

**REPORT FOR: GOVERNANCE, AUDIT,  
RISK MANAGEMENT  
AND STANDARDS  
COMMITTEE**

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**Date of Meeting:**

6 December 2017

**Subject:**

**INFORMATION REPORT –  
Internal Audit and Corporate  
Anti-fraud Mid-Year Report and  
Plan Update 2017/18**

**Responsible Officer:**

Tom Whiting – Corporate Director  
Resources and Commercial

**Exempt:**

No

**Enclosures:**

Appendix 1 – 2017/18 Internal Audit  
Mid-Year Report + Quarter 3 & Plan  
Update  
Appendix 2 – IA Output Against Plan  
Appendix 3 – Corporate Anti-fraud  
Team Mid-Year Report + Quarter 3  
Update  
Appendix 4 – Fraud Referrals

## **Section 1 – Summary**

This report sets out progress against the 2017/18 Internal Audit and Corporate Anti-fraud plans.

**FOR INFORMATION**

## **Section 2 – Report**

### **Introduction**

2.1. Annually the GARMS Committee considers a mid and full year Internal Audit and Corporate Anti-Fraud report covering progress against the agreed plans. This is the mid-year report for 2017/18 and also covers progress in Quarter 3 and an update on the Internal Audit annual plan.

### **Internal Audit Mid-year Results (Appendix 1 and 2)**

2.2 In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle. Two of the 9 systems were reviewed in the first quarter of 2017/18 and control self-assessments were completed for the other 7 systems. Out of a total of 24 controls reviewed, 15 (63%) were fully operating, 7 (29%) were substantially operating and 2 (8%) were partially operating (Green Assurance).

2.3 Overall 2 (50%) of the Internal Audit performance indicators have been met or exceeded at mid-year. Performance target 1, 95% of recommendations made by Internal Audit agreed for implementation, has been exceeded by 5% and performance target 3, plan achieved for key control reviews, has been fully met.

2.4 For performance indicator 2 (follow up undertaken) 10 of 14 follow ups were issued however a conscious decision was taken to postpone the remaining four until October 2017 on the return to work (after maternity leave) of the Assistant Auditor responsible for follow-ups hence it is expected that the full year target will be met.

2.4 Overall 42% of the plan was completed at mid-year which is 3% lower than the target of 45% (performance indicator 4 – key indicator). This is due to resources being diverted to 3 emerging risks in Q2 of 2017/18 as well as the loss of the (interim) risk management resource, requiring Internal Audit resources to be diverted to update the risk register for Q1 & Q2. This is not expected to determinately effect the achievement of the plan at year-end.

2.5 The corporate performance indicator (implementation of recommendations) reflects the value added by Internal Audit to the organisation in terms of improved control and governance. The result for the corporate performance indicator shows that whilst 88% of recommendations had been implemented at the time of follow-up a further 12% are planned for implementation giving an expected implementation rate of 100% which exceeds the 90% target.

### **Internal Audit Quarter Three Update**

2.6 Good progress has been made with planned work in Q3 (Appendix 1, Table 8) although work continues on 2 of the 3 emerging risks (Appendix 1, Table 10) impacting on the timing of some reviews.

## **Internal Audit 2017/18 Plan Update**

- 2.7 The nature of risk based planning, as opposed to the more traditional cyclical planning, requires a more flexible approach to be taken to enable the Internal Audit service to address risks facing the Council as they change. Over the last few years this has resulted in changes being made to the plan at mid-year to recognise emerging risks. Three emerging risks reviews have been identified and started in Q2/Q3 that will require some changes to the current plan.
- 2.8 The Accounts and Audit Regulations 2015, require Local Authorities to prepare a Statement of Accounts in accordance with proper practices. The regulations also require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review (the AGS) with any published Statement of Accounts. In previous years the draft Statement of Accounts was required to be prepared by 30 June however from 2017/18 the deadline will be 31st May 2018. The consequence of this is that the annual review of governance will need to be started in Q4 2017/18 rather than undertaken in Q1 of 2018/19 requiring some changes to the current plan.
- 2.9 It is estimated that up to 89 audit days will be required for the review of emerging risks in the 2017/18 plan and to bring the annual review of governance forward into Q4 to compensate for this reviews equating to 90 audit days have identified as potential carry-forwards to 2018/19 (Appendix1, Table 9). Wherever possible reviews carried-forward will be those that due to service developments it is more appropriate to delay the review or where, with the agreement of management, the risk is not considered as high as any emerging risks. Consultation will be undertaken with management during December and an updated position presented at the next GARMS Committee meeting in January 2018.

