



Report for: INFORMATION
Item Number:

Contains Confidential or Exempt Information	No
Title	Quarter 3 Internal Audit & Investigation Update Report
Responsible Officer	Emily Hill, Strategic Director, Resources Mike Pinder, Assistant Director of Audit & Investigations
Author	Mike Pinder, Assistant Director of Audit & Investigations PinderM@ealing.gov.uk
Portfolio	Cllr Steve Donnelly, Inclusive Economy
For Consideration By	Audit Committee
Date to be Considered	27 February 2024
Implementation Date if Not Called In	N/A
Affected Wards	All
Keywords/Index	Internal audit and investigations

Purpose of Report:

The attached report provides Audit Committee with an update on the work of Internal Audit & Investigations for Quarter 3, 1 October 2023 – 31 December 2023.

1. Recommendation

1.1 It is recommended that the Audit Committee:

- Notes the performance of the Internal Audit & Investigation team and key issues arising during the period 1 October 2023 – 31 December 2023.

2. Reason for Decision and Options Considered

2.1 This is a programmed, periodic report outlining the progress of internal audit and investigations functions, therefore, no decision is required on those sections.

3. Key Implications

3.1 Internal audit is an assurance function that provides an independent and objective opinion to 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 2023/24 audit plan will form the main input for the development of the 2023/24 opinion.

4. Internal Audit Performance as at 31 December 2023

4.1 This report provides a progress update on the 2023/24 internal audit plan and status of projects as at 31 December 2023.

4.2 Table 1 provides a guide to how the assurance levels are defined:

<u>Assurance Level</u>	<u>Definition</u>
Substantial	There is a sound system of internal control designed to achieve the Council's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Council's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the Council's objectives at risk. The level of non-compliance puts the Council's objectives at risk.
None	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.

Table 1 – Assurance levels – definition

4.3 The 2023/24 plan was approved by the Audit Committee in February 2023. The plan presented was indicative and as such can be subject to revision during the year to take account of changing priorities and emerging risks, which is aligned with good internal audit practice. The officer Audit Board monitors progress against the plan and the Strategic Director, Resources meets with the Assistant Director of Audit & Investigations to discuss progress and emerging findings.

4.4 The position against the 2023/24 internal plan is set out in table 2 below.

	Audit Title & Department	Scope	Audit Status	Final Report Issued	Final report to Audit Committee
Council Wide					
1	Performance and Assurance Framework	A review of the Council's second line of assurance including performance information.	Final report (Reasonable Assurance)	Q2	December 2023
Corporate Resources					
2	ICT - Asset Management	A review of processes around stock including how we identify and retire old equipment.	Work in progress		
3	ICT Back up	To review the new back-up regime including cold back up.	Final report (Reasonable Assurance)	Q2	December 2023
4	Corporate Property - Works	To review asset identification, forward maintenance register and capital works.	Terms of Reference		
5	Corporate Property - Site Managers Health & Safety (H&S) Compliance	To review site managers arrangements for addressing H&S remedial works.	Final report (Reasonable Assurance)	Q2	December 2023
6	Accounts Payable	Key financial system audit.	Draft report		

	Audit Title & Department	Scope	Audit Status	Final Report Issued	Final report to Audit Committee
7	Accounts Receivable	Key financial system audit.	Work in progress		
8	Cash	To identify any significant cash handing and processes for managing cash.	Final report (Reasonable Assurance)	Q3	February 2024
9	Credit cards	To review controls for monitoring of usage and compliance by cardholders.	Final report (Limited Assurance)	Q2	December 2023
10	Commercial Hub – Procurement	A review of procurement processes.	Final report (Reasonable Assurance)	Q2	December 2023
Economy					
11	Perceval House (PH)	A review of the project management processes over the PH development.	Deferred, the project is in early stages therefore it was agreed to be more beneficial in 2024/25.	N/A	N/A
12	Planning - Housing supply position/ trajectory	A review of processes and validations to confirm housing supply figures.	Not started		

