


Non-Executive Report of the: Audit Committee Thursday, 12 November 2020	 TOWER HAMLETS
Report of: 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 and 2020/21 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in July 2020. An update on anti-fraud activity is also included.

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.
2. **Approve** the Council's Anti-Bribery Policy.

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 and Finalisation of the 2019/20 Internal Audit Plan

3.1 Since the last Audit Committee in July 2020 we have been working with management to finalise the remaining audits from the 2019/20 Internal Audit plan. The following audits have been finalised and may be used to inform the 2020/21 annual Head of Internal Audit opinion; summaries of these audits are included at Appendix A:

Substantial

- Kobi Nazrul Primary School
- Data Security and Protection Toolkit
- Creditors System

Limited

- IR35 Off Payroll Engagement
- Financial Assessments
- Capital Programme Governance
- Acquisition of Properties for Temporary Accommodation

3.2 The following reports remain outstanding from 2019/20

Table 1 – Outstanding Draft Reports from 2019/20 (Draft opinions are subject to change)

Audit Title	Draft Opinion	Directorate	Date report first Issued	Current Status
Monitoring of Domiciliary Care Contracts	Limited	HAC	07/01/2020	Numerous reminders sent to officers but incomplete response.
Corporate Governance	Limited	Authority wide	15/05/2020	Finalising report.
Local Community Fund	Substantial	Governance	16/06/2020	Further evidence requested from management in response to their feedback on the draft report.

3.3 Two of the draft reports were issued during the height of the pandemic and in the middle of a national lockdown, which created some understandable

delays. To provide Committee members with some assurance that these audits will be finalised promptly, the lead Corporate Director for each of these reports has been invited to the Audit Committee by the Chair to provide an update.

Progress against 2020/21 Internal Audit Plan

3.4 Since the last Audit Committee in July 2020 when the 2020/21 Annual Internal Audit Plan was agreed the following progress has been made:

Audits at Planning Stage (Research)

- Management and Monitoring of the Delivery of Efficiency Savings
- Overview and Scrutiny Functions
- Election Spending
- Drugs and Alcohol Services
- Treasury Management
- Housing Benefit Quality Assurance
- IT Project Governance and Management (IT Audit)

Engagement Plans Issued to Management

- Ethical Culture
- Management of Complaints
- New Town Hall Building Project
- Private Sector Compliance with Fire Risk Assessment
- Community Infrastructure Levy (CIL) Collection & Utilisation
- NNDR
- Asset Management (Place)
- Remote Working (IT Audit)

Audits in Progress (Fieldwork)

- Supporting Stronger Families – Grant Claim Certification
- Discretionary Housing Payments
- Remote Working (IT Audit)
- Debtors and Income Recovery
- Emergency Hardship Payments (Resident Support Scheme)
- Place Directorate Governance

Draft Reports

- Payment Controls for Temporary Accommodation
- Pension Administration
- Cyber and Network Security (IT Audit)
- PCI and DSS Compliance (IT Audit)
- Housing Allocations and Lettings

Finalised Reports

- Parking Permits and Payments (Limited Assurance)
- Backup Schedules and Protection (IT Audit) (Limited Assurance)

Deferred Audits

- Control and Monitoring of Agency Staff; new contract has just been awarded and needs to be embedded.
- Adult Social Care Payments – Reconciliations; now offering support and advice to introduce spot checks to manage block payment risks.

3.5 Summaries of the two finalised audits in the above summary are also included at Appendix A.

Implementation of Agreed Management Actions

- 3.6 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.
- 3.7 Historically, internal audit has followed 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. We reviewed our approach to following up management actions and reporting progress to the Audit Committee and implemented the new process from May 2020.

Table 2 – Implementation of Agreed Management Actions

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	16	13
Number of Management Actions Fully Implemented	11	7
Number of Management Actions Partially Implemented	5	4
Number of Management Actions Not Implemented	0	2
% Fully Implemented	69%	54%
% Partially Implemented	31%	31%
% Not Implemented	-	15%

3.8 The new process we introduced appears to be having a positive effect; full implementation of high priority recommendations has slightly increased from the same time last year, and the remaining 31% have been partially implemented; we anticipate this will improve further and are grateful for management's support.

Public Sector Internal Audit Standards

3.9 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.

