

Non-Executive Report of the: Audit Committee Wednesday, 7 April 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources	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 2020/21 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in January 2021. 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.

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 2020/21 Internal Audit Plan

3.1 Since the last Audit Committee in January 2021 the following progress has been made:

Engagement Plans Issued to Management

- Sickness Management
- Contract Management of Commissioned Services (HAC)

Audits in Progress (Fieldwork)

Audit Title	Target for Draft Report
Review of Company Governance Arrangements (Consultancy)	March 2021
Election Spending	March 2021
Contract Monitoring of Grouped Schools PFI Contract	April 2021
Supporting Stronger Families – Grant Claim Certification	N/A
Discretionary Housing Payments	April 2021
Place Directorate Governance	March 2021
Planning and Capital Projects Community Infrastructure Levy (CIL) Collection and Utilisation	March 2021
Asset Management	March 2021
Payroll	April 2021
NNDR	March 2021
Overview and Scrutiny functions	April 2021
Child Exploitation Services	April 2021
Contract Monitoring of Children’s Commissioned Services	April 2021
Private Sector Compliance with Fire Risk Assessments	March 2021
Drugs and Alcohol Services – Contract Monitoring	March 2021
Ethical Culture	April 2021
Delivery of Efficiency Savings	March 2021

Draft Reports

Audit Title	Draft Report First Issued	No. Days Overdue
Emergency Hardship Payments (Resident Support Scheme)	12/02/2021	12
Management of Complaints	08/03/2021	0

Final Reports

Audit Title	Opinion
Treasury Management	Substantial
IT Remote Working	Reasonable
Debtors and Income Recovery	Reasonable
Local Community Fund	Reasonable
General Ledger	Reasonable
New Town Hall – Contract Audit	Reasonable
Pensions Administration	Limited
Staff Declaration of Interests	Limited
Housing Allocations and Lettings	Limited

3.2 Summaries of the finalised audits are included at Appendix A.

Annual Internal Audit Opinion

3.3 In accordance with the Public Sector Internal Audit Standards the Head of Internal Audit is required to give an overall opinion on the governance, risk management and internal control environment of the Council. This opinion is mainly, although not exclusively, based on the outcomes of internal audit's activity. If asked to provide an opinion today the balance of work would suggest that a Limited assurance opinion would be warranted, although the balance of substantial/reasonable and limited assurance opinions has improved since January 2021.

Table 1 – Final Audit Opinions Issued in 2020/21

Substantial Assurance	Limited Assurance
Treasury Management	IR35 Off Payroll Engagements
	Back up Schedules and Protection (IT Audit)
Reasonable Assurance	Control and Monitoring of Parking Permits

DSP Tool Kit	Acquisition of Properties for Temporary Accommodation
Payment Controls for Temporary Accommodation	Capital Programme Governance
Creditors	Financial Assessments of Contributions to Social Care
IT Remote Working	PCI DSS Governance
Debtors and Income Recovery	Corporate Governance
Local Community Fund	Cyber and Network Security (IT Audit)
New Town Hall Contract	Deputyships and Appointeeships
	Pensions Administration
	Staff Declarations of Interest
	Housing Allocations and Lettings

Internal Audit Annual Planning for 2021/22

- 3.4 Planning activity for 2021/22 has begun and a draft plan for 2021/22 will be presented to the Audit Committee for review and agreement at its next meeting in July 2021. If the Audit Committee has any areas of the Council's business it would like assurance over, please inform the Head of internal Audit or Audit Manager. Equally, if any of the Committee members would like to discuss potential areas of audit in advance of the Audit Committee the Head of Internal audit will arrange individual meetings.

Internal Audit, Anti-Fraud, Risk and Insurance Reorganisation

- 3.5 The consultation for a reorganisation of the service was launched on the 16th February and closed on the 17th March 2021. The reorganisation is designed to contribute to the Finance, Procurement and Audit savings proposals as well as improve resilience and succession planning of the service. Once the new structure is finalised the Audit Committee members will be provided with further details.

Corporate and Social Housing Fraud

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

- Intelligence
- Social Housing
- Corporate Investigations
- Blue Badge

- 3.7 There is also an investigator in the Insurance Service who examines the integrity of insurance claims to eliminate fraudulent submissions and repudiate inappropriate claims.
- 3.8 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.
- 3.9 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. 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 recommenced, however these have since halted with the reintroduction of restrictions. It's 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 late 2021 and 2022.

Summary of Referrals and Outcomes for 2020/21

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

Table 3 - Corporate Fraud Team, April 2020 to February 2021

No. of referrals	Closed	Rejected	Ongoing
19	8	5	6

Table 4 - Social Housing Fraud Team, April 2020 to February 2021

No. of Referrals	Closed	Rejected	Ongoing	Properties Recovered	RTB Applications Stopped	Misc. successful outcomes
236	34	69	201*	20	4	2

*Includes cases from previous year(s).

Proactive Anti-Fraud Activity

3.11 The data matches for the Cabinet's Office's National Fraud Initiative (NFI) were released in late January 2021. A summary of the matches is show in the table below:

Table 5 – Summary of NFI Matches

Ref:	Report Title	No. High Priority Matches	No. of Medium Priority Matches
173.1	Council Tax Reduction Scheme	80	118
173.2	Blue Badge Parking Permit	8	310
173.3	Housing Benefit Claimants	355	13
173.4	Housing Tenants	325	0
173.5	Payroll	3	17
173.6	Pensions	124	44
173.7	Resident Parking Permit	60	0
173.8	Right to Buy	1	0
173.9	Waiting List	165	1267
	Total	1121	1769

3.12 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. We are prioritising high risk matches.

3.13 In addition to the NFI exercise we participated in a Transliteration pilot with the Cabinet Office which targeted alleged multiple identify fraud by using data we had already submitted via the National Fraud Initiative. We were informed of 97 matches in total, all 97 have been reviewed and closed. Whilst not solely focussed on housing, the outcomes included 3 housing applications that need to be cancelled and 3 other cases relating to successions and transfers that will be reviewed again by the service, no fraud was identified.

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

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:

Paul Rock, Head of Internal Audit, Fraud and Risk
Tel: 07562 431830. Email: paul.rock@towerhamlets.gov.uk