	Audit Title & Department	Scope	Audit Status	Final Report Issued	Final report to Audit Committee
Strategy and Change					
13	HR recruitment	A review of compliance with recruitment processes.	Not started		
14	HR Policies	A review of key HR policies and application.	Cancelled		
Housing and Environment					
15	Housing Health & Safety	A full follow-up of compliance with Fire, Legionella Asbestos Gas Electricity (FLAGE) requirements.	Final report (Reasonable Assurance)	Q1	July 2023
16	Building safety and social housing regulations (this may be Council wide)	An audit against the new requirements for building safety and Council preparations to ensure compliance.	Final report (Reasonable Assurance)	Q3	February 2024
17	Voids	Standard audit, looking at advisory work undertaken 2022/23.	Terms of Reference		
18	Greener Ealing Limited	GEL side audit - monitoring, inspection and controls. Council side - resourcing.	Final report (Reasonable Assurance)	Q3	February 2024
19	HRA Projects	To review processes over HRA development projects (to consider 1 or 2 of): <ul style="list-style-type: none"> • Lexden • Sussex Gardens • Northolt • Mandeville 	Final report (Reasonable Assurance)	Q3	February 2024
20	Library/Leisure	A series of spot-checks on libraries/leisure.	Completed – no issues found	Q3	February 2024

	Audit Title & Department	Scope	Audit Status	Final Report Issued	Final report to Audit Committee
			(Substantial Assurance)		
Children					
21	Payment Cards	Carried forward from 2022/23. Review of the payment card system in operation. Now changed to cash procedures until the system is up and running.	Draft report		
22	Special Educational Needs and Disabilities (SEND) - Children with disabilities	A review of process around SEND – Children with Disabilities.	Draft report		
23	Demand Management	To review the processes in place to help manage demand for services. This will include the proactive work like edge of care, early help intervention.	Terms of reference		
24	No Recourse to Public Funds (NRPF)	A review of processes in place to manage NRPF.	Not started		
Adult's Services and Public Health					
25	Demand Management	To review the processes in place to help manage demand for services.	Draft report		
26	Adults and Public Health Assurance framework	A review of the performance information used by the Adult Service and Public Health and assurance arrangements.	Draft report		
27	Adults Front Door	A review of the processes around the adults' front door for access to services. This will include managing the backlog and how risk/ priorities are managed.	Final report (Reasonable Assurance)	Q2	December 2023

	Audit Title & Department	Scope	Audit Status	Final Report Issued	Final report to Audit Committee
28	Deputyships	A review of the deputyships processes.	Terms of Reference		
29	Adult Social Care Inspection Regime	Progress of project readiness for the CQC inspection.	Complete Advice and support was provided as and when required.	N/A	N/A
30	Direct Payments	Advisory Work	Complete Advice will be provided as and when required.	N/A	N/A

Table 2 - Audit progress against plan

- 4.5 During the period, 5 reports were issued in final, none of which received Limited Assurance.
- 4.6 Table 3 below provides a summary of progress in terms of the number of reports at draft or final stage and those in progress:

Audit Status	Number of reviews	Percentage Completion
Finalised	14	50%
Draft report issued	5	18%
Sub Total	19	68%
Work in progress	2	7%
Terms of reference	4	14%
Not started	3	11%
Total	28	100%
Original total	30	

Cancelled	(1)	
Deferred	(1)	
Additions		
Total	28	

Table 3 – Summary of Audit Progress

4.7 Key performance indicators (KPIs) have been established to measure the delivery of the audit service across the shared service. These are how performance is measured to ensure that all audits on the plan are delivered by the end of the financial year. The shared service KPIs for delivery against the audit plan for each quarter are (based on draft reports issued):

- Quarter 1 – 13% (4) of 2023/24 audits delivered (draft report issued)
- Quarter 2 – 30% (9) of 2023/24 audits delivered (draft report issued)
- Quarter 3 – 67% (20) of 2023/24 audits delivered (draft report issued)
- Quarter 4 – 100% (30) of 2023/24 audits delivered (draft report issued)

4.8 A total of 68% of reports have been issued to draft and final. The service is on target to meet the 2023/24 plan.

5. Follow Up of Actions

5.1 Follow-up of actions to address high risk findings has been completed.

5.2 Table 4 shows the status in respect of the 17 high risks / recommendations that have not yet been fully confirmed as implemented by the agreed deadline.