3.10 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 B. Actions that have previously been reported to the Committee as completed have been removed from the update.

Corporate and Social Housing Fraud

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

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge

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

3.13 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.

3.14 The various fraud teams continue to diligently investigate allegations of fraud as and when they arise. In line with the Council's strategy during the pandemic, only essential services were in operation and key workers deployed and to minimise the risk to the investigators and the public, interviews, foot patrols and visiting were stopped, although desktop investigations have continued throughout. In October 2020 we received confirmation that our service risk assessment had been agreed in line with the Council's recovery and reconstitution process, and with the appropriate safety measures in place some visiting and interviews have recommenced, however its likely we will see a reduction in outcomes over the coming months until the backlog of investigation and Court work is cleared. The Courts are currently adjourning most cases whilst they clear their own backlog. Most Court cases are being relisted for hearings in 2021 and 2022.

Summary of Referrals and Outcomes for 2020/21

3.15 A summary of referrals and outcomes for 2020/21 is show below:

Table 3 - Corporate Fraud Team, April 2020 to 30 September 2020

No. of referrals	Closed	Rejected	Ongoing
10	3	2	5

Table 4 - Social Housing Fraud Team, April 2020 to 30 September 2020

No. of Referrals	Closed	Rejected	Ongoing	Properties Recovered	RTB Applications Stopped	Misc. successful outcomes
144	34	26	173	7	2	0

Table 5 - Insurance Investigator Caseload 2020/21

Total No. of claims received:	83
No. of claims investigated:	19
Total value of claims investigated:	£301,708
No. of claims repudiated as a result of investigation:	7
No. of claims withdrawn during investigation:	0
Total value of claims repudiated or withdrawn (above):	£99,320

- 3.16 In addition, a further 10 claims with a reserve value of £175,598 remain under investigation.
- 3.17 In addition to the investigation activity summarised above we are currently supporting HMRC with investigation's into alleged fraud arising from the Eat Out to Help Out scheme, where potential false claims have been made. We have also supported the investigation of fraudulent claims made to obtain relief under the Business Rate Relief Scheme.

Proactive Anti-Fraud Activity

- 3.18 In order to regain ground lost to the impact of the of the pandemic we are planning a validation exercise with the Blue Badge Digital Service to recover badges where the Badge Holder has passed away and the relatives have not returned the badge for cancelation. It is not uncommon for these badges to be sold and/or misused. It is hoped that this proactive exercise will ensure that more parking is available for Blue Badge holders. We are also seeking to re-establish our foot patrols as soon as possible, subject to staff safety and prevailing government advice.
- 3.19 In our work with Tower Hamlets Homes we intend to work jointly on allegations of misuse of tenanted and leasehold units which are being inappropriately advertised via Airbnb.

National Fraud Initiative 2020/21

- 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 and may result in data being corrected as well as a more substantial fraud investigation.

3.21 In the last few months work has begun on data submission for the 2020/21 NFI exercise. In accordance with the requirements, the Council will submit data for the following areas:

- Payroll
- Pensions
- Trade creditors' payment history and trade creditors' standing data
- Housing (current tenants) and right to buy (former tenants)
- Housing waiting lists
- Housing benefits (provided by the DWP)
- Council tax reduction scheme
- Residents' parking permits
- Blue Badges (Supplied by Central Government)
- Concessionary Travel Passes (Submitted by the provider)

3.22 Other datasets will be requested by the Cabinet Officer at a later date in the exercise. Council Tax and Electoral Register data is usually submitted between December and February.

3.23 The Cabinet Office will match these data sets with data from other authorities as well as other organisations in the private and public sectors. The results of these matches will be released to the Council in January 2021.

Anti-Bribery Policy

3.24 Since the Bribery Act 2010 was introduced the Council has maintained an anti-bribery policy and procedures. The Anti-Bribery Policy is reviewed annually to ensure it remains up to date and fit for purpose. It is then submitted to the Audit Committee for approval. The reviewed and updated (minor details) policy is attached at Appendix C.

4. EQUALITIES IMPLICATIONS

4.1 There are no equalities implications.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are

required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 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. 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 – Summary of Finalised Audits
- Appendix B – PSIAS Action Plan
- Appendix C – Anti-Bribery Policy

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

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

List any background documents not already in the public domain including officer contact information.

- None.

Officer contact details for documents:

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