

Non-Executive Report of the: Audit Committee Thursday, 30 January 2020	
Report of: Asmat Hussain, Corporate Director, Governance and Monitoring Officer	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud Progress Report	

Originating Officer(s)	Paul Rock
Wards affected	(All Wards);

Executive Summary

This report provides an update on progress against the delivery of the 2019/20 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in November 2019.

The report also provides an update with regards to the current counter fraud performance and to highlight any new significant fraud related issues since the last report.

Recommendations:

The Audit Committee is recommended to:

1. Note the contents of this report and the overall progress and assurance provided, as well as the findings/assurance of individual reports.

1. REASONS FOR THE DECISIONS

1.1 The Accounts and Audit Regulations 2015 state that a relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

1.2 The Audit Committee has responsibility for oversight of the arrangements for governance, risk management and control and this report assists the Committee in discharging its responsibilities.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

Progress against the 2019/20 Internal Audit Plan

- 3.1 In the last 10 months the service has faced significant resource issues and we recognise this has had an impact on the timely delivery of the plan. We are currently recruiting to vacant posts, have sought additional resources by spot purchasing services from BDO, and have procured a strategic audit partner to co-source the function until 2021.
- 3.2 BDO have started to plan their allocated audits and we have targeted their completion in time to inform the annual internal audit opinion that will be required in July 2020. The plan agreed in April 2019 for 2019/20 financial year recorded 58 planned audits (for the Council). As of January 2020, there have been four additions and eight audits have been cancelled or deferred to 2020/21. After the previous prioritisation exercise there are 44 priority 1 and 10 priority 2 audits. Progress against the Council's internal audit plan can be summarised as follows:

Table 1 – Summary of Progress 2019/20 Internal Audit Plan

Stage of Audit	Number of Audits
Not started	3
Planning	22
Fieldwork	5
Draft report	11
Final report	3
Total	44

- 3.3 In addition, the service provides Internal Audit and Anti-Fraud activity to Tower Hamlets Homes. Of the original 8 planned audits for Tower Hamlets Homes, 2 are at the planning stage, 1 is at fieldwork stage, 2 are at draft report stage and 1 audit has been finalised. Separate reports on progress and outcomes are provided to the Tower Hamlets Homes Finance and Audit Committee.

Overview of Finalised Audits

- 3.4 Since the last report that was presented to the Audit Committee in November 2019, 3 final reports have been issued.
- 3.5 In summary, since November 2019, 1 audit has been issued with Limited assurance and 2 with Substantial Assurance. Summaries of the key findings and recommendations of all these audits are available at Appendix A.

Limited Assurance

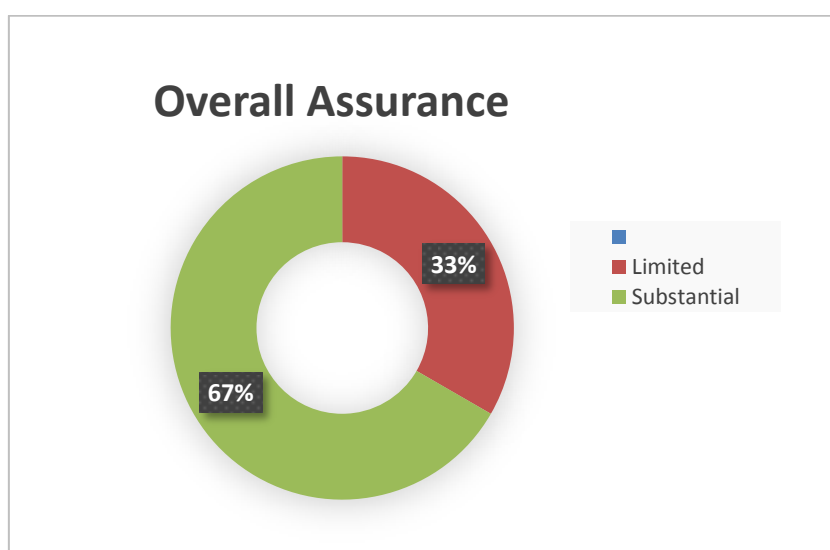
- Quality Assurance Systems for Children's Social Care

Substantial Assurance

- Deprivation of Liberty Safeguards (DoLS) – Follow Up Audit
- Management and Control of Dangerous Structures – Follow Up Audit

- 3.6 Overall, the assurance picture to date is 33% of audits providing Limited Assurance and 67% providing Substantial Assurance to senior management and the Audit Committee.

Chart 1 – Summary Assurance Opinions



Implementation of Agreed Management Actions

- 3.7 In each instance where weaknesses have been identified, Internal Audit has obtained an agreed management action plan to address the weaknesses and improve the risk management, governance and/or controls.
- 3.8 Currently, internal audit follows up high and medium priority recommendations six months after the issue of the final reports to assess the progress made in implementing the agreed actions. An overview of management's performance is summarised in Appendix B.
- 3.9 We will be reviewing our approach to making recommendations and monitoring management's implementation and introducing a more streamlined process from April 2020. In addition, we will be providing increasingly more information to the Audit Committee so that the Committee can better

scrutinise management's performance and seek attendance and/or further explanations from relevant Directors if required.

Public Sector Internal Audit Standards

- 3.10 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to periodically self-assess conformance against the standards and report to the Audit Committee any partial or non-conformance as well as a plan to address any such issues.
- 3.11 The Committee were previously advised of the self-assessment for 2019/20 and the resulting action plan to address the areas of partial/non-compliance. Progress against this action plan is summarised in Appendix C.

