


Non-Executive Report of the: Audit Committee Tuesday 28 June 2022	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud Quarterly Progress Report	

Originating Officer(s)	Aaron Winter
Wards affected	(All Wards);

Executive Summary

This report provides an update on progress against the delivery of the 2022/23 Annual internal Audit Plan, and update on anti-fraud work undertaken, and highlights any significant issues since the last report to the Audit Committee in March 2022.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the contents of this report and the overall progress and assurance that will be provided for 2022/23.

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, an Internal Auditor, an Audit Practitioner (Apprentice) and is led by an experienced audit manager who is also the Deputy Head of Internal Audit. The service currently has three additional vacancies, following a recent resignation, and we will look to recruit to shortly (one Senior Internal Auditor and two Internal Auditors). Previously, the delivery of the plan has been supplemented through a contract with BDO – a professional services and accountancy firm. At present, this arrangement is being re-procured with a view of appointing a new partner later this year to provide the additional resource capacity to support the detail of the 2022/23 Annual Internal Audit Plan.
- 3.2 The Audit Committee is provided with updates at each meeting on progress against the Annual Internal Audit Plan. Due to the timing of this report, this update provides a summary of work relating to the commencement of the 2022/23 Annual Internal Audit Plan, which was approved by the Audit Committee at its meeting in March 2022.
- 3.3 Any reports reported as final since the last Audit Committee meeting relate to the 2021/22 Annual Internal Audit Plan, and as a result, have been reported as part of the Head of Internal Audit Annual Report for 2021/22, which is being presented to the Audit Committee alongside this progress report.
- 3.4 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 includes eight audits and follow up activity for 2022/23.

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 and 2022/23, 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 June 2022

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	29	43

Number of Management Actions Fully Implemented	11	17
Number of Management Actions Partially Implemented	14	20
Number of Management Actions Not Implemented	4	6
% Fully Implemented	38%	39%
% Partially Implemented	48%	47%
% Not Implemented	14%	14%

- 3.6. To support the Council improving follow up implementation rates, follow up trackers for each Directorate have been created. These enable management to update directly on their progress relating to implementing agreed management actions against the timescales set. These are presented periodically at relevant Directorate Leadership Team meetings, providing an escalation route for any delays, and indicating when it is appropriate for Internal Audit to conduct a follow up review to verify the effective implementation of high and medium priority recommendations.

Progress against the 2022/23 Internal Audit Plan

- 3.7. Following the approval of the Annual Internal Audit Plan for 2022/23 at the Audit Committee's meeting held on 24 March 2022, progress has been made in scoping and commencing the following agreed reviews, alongside completing the remaining 2021/22 reviews:

Audits at Planning Stage

Audit title	Current Target for draft report
Management of Holiday Playschemes	August 2022
Regeneration Projects	August 2022

Audits in Progress (Fieldwork)

Audit title	Current Target for draft report
Management and Monitoring of Council's Contribution to Climate Change Agenda (deferred from 2021/22)	July 2022
Mobile Device Management (deferred from 2021/22)	July 2022
Staff Recruitment and Pre-employment checks	July 2022
Contract Monitoring of Electrical MTC Works	July 2022
Payments without orders (AP1)	July 2022
Payments without orders (AP1)	July 2022

Supporting Stronger Families Grant Certification	On-going monthly grant certification work
Grant Certification work: 1. Contain Management Outbreak Management Fund 2. Homelessness Prevention Grant – 2021/22 3. Rough Sleepers Initiative Grant	June 2022

- 3.8. As part of the plan, the recommencement of the school audit programme was agreed. Since then, 12-15 schools have been selected, and audits have been scheduled, with fieldwork being delivered from May 2022 to October 2022. The following schools have progressed and are expected to report shortly:

Audit title	Current Target for draft report
Bangabandhu Primary School	July 2022
Hague Primary School	July 2022
Stepney All Saints Secondary School	July 2022
William Davis Primary School	July 2022