## **CAFT 2016-17 Progress Against Plan (Appendix 3 and 4)**

- 2.10 Of the 14 objectives in the CAFT Fraud Plan for 2017/18, 2 have been met (15%), 1 partially met (7%), 7 are on target (50%), 3 have not been met and are ongoing (21%) and 1 objective has not commenced (7%).
- 2.11 In terms of the Key Performance Indicators, 2 are being exceeded (40%), 1 is being met (20%) and 2 have not been met (40%). In terms of the indicators not being met the first one was involving just 1 investigation referral so the risk is minimal and the other indicator whilst being 20% under target, improvements have already been made in Q3 figures upping the figure 18% to illustrate that the indicator is back on track.
- 2.12 The fraud plan for the year contains actions that align closely to the Local Government Fraud and Corruption Strategy focusing on Acknowledging, Preventing and Pursuing fraud and corruption and the authorities' recently refreshed strategy on fraud and corruption will be reviewed again in Q4 to ensure it does not lose touch with what is happening on the fraud landscape.

- 2.13 In terms of acknowledging the risk of fraud and corruption and the harm that this can cause, the establishment of a fraud risk register by the end of the year will improve the way the authority manages its fraud risks and this will support fraud risk assessment so we improve resilience. This is one of the objectives on target along with the fraud risk assessment which has been met.
- 2.14 In relation to preventing, detecting and deterring fraud and corruption, there have been a number of positive outcomes to date this year in terms of raising awareness of fraud and the e-learning once launched will further develop this stream. Awareness sessions have been delivered to members and front line services alike and the fraud risk workshops are enabling managers to network with colleagues across the authority to share ideas and best practice on improving fraud risk controls.
- 2.15 Progress has been steady on the National Fraud Initiative work. The team will provide greater support and advice to service areas in Q3 and Q4 to push high risk matches along. The team continues to work closely with enforcement partners across London and wider where required and they were involved in the development up of a pilot involving the Home Office Immigration Enforcement Directorate and Children's Services where the authority now has the benefit of an embedded immigration officer working at the authority two days per week.
- 2.16 In terms of pursuing fraud and corruption once identified, there has been some really positive partnership working with housing needs, housing management, leasehold services, social care and revenues and benefits ensuring that those committing fraud are stopped and punitive action taken to recover any losses.
- 2.17 In terms of the value of fraud and corruption value identified during 2017-18 at the mid-year year point that can be measured, this amounts to £1.47 million, which represents almost a 6:1 return on investment for the teams running costs.

### **CAFT 2017-18 Q3 Fraud Plan Progress Update**

- 2.18 Progress against the Fraud Plan is progressing well in Q3. In terms of acknowledging and preventing, detecting and deterring fraud and corruption, the fraud risk workshops have continued and the Resources Directorate workshops are now complete and the findings are being put into a fraud risk register for review by managers. Further workshops are now in planning for the People and Community Directorates to be concluded before year end.
- 2.19 Further fraud awareness workshops have been run for housing officers and a programme of joint Internal Audit/CAFT fraud risk workshops has commenced with a number of Harrow Schools identifying fraud risks, capturing existing controls and highlighting further actions to increase the schools resilience to manage fraud and corruption risks.

2.20 In terms of pursuing fraud and corruption in Q3 to date, two Council properties have been recovered, three Right to Buy applications rejected, two housing applications intercepted and a number of other positive outcomes resulting in financial savings amounting to circa £587,000 which in addition that what has been identified in Q1 & Q2 amounts to a total in excess of £2 million to date.

### **Section 3 – Further Information**

3.1 The next report on the performance of the Internal Audit and CAFT will be the 2017/18 Year-End Report to be submitted to GARMS Committee in July 2018.

### **Section 4 – Financial Implications**

4.1 There are no financial implications to this report.

### **Section 5 - Equalities implications**

5.1 There are no equalities implications.

### **Section 6 – Corporate Priorities**

6.1 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

Name: Dawn Calvert



Chief Financial Officer

Date: 23/11/17

### **Section 7 - Contact Details and Background Papers**

**Contact:** Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud, Tel: 0208 424 1420

**Background Papers:** None