivered by the end of the quarter 2, against a performance target of 50%.

2015/16 Audit Plan Status		
Status	Total	Actual %
Draft	19	24
Final	22	27
WIP	6	8
Overdue	-	-
Not Due	33	41
Total	80	100

2015/16 Audit Plan Assurance Profile		
Assurance Level	Total	Actual %
Full	-	-
Substantial	34 (18 Final / 16 Draft Stage)	42
Limited	4 (1 Final/ 3 Draft)	5
Nil Assurance	-	-
Follow up	3	4
To be Determined	39	49
Total	80	100

4.3 The current assurance opinions provided by Internal Audit are as follows:

Level	Definition
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
Nil	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

4.4 2015/16 Schools Internal Audit Plan

4.4.1 The Schools Internal Audit Plan comprises of the following reviews:

- 30 individual school audits probity audits following a standard audit program;
- A summary assurance review of all Schools who attract Post 16 – 19 Education Funding; and
- A detailed program of follow up reviews including all Priority 1 recommendations made and agreed.

4.4.2 The tables below provide details of the current status with regards to the delivery of the Schools Internal Audit Plan.

2015/16 Audit Plan Status – Schools		
Status	Total	Actual %
Draft	9	30
Final	16	53
WIP	-	-
Overdue	-	-
Not Due	5	17
Total	30	100

2015/16 Audit Plan Assurance Profile – Schools		
Assurance Level	Total	Actual %
Full	-	-
Substantial	22	73
Limited	3	10
Nil Assurance	-	-
Follow up	-	-
To be Determined	5	17
Total	30	100

4.5 Follow up of Recommendations

4.5.1 As part of the process to ensure recommendations and agreed management actions are implemented in a timely manner, a detailed follow up review of recommendations made and due to be implemented in quarter two has been completed. The Audit Committee will note that changes have been implemented to the approach with regards to the follow up of recommendations in order to ensure that the follow up process is more effective and completed in a timelier manner. Each quarter, the recommendations due to be implemented in the previous quarter are subject to detailed follow-up to confirm implementation.

4.5.2 The tables below show the results of the follow up activity completed in respect of the quarter two P1 & P2 recommendations made and those outstanding and therefore carried forward from 2014/15:

Non School Audits

	P1	P2	P3
No. of Recs raised in Quarters 1 & 2	-	15	1
Outstanding 14/15 Recs brought forward.	13	-	1
To Follow Up	13	15	2
Due to be Implemented by 30/09/15	9	2	
Fully Implemented	5	2	
Partially Implemented	-	-	
Not Implemented	4	-	

School Audits

	P1	P2	P3
No. of Recs raised in Quarters 1& 2	7	75	13
Outstanding 14/15 Recs brought forward.	7	1	-
To Follow Up	14	76	13
Due to be Implemented by 30/09/15	7	35	
Fully Implemented	1	10	
Partially Implemented	2	1	
No response received to follow up request.	4	24	

4.5.3 The 4 Priority 1 non-school recommendations which have a current status of 'not implemented' relate to the following:

- Rendezvous Cafeteria (2 Recommendations) – these recommendations were originally raised as part of a 2014/15 audit plan. Whilst work to implement the recommendations remains ongoing, progress has been hampered due to ongoing staffing changes. A further follow up of these recommendations is arranged to be completed in January 2016.
- Individual Elector Registration - this recommendation was originally raised as part of a 2014/15 audit, with an agreed implementation date of July 2015. The service has suggested the revised implementation date of January 2016 as they are currently recruiting a post that would manage the risk area highlighted. Due to the ongoing recruitment exercise a revised implementation date of January has been provided. This recommendation will therefore be followed up by the end of January 2016.

- Electrical and Gas Inspections - this recommendation was originally raised as part of a 2014/15 audit, with an agreed implementation date of September 2015. Through discussions with the relevant department we have been able to confirm that a resolution to the issue is being actively worked on. A revised implementation date of December 2015 has been provided. Follow up of this recommendation has been arranged to be completed by the end of January 2016.

4.5.4 In respect of the School recommendations where no response has been received, this specifically relates to two individual schools, where they had failed to respond to the ongoing Internal Audit requests for information. The main reason cited by the school for a lack of response was due to staffing disruption in respect of key school staff. It should however be noted that revisits to each school for the purpose of following up the four recommendations have been agreed to be completed in mid-January 2016.

4.5.5 Partially implemented recommendations will continue to be monitored and any instances of non-implementation reported to subsequent Audit Committees.

5. Counter Fraud and Investigation Performance & Developments

5.1 As previously reported to the Committee, Internal Audit & Investigation services are delivered by the Internal Audit and Investigations Shared Service, which has brought together the Internal Audit and Investigation resources of the London Boroughs of Ealing, Hounslow and Brent.

