



City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	4 February 2014
Classification:	For General Release
Title:	Internal Audit & Counter Fraud 2013/14 – Summary Monitoring Report
Wards Affected:	All
Financial Summary:	Service Budget 2013/14 £983,155
Report of:	Acting Section 151 Officer

1. Executive Summary

1.1 Key outcomes from the Internal Audit & Counter Fraud work – October to December 2013:

- Audit work completed in the period indicates that internal control systems were generally effective with 83% of the audits receiving a positive assurance opinion;
- The Council was found to be effective at implementing recommendations where problems were found. Where control improvements are required and compliance with agreed systems should be improved action plans are in place to remedy the weaknesses identified and these are followed up until they are considered to be complete;
- Housing Benefit Fraud Investigations resulted in one prosecution and twenty-six “Cautions” or “Administrative Penalties” being issued during the period which related to overpayments and fines totalling £87K;
- Housing fraud investigation work during the period has resulted in one Council property being recovered;
- Parking fraud investigation work has resulted in one successful prosecution for the misuse of a disabled parking badge.

- 1.3 In addition to the audit work undertaken by Baker Tilly Business Services Limited, one audit has been completed in the period in respect of services provided within RB Kensington & Chelsea (RBK&C), LB Hammersmith and Fulham (LBHF) and Westminster City Council (WCC) which was undertaken by the in-house audit service within RBK&C (Fostering Service – Follow up).
- 1.4 The findings from an audit on Home Care were reported to the Committee in November 2013. The review identified seven key areas of weaknesses and a limited assurance opinion was given. An update on the implementation of all of the recommendations has been provided by the Director of Operations, Adult Social Care and this is contained in **Appendix B**. Representatives from Adult Social Care will attend the Committee to answer any questions the Members have on this system.

2. Recommendations

- 2.1 That the Committee consider and comment on the internal audit and counter fraud work carried out during the period.

3. Background, including Policy Context

Baker Tilly Business Services Limited are the Council's appointed internal audit and counter fraud specialists. Detailed reports on the performance of the Internal Audit and Anti-Fraud contract and the outcomes of the work undertaken by Baker Tilly Business Services Limited are presented monthly to the Acting S151 Officer. These can be made available to the Committee on request. Some of the audits in the annual plan are undertaken on a tri-borough basis by either Baker Tilly Business Services Limited, the external contractor to RBK&C/LBHF or RBK&C's in-house audit team. These audits are managed by the Tri-Borough Director for Audit, Fraud & Risk. The Audit & Performance Committee are provided with updates at each meeting on all RED or AMBER RAG limited assurance audits issued in the period.

4. Opinion on the Control Framework

Our opinion is that at the time of preparing this report, the Council's internal control systems in the areas audited in the year to date were adequate. This is a positive opinion which means that the Council generally has effective internal control systems with 83% of audits receiving a positive assurance opinion. The implementation of "significant" and "fundamental" recommendations has been consistently effective.

In the above context we stress that:

- This opinion is based solely upon the areas reviewed and the progress made by the Council to action our recommendations;
- Assurance can never be absolute neither can our work be designed to identify or address all weaknesses that might exist;
- Responsibility for maintaining adequate and appropriate systems of internal control resides with council management, not internal audit;
- We have not placed reliance on other agencies' work in carrying out our audits.

5. Audit Outcomes in the Period

5.1 Since the last report to the Committee, the following audits were undertaken none of which identified any key areas of concern:

- Procurement Cards (substantial assurance, green RAG);
- Local Council Tax Support (substantial assurance, green RAG);
- Special Events, Fees & Charges (substantial assurance, green RAG);
- Right to Buy (satisfactory assurance, amber RAG);
- Facilities Management De-commissioning of Contracts (satisfactory assurance, amber RAG);
- Hallfield Primary School (satisfactory assurance, green RAG);
- Hampden Gurney Primary School (substantial assurance, green RAG).

5.2 Two limited assurance audits were issued in this period in respect of Essendine Primary School and Abbots Manor Residents' Association. A summary of the findings from these audits is shown in paragraphs 5.5.1 and 5.5.2 below.

5.3 During the year a total of sixteen school audits are due to be undertaken and, as previously requested by the Committee, these are shown in **Appendix A**. This Appendix is updated with the audit outcomes and reported to the Committee at each meeting.

5.4 Tri-borough Audits Completed in the period

One audit has been completed in the period, which was undertaken on a tri-borough basis:

- Fostering Services follow-up review (now satisfactory assurance). A summary of the implementation of the recommendations from this review are included in paragraph 5.6 below.

