

Non-Executive Report of the: Audit Committee Thursday, 20 October 2021	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 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 2021/22 Annual Internal Audit Plan and highlights any significant issues since the last report to the Audit Committee in July 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

Internal Audit

- 3.1 The Council's internal audit service is provided by three senior internal auditors and led by an experienced audit manager who is also the Deputy Head of Internal Audit. The service currently has three additional vacancies that we are currently recruiting to which includes a new apprenticeship post. 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.

Progress against the 2020/21 Internal Audit Plan

- 3.2 In July 2021 the audit Committee agreed the 2021-2022 Internal Audit and Anti-Fraud plan. In this reporting period July 2021 to September 2021 the following progress has been made:

Audits in Progress (Fieldwork)

Audit Title	Target for Draft Report
Supporting Stronger Families – Monthly Grant Claim Certification	N/A
NNDR	September 2021
Delivery of Efficiency Savings	September 2021
Purchase Cards	September 2021
Control and Monitoring of Agency Workers	October 2021
IT Security Breaches and Incident Management	September 2021
Freedom of Information	September 2021
Multi Agency Safeguarding Hub	October 2021
Management of Commercial Waste	October 2021

Draft Reports

Audit Title	Draft Report First Issued	No. Days Overdue
Asset Management	15/09/2021	N/A
IT Programme and Project Management	23/08/2021	N/A

Final Reports

Audit Title	Opinion
Community Infrastructure Levy (CIL) Collection and Utilisation	Reasonable
Child Exploitation	Reasonable
Contract Monitoring of Adult's Commissioned Services for Integrated Community Equipment Store and Extra Care Sheltered Housing.	Reasonable
	Limited
Aluminium Composite Material (ACM) Information and Record Management	Limited
Contract Monitoring of Children's Commissioned Services – Campbell Road Young People's Support	Limited
Payroll	Limited

- 3.3 Summaries of the finalised audits are included at Appendix A. In addition, one advisory report has been issued in relation to the governance arrangements of the Council's companies.

Management's Progress in Implementing Agreed Actions

- 3.4 During the period April 2021 to August 2021, 4 follow-up reviews have been completed which confirmed that 83 % of High Priority agreed actions had been fully or partially implemented. In addition, 100% of Medium Priority agreed actions had been fully or partially implemented. The table below provides further details.

Implementation of Agreed Management Actions for Follow Ups carried out between April 2021 and August 2021

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	18	5
Number of Management Actions Fully Implemented	6	2
Number of Management Actions Partially Implemented	9	3
Number of Management Actions Not Implemented	3	0
% Fully Implemented	33%	40%
% Partially Implemented	50%	60%
% Not Implemented	16%	-