Corporate and Social Housing Fraud

3.12 The Corporate Anti-Fraud Team consists of the following sub teams:

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge

3.13 There is also an investigator in the Insurance Service who examines the integrity of insurance claims to eliminate fraudulent submissions and repudiate inappropriate claims.

3.14 In addition to investigating referred cases, the Corporate Anti-Fraud Team also undertakes various proactive exercises and coordinates the Council's participation in the National Fraud Initiative, a biennial proactive data matching exercise run by the Cabinet Office in which each local authority must participate.

Summary of Referrals and Outcomes

3.15 Current caseloads and outcomes for the period between April and June 2019 are as summarised below:

Table 2 - Social Housing Fraud Team, December 2019 to January 2020

No. of Referrals	Closed	Rejected	Ongoing	Properties Recovered	RTB Applications Stopped	Misc. successful outcomes
139	25	37	77	11	4	8

Table 3 - Corporate Fraud Team, December 2019 to January 2020

No. of referrals	Closed	Rejected	Ongoing
7	1	0	6

Table 4 - Blue Badge Parking Investigations to January 2020

Parking Control Notices Issued	56
Badges Inspected	92
Badges Seized	166
Cautions Given	3
Verbal Warnings Issued	63
Resident Permits Cancelled	3
Vehicles Removed	40

Table 5 - Insurance Investigator Caseload 2019/20

Total No. of claims received:	211
No. of claims investigated:	36
Total value of claims investigated:	£737,122
No. of claims repudiated as a result of investigation:	11
No. of claims withdrawn during investigation:	0
Total value of claims repudiated or withdrawn (above):	£131,776

- 3.16 In addition, a further 17 claims with a reserve value of £516,284 remain under investigation.
- 3.17 An example fraud case study is attached at Appendix D.

Proactive Anti-Fraud Activity

- 3.18 In addition to the reactive investigatory activities outlined above, the team undertake proactive counter fraud initiatives to promote the counter fraud culture within the Council and lower the risk of fraud.
- 3.19 Previously the Committee were informed the team would be launching a 'Key Amnesty' in September 2019. Since the introduction of the curb on non-essential funding, we have delayed this campaign to the new financial year. The amnesty will be targeted at reducing social housing fraud and include a publicity programme to raise awareness of how the Council has been successful in investigating and where appropriate prosecuting fraud cases. It will provide an ideal opportunity for increased engagement with Tower Hamlets Homes, the borough's Registered Providers and the community. The results of the amnesty will be reported to a future audit committee.

National Fraud Initiative 2018/19

- 3.20 The Corporate Anti-Fraud Team coordinates the Council's mandatory participation in the National Fraud Initiative (NFI) which is led by the Cabinet

Office. The NFI is a cross-government data matching exercise designed to identify error and fraud. It is important to note that a match on the NFI does not mean that fraud is occurring. It simply means there is a data anomaly that requires further investigation; it may result in data being corrected as well as a more substantial fraud investigation. The following table summarises the activity:

Table 4 - Summary of NFI Matches

Match type	Total no. of matches	High risk	Medium risk	Matches Resolved
Creditors	14,324	0	0	9,963
Housing Benefit	3,851	136	337	2,838
Council Tax Reduction	2,117	64	23	724
Housing Waiting List	879	79	703	56
Housing Tenants	1,036	309	130	284
Right to Buy	213	100	46	83
LBTH Pensions	201	110	29	164
Blue Badge	210	176	34	206
Procurement/Payroll & Companies House	64	0	0	64
LBTH Payroll	153	3	20	125
Resident Parking Permit	62	35	24	52
Personal Budgets	27	7	5	8
Private Residential Care Homes	24	6	12	18
Personal Alcohol Licence	1	0	0	0
Market Traders	1	0	0	0
Council Tax SPD	3,096	0	0	3096
Council Tax (Other)	12,650	0	0	0
Matches total	25,897	901	1,241	14,204

3.21 The results of the NFI exercise (to date) are as follows:

- £14,728 in housing benefit overpayments identified, plus the cases mentioned below.
- Fourteen Housing Benefit cases were referred to the Department for Work and Pensions for fraud investigation. These are cases where student status appears not to have been declared on the benefit claims. From these matches so far three have resulted in overpayments of our benefits: £27,568 has been overpaid in Housing Benefit and £4,215 has been overpaid in Council Tax Reduction.
- £11,341 has been identified as overpaid LBTH pensions, recovery is being pursued. These cases have occurred where pensioners have died and the authority has not been notified and an overpayment of the pension has occurred.
- 130 blue badges have been recovered or are in the process of being recovered as a result of the exercise. These are cases where the blue badge recipient has died and the badges are still in circulation. The

Cabinet Office recommends a notional savings value of £575 per badge.

- Fifty people have been removed from the housing waiting list with an estimated notional total value, as prescribed by the NFI, of £162,000. These are cases where the waiting list applicant has died and the authority has not been notified.
- Council Tax Single Person Discounts have been removed from 633 households, calculated to be the value of £439,960.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific statutory implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 Other than the Accounts and Audit Regulations 2015 there are no other statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 Other than the requirements on the authority and responsible financial officer set out in the Accounts and Audit Regulations 2015, there are no significant financial implications.

7. COMMENTS OF LEGAL SERVICES

7.1 This report is compliant with the Council's legal duties in respect of risk and internal audit pursuant to the Accounts and Audit Regulations 2015. It also demonstrates compliance with the Corporate Director Resources' statutory duties under s.151 of the Local Government Act 1972.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A Internal Audit Summaries
- Appendix B Summary of progress for Implementing Recommendations
- Appendix C Action Plan for Public Sector Internal Audit Standards
- Appendix D Case Studies

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE

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