5.5 Limited Assurance Reviews

5.5.1 Essendine Primary School (Amber)

The audit identified that the financial control framework in place at the school was adequate with two significant recommendations made to improve inventory/asset

control and the ordering/payments process. However, it was noted that the school has experienced a number of problems in respect of their Governing Body membership in the past year which has resulted in a lack of strategic decision making and prevented effective discussions at Governing Body meetings. Although there was some evidence to demonstrate that the school was actively working towards resolving these issues, this was limited to the most recent meeting minutes available. As a result, nine recommendations have been made in relation to governance and leadership one of which one has been classified as fundamental and four have been classified as significant.

The recommendations made as a result of this audit have been accepted and are being implemented. A follow up review will be undertaken in March/April 2014 to ensure that the recommendations have been implemented and improved governance arrangements are operating at the school.

5.5.2 Abbots Manor Residents' Association (Amber)

The Abbots Manor Residents' Association (AMRA) was set up over 35 years ago. CityWest Homes had concerns over the operational and financial management practices within AMRA and requested an internal audit of the processes in place. The audit identified that the control framework was inadequate and one fundamental, two significant and two best practice recommendations were made in respect of the following:

- Analysis of the financial transactions would suggest that petty cash has been used in the past and this was confirmed with the Treasurer, however, no records were maintained to support cash payments and, at the time of the audit, the £300 float and/or the supporting receipts could not be accounted for;
- The bank account was not managed in accordance with best practice with insufficient signatories in place, a lack of regular reconciliations of the account and no independent review or reporting was undertaken;
- Procurement controls were weak and evidence to support payments was inadequate.

Since the audit commenced, AMRA have held their annual general meeting (July 2013) and a new Chair has been elected. In line with the AMRA constitution, an extraordinary general meeting of the association was held in September and the remaining committee positions were filled.

CityWest Homes have reported that they are confident that with the new chair and committee in place, the weaknesses identified in the audit will be addressed. CityWest Homes are supporting the new committee to identify any training needs in terms of governance and are working with AMRA to implement a new constitution.

A follow up review will be undertaken to ensure that AMRA have implemented an effective control framework which addresses the weaknesses identified in the audit.

5.6 Implementation of Audit Recommendations

Follow up audits were undertaken in the following areas in the period:

Audit	No of Recs Made	No of Recs Implemented / In Progress	Assurance Opinion
General Ledger	4	4	Substantial
St George's Primary School (Hanover Square)	6	6	Substantial
Tri-borough – Fostering Services	16	13*	Satisfactory

*three recommendations cannot be implemented at this stage as they are dependent on the implementation of managed services systems and processes. These will be further reviewed post July 2014.

In the year to date, follow up audit work has found that the implementation of recommendations is good with 94% of priority 1 and priority 2 recommendations implemented by their due date.

6. Anti-Fraud Work Outcomes

6.1 Housing Benefit Fraud Investigations

6.1.1 The table below illustrates the sanctions achieved to date in the financial year 2013/14. From a total of 363 investigated cases there have been 54 sanctions to date. The investigations have identified £315K in overpaid Housing Benefit and fines of which approximately 22% has been recovered to date. The remaining amounts are subject to continuing recovery action. It has always been the case that recovery has been slow due to the constraints on the action that can be taken, although eventually the majority of the money will be recovered. Internal Audit continues to work with the responsible sections of the Council to improve the speed of recovery.

Year 2013/14 Sanction	No of Cases	Overpayments/ Fine	Recovered to Date	Recovery Rate – Dec 2013	Comparison Recovery Rate Previous Year (Dec 2012)
Prosecution	8	£143,989	£15,155	10.53%	16.89%
Official Cautions	16	£ 41,282	£ 3,406	8.25%	7.87%
Administrative Penalties (overpayments & fines)	30	£129,823	£51,804	39.86%	19.16%
Totals	54	£ 315,094	£70,365	22.33%	16.76%

6.1.2 Since the last report to Committee in November, there has been one prosecution for Housing Benefit fraud and eighteen Administrative Penalties and eight Cautions have been issued. These resulted in overpayments and Administrative Penalties of £87K all of which is recoverable from the claimants.

The outcome for the one prosecution case was as follows:

- A benefit claimant who resides in NW8 was sentenced to a 150 hour Community Punishment Order and a 12 month Curfew Order (9pm to 6am) at Southwark Crown Court after pleading guilty to two offences of making false statements for the purpose of obtaining benefit. This case was a joint investigation involving investigators from the Council and the DWP. The defendant had fraudulently obtained £24.8K Income Support and £3K Council Tax Benefit after failing to declare he held additional bank accounts with capital totalling over £75K during the period November 2005 to December 2011.