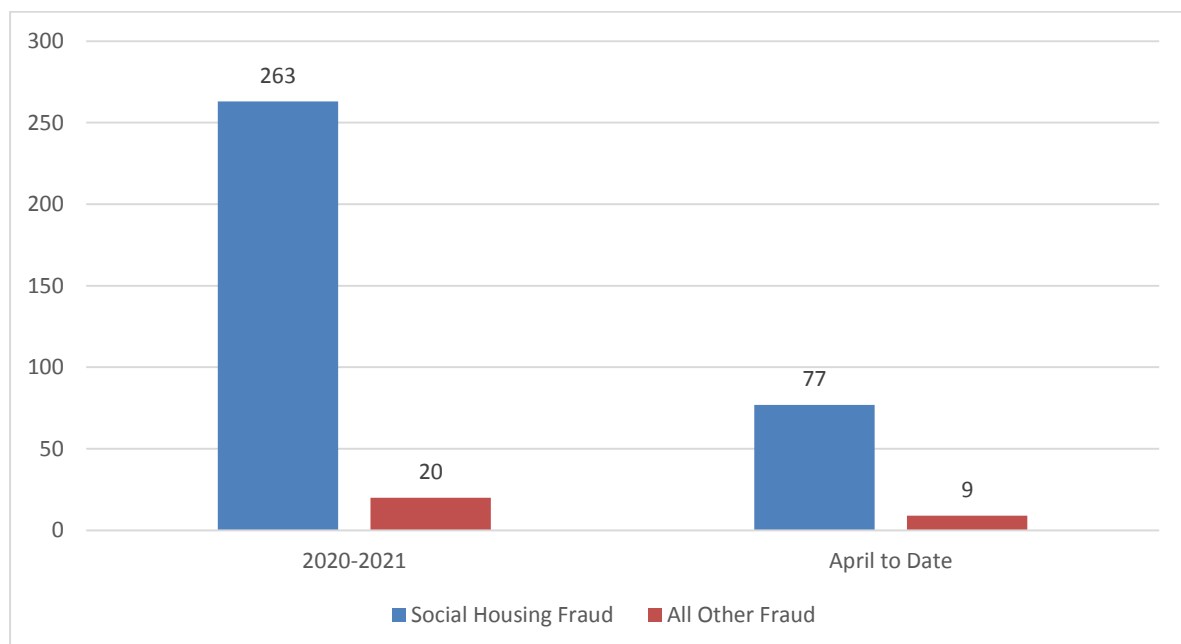
Fraud Investigation Activity

- 3.5 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.
- 3.6 The investigators continue to diligently investigate allegations of fraud. In line with the Council's strategy during the height 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.

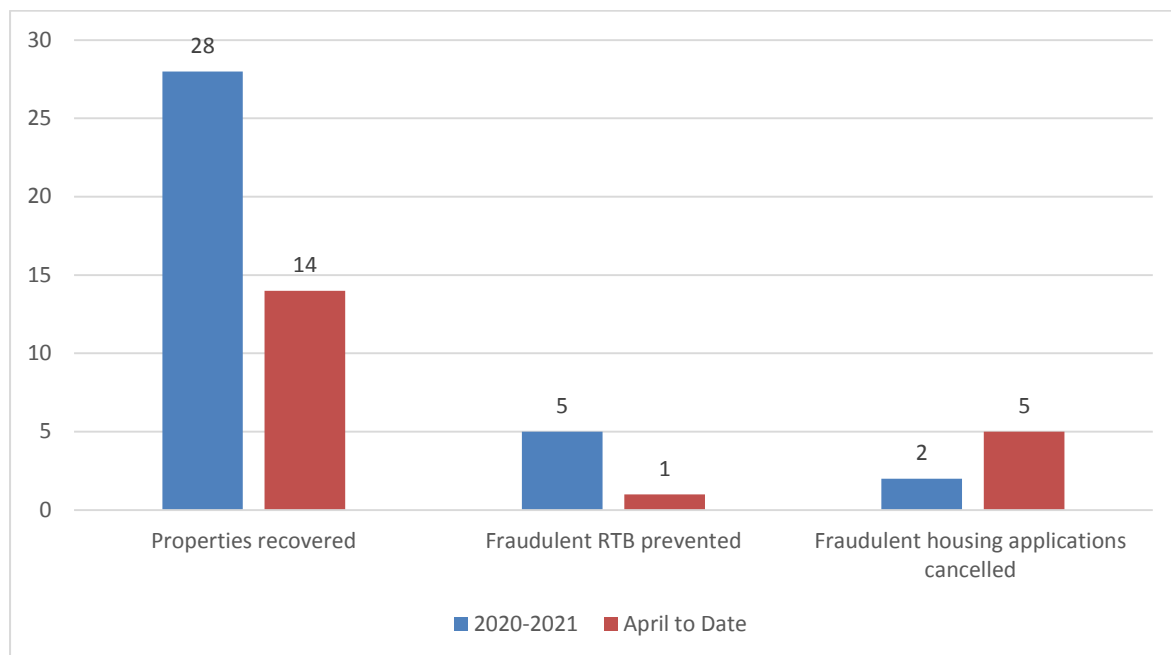
Summary of Caseloads, Referrals and Outcomes for 2021/22

- 3.7 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)



3.8 In addition to the outcomes above the team have secured two criminal convictions for housing fraud (one case was lost) and secured unlawful profit orders amounting to £27,000. Please note in 2020-21 none of the Council's housing cases were heard at Court due to the pandemic. At present there are a further 7 cases being pursued as criminal prosecutions and 20 cases progressing through civil procedures.