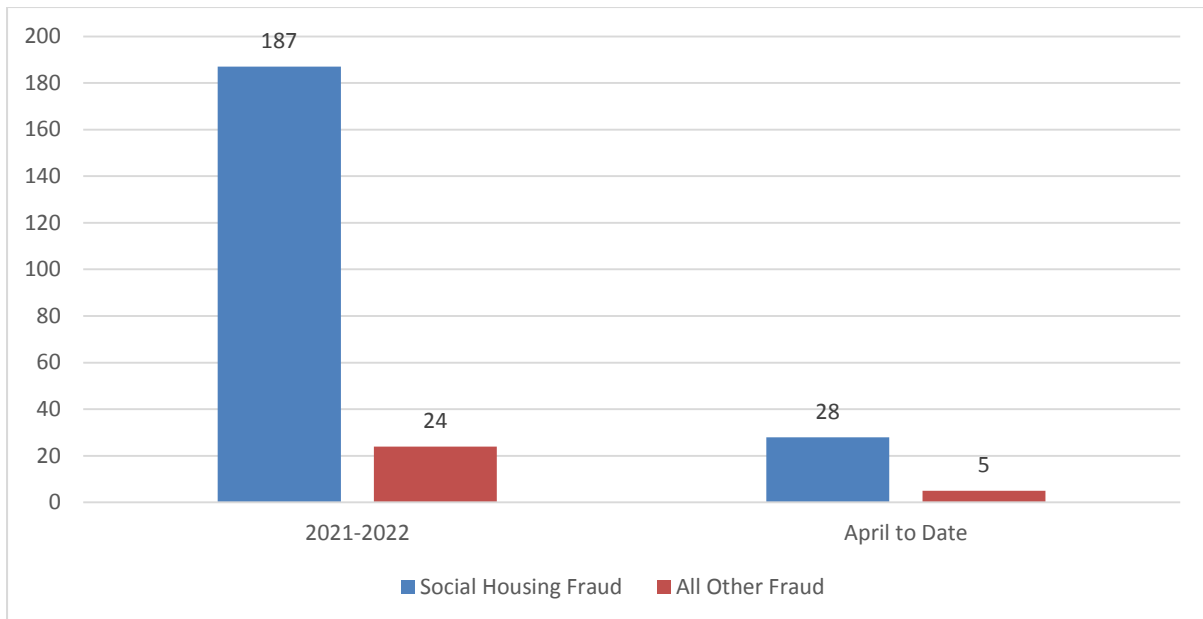
Fraud Investigation Activity

- 3.9 All investigation activity is 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, a Fraud Investigator Apprentice, 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.
- 3.10 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. However, such work has now recommenced as we began to exit the pandemic. It is, however, expected that we will see a continued reduction in outcomes over the coming months until the backlog of investigation and Court work is cleared.

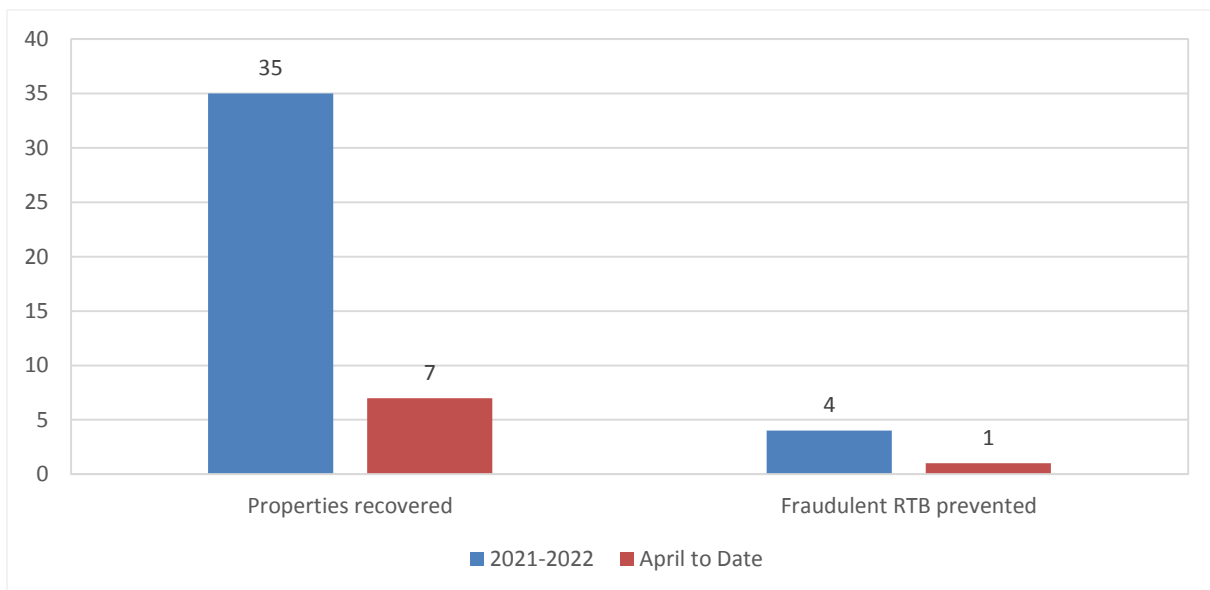
Summary of Caseloads, Referrals and Outcomes for 2021/22

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

Referral Activity Comparison 2021/22 to 2022/23 (To date)



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



3.12 In addition to the outcomes above, during 2022/23 to date, the team have secured one criminal conviction and one unlawful profit/compensation order amounting to £38,000.

Fraud Prevention Activity

3.13 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:

- Review of the Recruitment and Selection policy, Gifts and Hospitality Policy and Secondment Policy prior to their roll out.

- Review and amendment of the single person discount online application.
- Delivered fraud awareness session to Schools.
- Delivered fraud awareness to the Lettings teams.
- Preparing and delivering fraud awareness publicity as part of the upcoming internal fraud awareness week scheduled for June 2022.
- Planning and preparing the content for an updated Council-wide e-learning training module covering fraud awareness.
- Referral of 4 potential fraud cases to the Investigations team,
- Providing fraud preventative information and intelligence to the Non-Recourse to Public Funds team.

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

- None.

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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