6.2 Parking Fraud Investigations

Since the last report to Committee, investigations have resulted in the successful prosecution of an individual for the misuse of deceased relative's disabled parking badge. The defendant pleaded guilty and was fined £500 and ordered to pay a victim surcharge of £15 and costs of £500.

6.3. Housing Fraud Investigations

6.3.1 Investigations have resulted in one Council property being recovered:

- A one-bedroom property in NW8 has been recovered. An investigation into the tenant's subletting of this property resulted in the tenant offering to return the keys to the property in August 2013. When the keys were not returned as agreed, the Council applied to the Court and in November the London County Court awarded the Council outright possession of the property.
- 6.3.2 As previously reported to the Committee (June 2013), following the successful prosecution of an ex-Council tenant for subletting her Council property, a confiscation order was granted to the Council to recover the profit she had made from subletting the property. The ex-tenant had received over £30k in rental income over a period of years and at the Confiscation Hearing it was determined that she did not have the means to repay the full amount but the Council was awarded £10.7K which had to be paid within six months. This amount was paid to the Council by the ex-tenant in October 2013.
- 6.3.3 The Council has received DCLG funding for housing related investigations some of which is assigned to training and pro-active exercises. In October, a one-day training course was provided for staff employed by registered social landlords. The training covered the techniques that can be used when interviewing tenants to help the staff obtain appropriate details and to identify those issues where further enquiries may be necessary. The course was well attended with sixteen delegates from six different social housing providers. Further training and proactive exercises are planned for January to March 2014.

6.4. Other Fraud Investigations

- 6.4.1 An investigation was undertaken following allegations that a member of staff within Children's Services was working whilst on sick leave from her Council employment. Investigations identified that the employee was running a wedding planning business with evidence that she was undertaking this work whilst on paid sick leave from the Council. As a result, disciplinary proceedings were initiated and the employee was dismissed.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Chris Harris on 020 7641 2820,

Email: chris.harris@bakertilly.co.uk

Address: Internal Audit, 33 Tachbrook Street, London, SW1V 2JR. Fax: 020 7641 6039

BACKGROUND PAPERS

Internal Audit Reports;

Monthly Reports

School Audits

The internal audit strategy allows for the schools within Westminster to be audited on a three-year cycle. The audit programme has been reviewed by RBKC, LBHF and Westminster with the aim of adopting a common approach to school audits across the three boroughs and a revised programme is being used for school audits at the three boroughs with effect from April 2013.

During 2013/14, a total of 16 school audits are planned:

- 14 primary schools;
- 1 secondary school; and
- 1 pupil referral unit

Any school which is given a limited assurance opinion will be reported to the Audit and Performance Committee during the year. Follow up audits are undertaken on all schools where fundamental or significant recommendations have been made, regardless of the assurance opinion given.

The table below shows the schools due to be audited in 2013/14. This will be updated and reported to each meeting of the Committee:

School	Assurance	RAG	No of Recommendations	Follow Up Assurance	Follow Up RAG
Beachcroft PRU	Satisfactory	Green	13	Due Q4	
Churchill Gardens Primary	Limited	Amber	15	N/A - Academy	N/A
St Augustine's High	Satisfactory	Amber	15	Due Q4	
St Edward's Primary	Substantial	Green	7	Due Q4	
Wilberforce Primary	Satisfactory	Amber	14	N/A - Academy	N/A
Christchurch Bentinck Primary	Substantial	Green	3	Not required	N/A
Gateway Primary	Substantial	Green	8	Not required	N/A

School	Assurance	RAG	No of Recommendations	Follow Up Assurance	Follow Up RAG
Hampden Gurney Primary	Substantial	Green	11	Due April 2014	
Hallfield Primary	Satisfactory	Green	10	Due Q4	
Essendine Primary	Limited	Amber	17	Due March 2014	
St Augustine's Primary	Satisfactory	Green	17	DRAFT	
All Souls Primary	Due Q4				
St Gabriel's Primary	Substantial	Green	12	DRAFT	
Barrow Hill Junior	Due Q4				
St Vincent's Primary	Due Q4				
Burdett Coutts Primary	Due Q4				

Home Care Audit - Update on Implementation of Recommendations

The table below shows the current status for implementing the recommendations contained in the Internal Audit report on Home Care which was issued in September 2013 and reported to the Audit & Performance Committee in November 2013. The report contained two priority 1 (high), five priority 2 (medium) and one priority 3 (low) recommendations:

No	Recommendation	Due Date & by whom	Comment/Update
1.	Policy & Procedure Update – Priority 3 (low). The Self-Directed Support policy should be reviewed on an annual basis and updated where necessary.	Due Date: 31/03/2014 Who: Interim Service Manager	Partially implemented. This is now included in the Tri-borough policies and procedures development/updates that the Policies Officer is developing.
2.	Timely Processing of Needs Assessments – Priority 2 (medium). Management should identify the reasons for missing the Council's target of 28 days for referring support plans to the brokerage team.	Due Date: 31/01/2014 Who: Interim Service Manager	Not yet implemented. This is now a local and not national indicator. The service manager has asked the Business Intelligence team for further information on these cases in order to address issues of timeliness.
3.	Formal Annual Review of Needs Assessments – Priority 1 (high). Needs Assessments should be scheduled for clients that have not been assessed in the past year with priority given to the oldest cases. Management should continue to run the monthly report to identify clients requiring a Needs Assessment and to ensure that the current backlog does not increase.	Due Date: 31/03/2014 Who: Interim Service Manager	Partially implemented. Performance on this is now over 54% and there are two additional members of staff dedicated to continue this improvement with a view to meeting our target of 80%. We expect to meet this target by 31.03.14.
4.	Frameworkki Reporting Function – Priority 2 (Medium). The Frameworkki reporting function should be developed so that management can identify those cases that have an open referral but no open care package. These reports should then be run on a monthly basis and any outstanding cases followed up with the responsible officer.	Due Date: 31/01/2014 Who: Head of Business Intelligence	Implemented. In November 2013 we rolled out a number of new reports to operational staff one of which was a report identifying open cases with no services. Note: The Frameworkki reporting functionality was available from day one, however it did and still does require further tailoring/development to fit in with the exact operational business requirements. Some of this work has already been done but could not be completed until the

No	Recommendation	Due Date & by whom	Comment/Update
			move to the upgraded Frameworki system in Hammersmith & Fulham (successfully implemented on 13.01.14).
5.	Scheduling Care with a Provider – Priority 2 (Medium). The brokerage team use their discretion when selecting providers and there was no guidance available to staff on the provider selection process. A protocol should be developed to define the selection process when allocating work to providers.	Due Date: 31/10/2013 Who: Procurement Manager	Not yet implemented. Action on this has been delayed due to the departure of the Procurement Manager. Responsibility for the Homecare portfolio has now been allocated to a different member of the team who is exploring ways in which the Homecare contracts (including brokerage) can be improved. This will be linked to the target to reduce the number of care agencies used in Westminster.
6.	Access to Provider Contracts – Priority 2 (Medium). Staff should have access to the contract agreements between the Council and the associated service specifications for the three main home care providers. Consideration should also be given to whether the terms of the relationships with the remaining spot providers are sufficiently formalised.	Due Date: 31/12/2013 Who: Procurement Manager	Implemented. This has been achieved. All Tri-B staff regardless of their Council of origin are able to access WCC contracts
7.	Provider Monitoring & Performance – Priority 2 (Medium). Management should monitor the performance of the providers in line with the agreed schedule of meetings. In addition, the requirement for monthly performance meetings should be considered to assess whether quarterly meetings may be more appropriate. Spot providers should also be subject to formal monitoring.	Due Date: 31/10/2013 Who: Procurement Manager	No yet implemented. Action on this has been delayed due to the departure of the Procurement Manager. Responsibility for the Homecare portfolio has now been allocated to a different member of the team who is exploring ways in which the Homecare contracts (including brokerage) can be improved.
8.	Reconciliations between client care packages on Frameworki and Invoice – Priority 1 (High). A reconciliation to compare the care packages recorded on Frameworki and the hours of care recorded on provider invoices should be undertaken on a monthly basis.	Due Date: 31/01/2014 Who: Procurement Manager	Partially implemented. Two separate pieces of work are underway which will address this, both pieces of work started before the audit report recommendations were made: 1. Rachel Boston is managing an ongoing piece of work reconciling Frameworki with invoices before making any payments. To date:

No	Recommendation	Due Date & by whom	Comment/Update
			<ul style="list-style-type: none"> a) All clients have been reconciled to payment and 97% of all client information loaded in Frameworki.; b) Correct provider rates have been updated in Frameworki; c) No payment is now paid to a provider until fully reconciled to clients within Frameworki; d) In some cases payments are being withheld where there are significant discrepancies; e) Credit note process are in place; f) Work underway with Care management to close cases once a review has been completed where there is evidence the care package should have been closed or is not required; g) Erroneous homecare care packages have been closed down so that the care packages in Frameworki reflect actual activity of WCC. <p>2. At the same time the Frameworki team are also implementing a more automated method of completing this - whereby we will upload actual information into Frameworki, then complete the reconciliation on Frameworki and payment from Frameworki. This piece of work is progressing well and we have already gone live with the first provider-work is continuing with remaining providers.</p>