


<p>Non-Executive Report of the:</p> <p>Audit Committee</p> <p>Thursday, 24 March 2022</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer)</p>	<p>Classification: Open (Unrestricted)</p>
<p>Internal Audit and Anti-Fraud Quarterly Progress Report</p>	

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

Executive Summary

This report provides an update on progress against the delivery of the 2021/2022 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in December 2021. In addition, an update on anti-fraud work is 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

Internal Audit

- 3.1 The Council's internal audit service is currently provided by two senior internal auditors and an Internal Auditor and is led by an experienced audit manager who is also the Deputy Head of Internal Audit. The service currently has two additional vacancies that we will recruit to shortly (Senior Internal Auditor and Internal Auditor). Delivery of the plan is supplemented through a contract with BDO – a professional services and accountancy firm. The Audit Committee is provided with updates at each meeting on progress against the Annual Internal Audit Plan.
- 3.2 In addition, we also deliver internal audit services to Tower Hamlets Homes (THH) via a Service Level Agreement. Progress against their separate plan is reported to the THH Finance and Audit Committee on a quarterly basis. The THH plan include nine audits and follow up activity.

Progress against the 2021/22 Internal Audit Plan

- 3.3 In December 2021 the Audit Committee agreed the revised 2021-2022 Internal Audit and Anti-Fraud plan. In this reporting period December 2021 to March 2022 the following progress has been made:

Audits in Progress (Fieldwork)

Audit title	Current Target for draft report
Supporting Stronger Families – Monthly Grant Claim Certification	Ongoing
Creditors	February 2022
SQL Database Management (IT Audit)	March 2022
New House Building Programme – Contract Audit	March 2022
Empty Property Rates and Inspection	March 2022
Commissioning and Managing of Placements	March 2022
Laptop Security Management (IT Audit)	March 2022
Review of Business Continuity Plans	March 2022
Multi Agency Safeguarding Hub	March 2022
Follow up on Compliance with the Failed Visits Procedure	March 2022
Adults Safeguarding Review Improvement Plan	April 2022
Property Disposals	April 2022
SLA's for Traded Services with Schools	April 2022
Management and Monitoring of s.106 Planning Obligations	April 2022
Management and Monitoring of Council's Contribution to	May 2022

Climate Change Agenda.	
Highway Repairs and Maintenance Contract	May 2022

Draft Reports (Issued to Management)

Audit Title	Draft report first issued
Purchase Cards	November 2021
Access Control Management	February 2022
Contract Services Improvement Plan	February 2022

Final Reports

Audit Title	Opinion
Freedom of Information (Consultancy)	N/A
Governance and Reporting of Efficiency Savings	Reasonable
NNDR	Reasonable
Management and Control of Agency Workers (Split opinion)	Reasonable (Corporate Level) Limited (Directorate Level)
Management of Commercial Waste	Limited
Management of Incidents and IT Security Breaches	Limited

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

Management's Progress in Implementing Agreed Actions

3.5 Management is responsible for implementing the agreed actions at the conclusion of an internal audit. During the course of 2021/22 Internal Audit has followed up some of the agreed actions to determine whether they have been fully implemented and are operating effectively. The table below provides further details.

Implementation of Agreed Management Actions for Follow Ups verified by Internal Audit between April 2021 and February 2022

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	26	31
Number of Management Actions Fully Implemented	9	12
Number of Management Actions Partially Implemented	13	15
Number of Management Actions Not Implemented	4	4
% Fully Implemented	35%	39%
% Partially Implemented	50%	48%
% Not Implemented	15%	13%

3.6 In December, the Committee requested further information about the implementation of recommendations, and in particular the age of any outstanding agreed actions. The table at Appendix B provides further details.