5.3 In December 2023, there were 17 high risk recommendations outstanding. An update of progress of outstanding recommendations is detailed in table 4:

	Report	Risk Area	Agreed Implementation Date	Status
1	Business World	Debtor reconciliation	Sept 2023 – now April 2024	Partially Implemented A new debtor system is being implemented. This has now been rolled out to a number of services. The remainder will be implemented by April 2024.
2	Temporary Staff	Recruitment Checks	December 2022 – now	Partially Implemented

	Report	Risk Area	Agreed Implementation Date	Status
			December 2023	The Director of HR and OD has undertaken substantial work to review the overall position for temporary staff. A review with services is underway to allow full tracking and compliance with the new procedures.
3	Temporary Staff	Monitoring of tenure and suitability	December 2022 – now April 2024	
4	HR Policies	Delivery plan for review of policies and procedures.	June 2023 now April 2024	<p>In Progress</p> <p>Four policies have been drafted and guidance has been updated and are under consultation. These will be launched in April 2024. Another four key policies will follow. The remainder will then form part of a rolling review.</p>
5	Utilities	Validation of usage and rates	a) January 2023 b) March 2023 c) June 2023 d) March 2023	<p>In Progress</p> <p>Work is in progress in all areas and management have advised nearing completion. A report is due to go to directorate management team to confirm actions and next steps. A revised target date of February 2024 has been provided for full implementation.</p>
6	Utilities	Monitoring Expenditure	March 2023	
7	Utilities	Location of Supply	June 2023	
8	Ealing Music Services	Instruments Inventory and Storage	June 2023	<p>Not Implemented</p> <p>4 out of the 5 points have been completed but assessment of instrument needs to reduce storage costs</p>

	Report	Risk Area	Agreed Implementation Date	Status
				has not been undertaken. A revised implementation date of 31 March has now been provided.
9	Ealing Music Services	Payroll	September 2023	Not Implemented The service has advised that they have updated processes for payroll. An external review of the payroll function has been commissioned by the service, which is due to be completed at the end of February to see if this is sufficiently robust.
10	Capital Programme	Governance Framework	December 2023	Not Implemented The original intention was for this to form part of a major projects board, the specifics of the recommendations did not progress within the required timeframe. Finance are now setting up a group to address these issues. A revised implementation of April 2024.
11	Capital Programme	Standardised Reporting	December 2023	
12	Section 106	Expenditure Reporting	December 2023 now May 24	In Progress A bespoke report was required to be written to meet the services full requirements, which has taken longer than initially anticipated.
13	Broadway Living Monitoring	Future Direction and Purpose	December 2023. New target date of August 2024.	In Progress The review is ongoing in conjunction with a review of the council's

	Report	Risk Area	Agreed Implementation Date	Status
				housing development programme.
14	Broadway Living Monitoring	Shareholder Function and Responsibilities	December 2023. New target date of April 2024.	In Progress Establishment of a shareholder board (which is expected to have a different title) has been agreed and is currently being set up with the first meeting planned for March 2024
15	Broadway Living Monitoring	Separation of Roles	December 2023. New target date of August 2024.	In Progress A restructure is underway which split the dual role of Housing Development & Regeneration Director in to separate posts.
16	Broadway Living Monitoring	Approving New Developments	December 2023. New target date of April 2024.	In Progress A review by consultants Inner Circle on a gateway (approval) process for new projects is in progress.
17	Credit Cards	Spend Approval and VAT	Dec 2023 and now April 2024	In Progress Training for cardholders is planned. A reminder of procedures and requirements in relation to VAT will be completed by the year end.

Table 4 – Follow-up Summary

6. Counter Fraud and Investigations Performance & Developments

6.1 The Shared Service is responsible for the investigation of suspected fraud committed against 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
- Social care (direct payments)
- Council Tax Reduction fraud.