Fraud Prevention Activity

3.9 The restructure of the Internal Audit and Anti-Fraud Service included the creation of a dedicated Fraud Prevention Officer role that reports to the Internal Audit and Fraud Prevention Manager. A dedicated role ensures that fraud prevention activity is not deprioritised in favour of investigations. The role began on the 1 June 2020 and a work plan has been agreed. 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 a working group aimed at improving and reviewing of Personal Budget and Direct Payment procedures
- Direct Payment policy to be updated to reflect fraud prevention requirements

- Ongoing review/update of Intranet and internet fraud prevention information
- Currently lasing with Adult Social Services to create and deliver a fraud awareness session aimed at Direct payment
- Creating of RTB fraud awareness refresher presentation, presentation date TBD.

National Fraud Initiative

3.10 The National Fraud Initiative (NFI) is an exercise led by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies (including all local authorities) are required through the Local Audit and Accountability Act 2014 to submit data to National Fraud Initiative on a regular basis. The Senior Responsible Officer (SRO) is accountable for ensuring the Council meets the statutory requirements. The SRO for the Council is currently the Interim Corporate Director, Resources.

3.11 The Internal Audit and Anti-Fraud service fulfil the Key Contact role on behalf of the SRO. The Key Contact is responsible for:

- Fulfilling the organisation's privacy notice requirements – they should be in direct communication with the data protection officer or equivalent.
- Ensuring that the data formats guidance and data specifications are followed.
- Nominating appropriate users to upload data submissions, investigate the matches and act as the point of contact for other bodies about a match.
- Coordinating and monitoring the overall exercise.
- Ensuring that outcomes from the investigation of matches are recorded on the web application promptly and accurately.

3.12 The latest data matches were released in late January 2021. Individuals from across the Council's services have been nominated to review the matches and determine what, if any, action is required to resolve and close the match. A summary of the matches and progress is shown in the table below:

Summary of NFI Matches

Report Title	Total Matches	Closed	Under Review	Fraud	Outcome
Housing Benefit Claimants to DWP Deceased	33	1	0	0	
Pension Gratuity to DWP Deceased	80	66	13	0	
Payroll to Payroll	38	33	5	0	
Blue Badge Parking Permit to DWP Deceased	309	223	53	3	£31,050
Resident Permit to DWP	60	57	1	0	

Report Title	Total Matches	Closed	Under Review	Fraud	Outcome
Deceased					
Housing Benefit Claims to Student Loan	208	0	0	0	
Pensions to Payroll	75	0	0	0	
Payroll to Payroll	38	33	5	0	
Council Tax to Electoral Register	7833	4113	4	393	£302,538
Council Tax Reduction Scheme to Payroll	96	0	0	0	
Council Tax Reduction Scheme to Pensions	334	0	0	0	
Council Tax Reduction Scheme to Pensions	24	0	0	0	
Council Tax Reduction Scheme to Council Tax Reduction Scheme	28	0	0	0	
Council Tax Reduction to Housing Tenants	24	0	0	0	
Council Tax Reduction Scheme to Taxi Drivers	748	0	0	0	
Procurement - Payroll to Companies House	56	0	0	0	

3.13 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 review which may simply reveal an error in the data that needs to be corrected or a more substantial allegation of fraud. Most matches do not reveal a sanctionable fraud and are dealt with entirely by the appropriate service. The matches classified as fraud above are categorised as such using the NFI's definition of fraud, it does not mean that individual incidents are appropriate for investigation and criminal sanction, most matches are resolved by recovering any financial loss.

3.14 The NFI match for the 20/21 NFI exercise has a total of 11,653. Note a single individual can appear as a match across several NFI matches and each occurrence of such a match is counted as an individual match. A total of 452 matches have been reviewed and closed. The above table summarises progress made on a list of "key reports". According to the NFI "Key Reports" are high quality reports that historically relate to the largest savings and outcome for participating organisations.

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:

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