5.1 The Shared Service, hosted by the London Borough of Ealing, enhances the Internal Audit and Investigation services delivered to the three boroughs, by bringing together a wealth of experience, improving overall service resilience, whilst also providing the opportunity to share best practice and harmonise counter fraud processes.

The Shared Service is responsible for the investigation of all types of suspected fraud within the Council, including but not limited to:

- Corporate fraud matters in relation to offences committed by employees;
- Procurement fraud by employees, Contractors or other third parties;
- Fraud within schools;
- Housing related fraud;
- Council Tax Reduction fraud; and
- School placement applications.

5.2 Investment in Counter Fraud Resources

5.2.1 In view of the increasing fraud risks faced by the public sector, it is important that wherever possible, organisations continue to invest in the counter fraud resources available. To this end, it is pleasing to report that the Shared

Service has taken forward two initiatives to continue to train and develop the investigation resources available to the London Borough of Ealing.

- 5.2.2 The Investigation officers are currently undertaking the Chartered Institute of Public Finance & Accountancy (CIPFA) Accredited Counter Fraud Specialist qualification, it is expected that the investigation officers will have achieved the qualification by the end of the year. This will help to improve the skills and career development of the officers and have the potential to increase the level of skill-set available to each partner in the Shared Service.
- 5.2.3 The investigation team is aiming to improve recovery in respect of proven fraud by using the Proceeds of Crime Act (POCA). Two officers have recently achieved their Financial Investigation accreditation from the National Crime Agency (NCA) have been accepted onto the confiscation accreditation programme run by the NCA. Upon successful completion, the officers will be authorised to submit confiscation orders requiring offenders to pay back the equivalent of their benefit from the criminal conduct.
- 5.2.4 This resource can further be utilised by all internal departments within the Council for financial investigations under POCA. Currently, a number of referrals have been made to the team and which are currently subject of an ongoing investigation.

The investigation team in line with the governments Assets Recovery Strategy will:

- Make greater use of the investigation of criminal assets in the fight against crime.
- Will recover money that has been made from crime or which is intended for use in crime.
- Prevent criminals and their associates from laundering the proceeds of crime
- Will detect and penalise such laundering where it occurs.
- Will use the proceeds recovered for the benefit of the community.

5.3 Council Tax Reduction (CTR)

- 5.3.1 From the 31 March 2013, the Government ended Council Tax Benefit, and LB Ealing developed its own Council Tax Reduction Scheme. This scheme gives residents a reduction in their Council Tax bill that is broadly similar to the benefit they would have received if Council Tax benefit had continued.
- 5.3.2 The powers the local authority had to investigate and prosecute Council Tax benefit will not be available for use in the reduction scheme, however replacement powers and offences have been set out in the Detection of Fraud and Enforcement regulations to ensure authorities can secure evidence of wrongdoing and sanction offenders.

5.4 Enhanced Vetting (EV)

5.4.1 Ealing Council has a risk assessed process of EV for new recruits into both permanent and temporary posts and involves stringent checks to verify the validity of a candidate and their employment application.

5.4.2 In this period, reasons for failure to progress into a post have included Benefit and Council Tax fraud, false employment history, false references and false qualifications.

5.4.3 The team are currently working to clear an unprecedented level of cases to provide a complete service across the council. This is reflected in the statistics provided below. The team are also working with Schools HR officers to offer a comprehensive service for schools recruitment.

Enhanced Vetting Statistics

The table below highlights the results in respect of the Enhance Vetting activity completed. It should however be noted that the team have an ongoing caseload of 203 cases (36 permanent roles and 167 temporary roles).

01/4/15 to 25/11/15 EV Case Assurance Profile - Cases Complete			
Case Status	Cross Council		
	Total	Temp	Perm
Complete	622	235	386
Pass	530	158	372
Fail	10	1	9
3 rd Party Referral*	11	2	9
Withdrawn	8	2	6
Agency Fraud	-	-	-
Assignment Ended	74	74	-

*3rd Party Referral – represents a suspected fraud that has been identified as a result of enquiries for example a benefit fraud by another member of a candidate's household.

** Assignment ended specifically means that whilst enhanced vetting had commenced, the individual assignments had ended before the enhanced vetting activity could be completed. It should be noted that there will always be an element of this particularly in services where there is a high level of short-term placements e.g. Care Workers.

5.5 National Fraud Initiative

5.5.1 The current exercise used data relating to 2014. The Council received 2,801 recommended matches in February 2015. The table below details the progress made on the key reports. The key reports are the reports used by the NFI team to initially assess the Council's progress and are the reports deemed to be the most important based on previous exercise experience.