6.2 Reactive investigations during the year have resulted in actual and notional savings of £1,760,664. This is comprised of £1,623,956 notional savings and actual savings of £136,708. A Confiscation Order for £87,917 has also been obtained.

7. Pro-active Anti-Fraud Work

National Fraud Initiative

7.1 The National Fraud Initiative (NFI) is an exercise run by the Cabinet Office. The data match is undertaken every 2 years. The team have been reviewing the outcomes of the 2022/23 data match which were released in February 2023. The following outcomes have been identified to date:

- 337 blue badges have been cancelled, with an estimated saving of £219,000
- 40 housing waiting list applications cancelled, with an estimated saving of £171,320
- 12 council tax reduction claims cancelled, resulting in overpayments of £34,389
- 2 housing benefit claims cancelled, resulting in overpayments of £20,948
- 1 council property recovered (notional saving of £18,000)
- 2 staff members have resigned following dual working investigations
- 6 pension payments have been cancelled

Housing Waiting List (£1.3m)

7.2 Working with the Housing Allocations team, we are currently data matching single applicant cases, claiming to reside in overcrowded accommodation. So far:

- 17 cases have resulted in removal from the waiting list
- 2 cases have been put on hold, meaning they are unable to bid for properties at this time

Also working with the team on potential fraudulent “no fixed abode” applicants, 55 applicants have been removed from the waiting list. Ongoing work continues in this area, which helps protect our council houses for those with a genuine need.

Based on the £18,000 used for property recoveries this represents prevention of fraud valued at £1.296m.

Council tax – Student exemption project (£5,900)

- 7.3 This project involved working with the revenues department to identify student households that are no longer eligible for the full council tax student exemption. As a result of the project so far, 4 exemptions have been removed from council tax accounts. This has resulted in revised council tax balances totalling £5,900 so far. Work is continuing in this area.

Ukrainian refugees (£12,600)

- 7.4 The service is working with the Homes for Ukraine team, focusing on the Ukrainian refugees, housed by Ealing hosts, who are in receipt of a “thank you payment” of £350 per month. This is a sponsorship arrangement that currently exists. Visits are being carried out to ensure that the Ukrainian families are still residing at the host’s address. This project has resulted in the cancellation of 3 sponsorship arrangements so far. Unannounced visits and subsequent enquiries found the Ukrainian families were no longer residing in the country, this represents annualised savings of £12,600 to date. Work continues in this area.

8. Enhanced Vetting (EV)

- 8.1 Ealing Council has a risk assessed process of Enhanced Vetting for new recruits. This work is undertaken by the Investigations team into both permanent and temporary posts and involves stringent checks to verify the validity of a candidate and their employment application.
- 8.2 Reasons for failure to progress into a post have included Benefit and Council Tax fraud, housing fraud, false employment history, false references and false qualifications.
- 8.3 The outcomes of the vetting work for between 1 April 2023 and 31 December 2023 is that 28 cases either failed or were prevented, representing 6% of all cases reviewed. The full details of the work of the vetting service between 1 April and 31 December are set out in Table 5.

Case status	Cross Council		
	Temp	Perm	Total
Pass	74	333	407
Fail	4	5	9
Withdrawn	0	19	19
Assignment Ended*	148	0	148
Total	226	357	583
Additional Outcomes			
3 rd Party Referral#	2	4	6

Table 5 – Enhanced Vetting Summary

*Whilst enhanced vetting had commenced, the assignment ended before the enhanced vetting completed. This will happen in services where there is a high level of short-term placements e.g. Care Workers.

#A suspected fraud that has been identified as result of enquiries, for example, a benefit fraud by another member of a candidate's household. These referrals are not necessarily attributable directly to the candidate, but have instigated a separate fraud investigation, for example, the actions of a partner or member of immediate family of the person being vetted.

