

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

Date of Meeting: 29/01/19

Subject: **INFORMATION REPORT –
Internal Audit and Corporate
Anti-fraud Mid-Year Report and
Plan Update 2018/19**

Responsible Officer: Dawn Calvert – Director of Finance

Exempt: No

Enclosures: Appendix 1 – 2018/19 Internal Audit
Mid-Year Report + Quarter 3&4 & Plan
Update
Appendix 2 – Corporate Anti-fraud
Team Mid-Year Progress Update
Appendix 3 – Fraud Referrals

Section 1 – Summary

This report sets out progress against the 2018/19 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 2018/19 and also covers progress in Quarters 3 & 4 and an update on the Internal Audit annual plan.

Internal Audit Mid-year Results (Appendix 1)

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 2018/19 and evidenced based control self-assessments were completed for the other 7 systems.

2.3 All 4 (100%) 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 4%; for performance indicator 2 (follow up undertaken) the 100% target has been met; for performance target 3, plan achieved for key control reviews, 100% target has also been fully met and for performance target 4, plan achieved overall, the mid-year target of 45% has been met.

2.5 The corporate performance indicator (implementation of recommendations) reflects the value added by Internal Audit to the organisation in terms of improved control, risk management and governance. The result for the corporate performance indicator shows that whilst 67% of recommendations had been implemented at the time of follow-up a further 33% are planned for implementation giving an expected implementation rate of 100% which exceeds the 90% target.

Internal Audit Quarter 3 & 4 Update

2.6 Good progress has been made with planned work in Q3 & Q4 so far (Appendix 1, Tables 7 & 8) with additional work also being undertaken on 2 emerging risks and an irregularity investigation.

Internal Audit 2018/19 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 create capacity to enable the Internal Audit service to address risks facing the Council as they emerge. Changes may also be required to the plan during the year to reflect any reductions in overall internal audit (or CAFT) resources as a result of a vacant post(s) or as a result of a planned action in another part of the Council not being completed on which a review was reliant. In these instances reviews may be considered for carry forward to the 2019/20 plan. Appendix 1 Table 9 shows reviews from the plan to be started in Q4 and those to be considered for carry forward and the reasons why.

CAFT 2018-19 Mid-Year Report (Appendix 3 and 4)

- 2.8 Of the 15 work streams in the CAFT Fraud Plan for 2018/19, 2(13%) have been exceeded, 6(40%) are on target, 2(13%) have been partially achieved, 2(13%) have not yet started, 1(6%) has been delayed until Q4 and 2(13%) have not been achieved due to reduced capacity within CAFT caused by vacancies.
- 2.9 In terms of the Key Performance Indicators, 4(80%) have been exceeded and 1(20%) is 8% below the mid-year target. As progress on this target is not evenly distributed across the year the target is expected to be met at year-end.

CAFT 2018-19 Q3 & Q4 Fraud Plan Progress Update

- 2.10 Progress against the Fraud Plan is progressing well in Q3 and Q4. In terms of *acknowledging* and *preventing*, *detecting* and *deterring* fraud and corruption, the work on the fraud risk register has continued and only a few risk areas remain where further work is required with services to consider fraud risk and controls in place to mitigate risk.
- 2.11 In terms of *pursuing fraud and corruption* in Q3 to date, 6 social housing properties have been recovered, 1 Right to Buy application intercepted, 1 housing application rejected, 2 further successful blue badge prosecutions and a number of other positive outcomes resulting in financial savings to the authority amounting to circa £724,000 which in addition to what has been identified in Q1 & Q2 amounts to a total just under £2 million to date which represents almost a 8:1 return on investment for the teams costs.

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: 18/01/19

Section 7 - Contact Details and Background Papers

Contact: Susan Dixson, Head of Internal Audit & Corporate Anti-Fraud, Tel:
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Background Papers: None