NFI key reports	Recommended Matches	Initial Evaluation Commenced	Investigation Initiated	Matches Completed / Closed	Matches to Action
Housing Benefit, NFI Id 2,13,14,14.1, 18,20,23	712	-	-	-	-
Payroll NFI id 66,70,73,80	33	-	-	33	-
Pension NFI Id 52,55,	49	12	-	27	10
Housing Tenancy NFI Id 101,103	14	-	1	13	-
Right to Buy NFI Id 156	97	-	-	97	0
Resident Parking Permits NFI Id 172.3	35	-	-	35	-
Private Residential Care Homes NFI Id 173	15	-	-	15	-
Duplicate records creditor NFI Id 707,708	512	-	-	498	14

- Housing Benefit recommended matches have been referred to the local DWP Fraud and Error Service for investigation. It should however be noted that prior to referral, the cases were examined for any potential CTRS fraud.
- The Procure to Pay team have reviewed match ID 708 (duplicate creditor records), which only identifies amount and creditor id as a duplicate and not invoice number, as a result there were 473 matches. 60 recommended matches were reviewed and none of them were duplicate matches, they were all periodic payments that had been identified. This report has now been closed based upon the initial findings by the Procure to Pay team.

- The National Fraud Initiative 2014 exercise for the LB Ealing has identified a total of £19,173 in fraud and error to date.

5.6 Investigation team performance July to September 2015

5.6.1 The table below details the performance of the team against the targets that have previously been set.

	2014/15 year-end	2015/16 target	2015/16 profile	2015/16 actual
(1) Intelligence				
Number of new cases started	557	550	275	244
Number of cases passed for investigation	357	375	187	138
Average time from receipt of referral to 'Accepted' and forwarded for investigation	16 days	16 days	N/a	23 days
(2) Investigation				
Number of completed investigations	293	250	125	86
Number of cases where fraud established (balance of probabilities)	56	68	34	17
Number of sanctions applied (includes: Prosecution; Police caution; Disciplinary action; Tenancy application refused; Right To Buy application rejected; Council property recovered; Council Tax Reduction Scheme penalty; Blue Badge warning)	43	68	34	11
Number of council properties recovered (included above)	17	20	10	5

5.7 Examples of cases investigated

5.7.1 Housing identified that an individual had been successfully offered a Council property, where they suspected the individual had not declared their true circumstances on the housing application form. The Audit & Investigation team discovered that the individual had obtained a Council tenancy for a property in Southwark and was the sole tenant of this Council property prior to applying for a Council property at Ealing. The individual was prosecuted by the LB Ealing for 2 counts of fraud by false representation, and pleaded guilty at Ealing Magistrates to both counts.

5.7.2 Candidate A provided a full work and qualification history in support of her application for employment; this did not include a degree qualification, or a period of 3 years study. This contradicted the record held by Ealing's Council Tax department who had granted an exemption from Council Tax when the candidate had provided a certificate from a Higher Education establishment. The candidate declined the opportunity to attend an Enhanced Vetting Interview to explain this discrepancy, the offer of employment was withdrawn and the case has been referred for further investigation.

6. Financial

6.1 All audit and investigations activity covered in this report is being delivered within the Audit & Investigations budget.

7. Legal

7.1 Counter Fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: the Police and Criminal Evidence Act (PACE) 1984, the Criminal Procedure and Investigations Act (CPIA) 1996, the Social Security Administration Act 1992 (as amended), the Human Rights Act 1998, the Regulation of Investigatory Powers Act (RIPA) 2000, the Anti-Terrorism Crime and Security Act 2001, the Public Interest Disclosure Act 1998 and relevant Employment Law, Fraud Act 2006, Proceeds of Crime Act 2002.

8. Value for Money

8.1 Value for money reviews have been identified within the audit plan.

9. Sustainability Impact Appraisal

9.1 Not applicable.

10. Risk Management

10.1 The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

11. Community Safety

11.1 Not applicable.

12. Links to Strategic Objectives

12.1 The issues outlined in this report have a particular focus on the Council's organisational improvement objective 'Becoming a high performing organisation, focused on the needs of its communities'.

13. Equalities and Community Cohesion

13.1 Not Applicable.

14. Staffing/Workforce and Accommodation implications

14.1 Not applicable.

15. Property and Assets

15.1 Not applicable.

16. Any other implications

16.1 None.

17. Consultation

17.1 Not applicable.

18. Timetable for Implementation

18.1 Not applicable.

19. Appendices

19.1 Not applicable.

20. Background Information

20.1 Past counter fraud papers are available upon request from Steven Tinkler, tinklers@ealing.gov.uk.

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Ian O'Donnell	Executive Director of Corporate Resources	07/12/15	07/12/15	Throughout
Maria Christofi	Director of Finance (Deputy s151 Officer)	07/12/15	07/12/15	Throughout
Mike Stringer	Head of Finance Transformation	07/12/15	07/12/15	Throughout
Cllr Yvonne Johnson	Portfolio Holder – Finance, Performance & Customer Services	07/12/15		

1. Report History

Decision type:	2. Urgency item?
For information	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:

Report no.:	Report author and contact for queries:
	Steve Tinkler, Head of Audit & Investigation, ext 8571