9. Investigation team performance to 31 December 2023

9.1 Table 6 below details the performance of the team to 31 December 2023.

Item	Target	Profile to Q3	2023/24 to Q3
Number of new cases started	417	312	414
Number of completed investigations	431	323	373
Number of completed investigations not referred on to another organisation or NFA	99	74	165
Number of cases of proven (balance of probabilities) economic crime	47	35	116
Number of sanctions applied (includes: Prosecution; POCA Order; Disciplinary penalty; Tenancy application refused; Right-To-Buy application rejected; Council property recovered; Direct payment cancelled; Council Tax Reduction Scheme penalty; Blue Badge warning)	29	21	102
Number of council properties recovered (included in 'Sanctions' above)	10	7	10

Table 6 – Investigation Performance

9.2 The number of cases closed up to 31 December 2023 following an investigation was 165. Of these the number of cases where fraud was proved, at least on balance of probabilities, was 116. The loss incurred by the Council arising from these cases totals £1,848,581, as detailed below.

Council tenancies (£1,548,000)*

- 9.3 In their Protecting the Public Purse 2012 publication the Audit Commission identified an average annual notional cost of £18,000 to house a family or individual in temporary accommodation. This average notional cost has been used to estimate the nominal cost to the public purse of housing a tenancy fraudster.
- 9.4 Ten council properties have been recovered from the unlawful tenant following investigation, giving a notional saving of £180,000.
- 9.5 76 applications for council tenancies have been refused following investigation, giving a notional saving of £1,368,000. *Note these overlap with the proactive project para 7.2.

Direct Payments (£76,659)

- 9.6 Three Direct Payment care packages have been withdrawn following investigation due to a failure to declare the correct circumstances.
- 9.7 These cases have resulted in an invoice being issued for £703 and assumed annualised savings totalling £75,956.

Council Tax Discount (£10,884)

- 9.8 Nine Council Tax Discounts have been stopped following investigation, with £10,884 added to accounts.

Proceeds of Crime (£87,917)

- 9.9 One Confiscation Order has previously been obtained using powers under the Proceeds of Crime Act for £87,917. A proportion of this Order will be due to Ealing Council, with the remainder going to the wider public purse. Part payment only of the order has been made and efforts are ongoing to secure full payment.

Other (£125,122)

- 9.10 Proven cases have resulted in the identification of losses in relation to benefits and council tax reduction, for which the service is now able to seek recovery, totalling £125,122.

10. Financial

- 10.1 All investigations activity covered in this report is being delivered within the Audit & Investigations budget.

11. Legal

11.1 Counter Fraud work is carried out in compliance with criminal and civil law and criminal investigation procedures relevant to investigation work including: Police and Criminal Evidence Act (PACE) 1984; Criminal Procedure and Investigations Act (CPIA) 1996; Fraud Act 2006; Proceeds of Crime Act (PoCA) 2002; Regulation of Investigatory Powers Act (RIPA) 2000; and Human Rights Act 1998.

12. Value for Money

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

13. Sustainability Impact Appraisal

13.1 Not applicable.

14. Risk Management

14.1 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.

15. Community Safety

15.1 Not applicable.

16. Links to the 3 Priorities for the Borough

16.1 The work of Audit and Investigation cuts across and helps provide assurance on the achievement of strategic objectives.

17. Equalities and Community Cohesion

17.1 Not Applicable.

18. Staffing/Workforce and Accommodation implications

18.1 None.

19. Property and Assets

19.1 Not applicable.

20. Any other implications

20.1 None.

21. Timetable for Implementation

21.1 Not applicable.

22. Appendices

22.1 None.

23. Background Information

23.1 Draft report [Audit Committee Report and Standards Review.pdf \(moderngov.co.uk\)](#)

23.2 Details of internal audit reports are available to Members upon request from Mike Pinder, Assistant Director of Internal Audit & Investigations, pinderm@ealing.gov.uk.

Consultation

Name of Consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Emily Hill	Strategic Resources	Director, 8/2/2024		Throughout
Cllr Steve Donnelly	Portfolio Holder – Inclusive Economy			For reference only

Report History

Decision type:	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: Mike Pinder, Assistant Director Audit & Investigations, ext 5792		