Fraud Investigation Activity

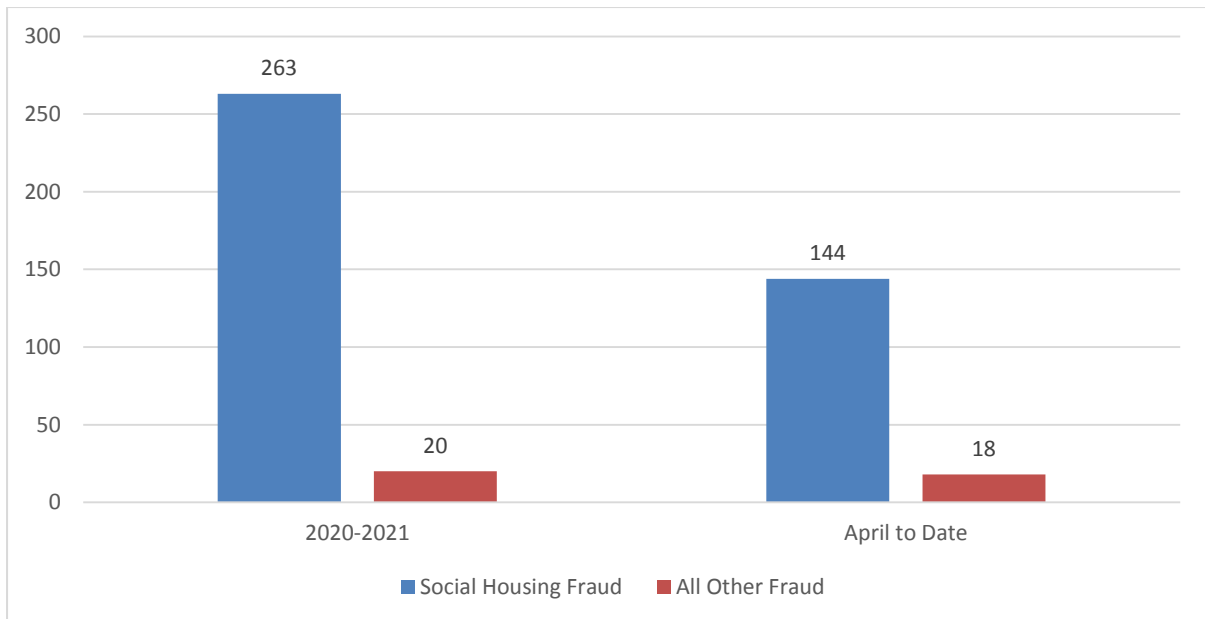
3.7 All investigation activity is now dealt with by one multidisciplinary team, this includes housing fraud, insurance fraud, internal fraud and blue badge fraud. The team consists of five Fraud Investigators, two Social Housing Fraud Investigators (funded by Tower Hamlets Homes) and two Blue Badge Investigators (funded by Parking). The team is supported by an Intelligence Officer and led by an experienced Investigation Manager.

3.8 The investigators continue to diligently investigate allegations of fraud. In line with the Council's strategy during the various stages of 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 continued throughout. It is likely we will see a reduction in outcomes over the coming months until the backlog of investigation and Court work is cleared.

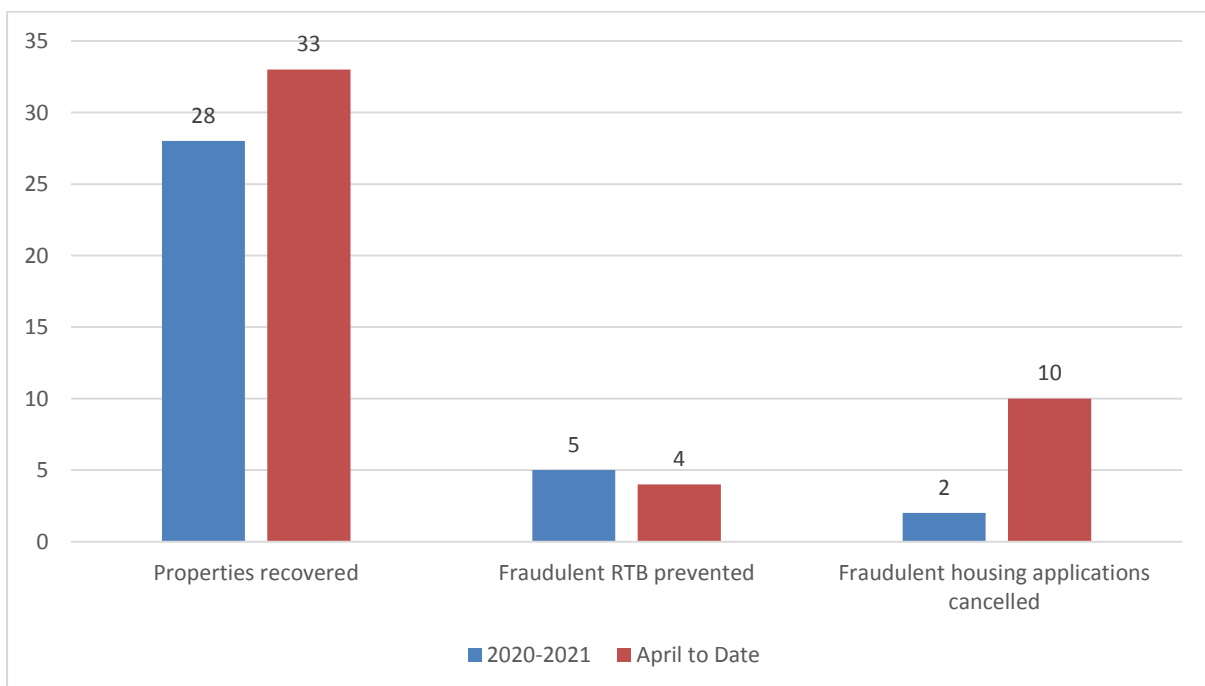
Summary of Caseloads, Referrals and Outcomes for 2021/22

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

Referral Activity Comparison 2020/21 to 2021/22 (To date)



Outcome Comparison 2020/21 to 2021/22 (To date)



3.10 In addition to the outcomes above the team have secured two criminal convictions for housing fraud (one further case was lost) and secured unlawful profit orders amounting to £27,000.

Fraud Prevention Activity

3.11 The Internal Audit and Anti-Fraud Service includes a dedicated Fraud Prevention Officer role that reports to the Internal Audit and Fraud Prevention Manager. Work to date has included:

- Updating and publication of Corporate and Anti-Fraud Strategy
- Updating and publication of the Anti-Bribery policy
- Publication of the Fraud Response Plan
- Publication of the Anti-Money Laundering Policy
- Participating in the Direct Payment working group which is currently reviewing the Direct Payment Policy and service user agreements, both will now include anti-fraud measures
- Changing the single person discount application process for Council Tax which now includes an anti-fraud declaration
- Creation and drafting of an NFI monthly report
- Conducted a high-level proactive assurance review of a sample of a closed NFI data set involving Pension payments.
- Ongoing review/update of Intranet and internet fraud prevention information
- Fraud awareness presentations delivered to the Right to Buy (THH), Direct Payments and Lettings services.
- Exploring options of improving fraud prevention and detection via data analytics with the Head of Intelligence and performance.

Policy and Procedural Changes Post Prosecution

3.12 At the Audit Committee in October 2021 the Head of Internal Audit was asked to report on changes that may need to be made to policy and procedure in relation to two topics. The first related to managing personal information of people that contact the Council with information about alleged fraud and the second related to better information sharing between departments.

3.13 In relation to the first issue, the Council's Intelligence and Fraud Investigation Team have amended the local procedures to ensure that information from informants is acknowledged within 5 working days (not applicable for anonymous information/complaints). Named informants will be advised how their personal information (usually just a name and email or correspondence address) will be used, securely stored and if necessary, revealed during a criminal prosecution.

3.14 With respect to disclosure during a criminal prosecution, personal information related to informants will be treated as sensitive and confidential and only disclosed in accordance with the Criminal Procedures and Investigation Act. The Act allows for controlled disclosure designed to ensure the safety of informants. If personal information related to informants must be disclosed

(usually just a name) the Investigation Manager will contact the informant in advance of the disclosure to provide advice and support.

- 3.15 In relation to better information sharing, this is a significant challenge as the Council, like many other Councils, has numerous disparate IT systems that do not routinely communicate with each other and cannot be easily integrated. Equally, implementing manual work arounds would be resource intensive and therefore costly. In addition, the requirements of the Data Protection Act must be taken into consideration; information should not be automatically shared without an individual's permission and notification.
- 3.16 The Council is currently exploring a solution through the Customer Services Division. They are working on a single online contact form for customers that once completed would pass information provided by the customer to various departments across the council. In essence this is similar to the 'Tell us Once Service'. It is anticipated this project will take three months to design, test and implement, although this is subject to the transformation projects prioritisation process which will determine which projects are prioritised and will be resourced from April 2022. The anticipated outcome will be improved information sharing between departments. The customer remains responsible for informing the Council of any changes in the circumstances, but when the customer informs the council through this service that, for example, someone has moved into the property, that information will be passed to relevant departments across the Council.
- 3.17 Further to the questions raised by the Audit Committee, we have also been asked how allegations of domestic violence are taken into consideration when determining whether to prosecute.
- 3.18 The Directorate Scheme of Delegation gives authority to the Director of Legal and the Head of Litigation to take the decision to commence proceedings in a particular case. This ensures the decision to prosecute is independent of the investigating process. On receipt of instructions to commence any legal proceedings the Council's lawyers must consider the Crown Code for Prosecutors (<https://www.cps.gov.uk/publication/code-crown-prosecutors>) i.e. general principles to be applied when making decisions about prosecutions. The Code is applicable to all public prosecuting authorities and requires two tests to be applied
- The Evidential Test: The prosecutor must be satisfied that there is enough evidence to provide a realistic prospect of a conviction. This is an objective test and the prosecutor must be more satisfied than not that the Magistrates will convict if properly directed. In having regard to this test, consideration must also be given to what the likely defence case; the reliability of the evidence; the credibility of any witness; and the admissibility of the evidence. If the evidential test is not passed, the case must not proceed. If domestic violence is raised as a potential defence, the reviewing lawyer must consider its likely prospect of success.

- The Public Interest Test: This requires certain factors to be considered both in favour of and against prosecution determining, on balance, whether it would be in the public interest to prosecute e.g. “How serious is the offence committed.” It is a non-exhaustive list and, again, domestic violence would be taken into account at this stage where it may well provide strong mitigation when the court proceeds to sentence. It should be noted that the Code itself is clear that “Although there may be public interest factors tending against prosecution in a particular case, prosecutors should consider whether nonetheless a prosecution should go ahead and those factors put to the court for consideration when sentence is passed.”

3.19 In effect, Legal Services are the gatekeepers for prosecutions. If Legal Services consider that there is insufficient evidence to justify issuing a summons, or the prosecution is not in the public interest, the matter will not proceed to Court.

3.20 The Council’s compliance with the above tests/Code for Crown Prosecutors will continue to ensure that only appropriate cases are prosecuted. This is in accordance with the Council’s Enforcement Policy.

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, which are set out in 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.
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Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- Appendix A – Summary of Finalised Audits
- Appendix B – Previously Unimplemented Agreed Management Actions

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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