


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

<b>Originating Officer(s)</b>	Aaron Winter
<b>Wards affected</b>	(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 June 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 three 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 previously had three vacancies, but following the completion of a recent recruitment campaign, we have appointed one Senior internal Auditor and one Internal Auditor, meaning only one post remains vacant (Internal Auditor). This has increased the capacity of the in-house team.
- 3.2 Following a re-procurement exercise, a new contract has been let to BDO – a professional services and accountancy firm, who were successful in their submission. As BDO was our previous provider, this will assist in providing continuity service and provide the additional resource capacity to support the delivery of the 2022/23 Annual Internal Audit Plan.
- 3.3 The Audit Committee is provided with updates at each meeting on progress against the Annual Internal Audit Plan. This report provides an update against the 2022/23 Annual Internal Audit Plan, which was approved by the Audit Committee at its meeting in March 2022, as at 31 October 2022.
- 3.4 This report also provides audit summaries for the remaining 2021/22 audits which have been finalised since the Audit Committee's last meeting in June 2022. Members will recall that the Head of Internal Audit Annual Report for 2021/22 was submitted to the June 2022 Audit Committee and provided detailed analysis of the progress and outcomes against the 2021/22 Annual Internal Audit Plan. These summaries are provided for completeness in line with our standard reporting requirements at Appendix A.
- 3.5 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**

- 3.6 Management is responsible for implementing the agreed actions at the conclusion of an internal audit. During the course of 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 2022 and October 2022

	<b>High Priority</b>	<b>Medium Priority</b>
Number of Agreed Management Actions Followed Up	5	18
Number of Management Actions Fully Implemented	-	7
Number of Management Actions Partially Implemented	2	10
Number of Management Actions Not Implemented	3	1
% Fully Implemented	-	39%
% Partially Implemented	40%	56%
% Not Implemented	60%	5%

- 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

<b>Audit title</b>	<b>Current Target for draft report</b>
Educational Psychologists - Service Review	January 2023
Equality Assessments	January 2023
Signing & Sealing of Documents (incl. retention)	January 2023 to March 2023
Council Tax	January 2023 to March 2023
Revenue Budgetary Control	January 2023 to March 2023
Bank Reconciliations	January 2023 to March 2023
IT Cloud Strategy & Operation	January 2023 to March 2023

IT Virtual Infrastructure	January 2023 to March 2023
Quality Assurance Framework (Adults)	January 2023 to March 2023
Children's Safeguarding Partnership – Monitoring of Action Plans	January 2023 to March 2023
Land Searches	January 2023 to March 2023

Audits in Progress (Fieldwork / Draft reporting)

<b>Audit title</b>	<b>Current Target for draft report</b>
Contract Monitoring of Electrical MTC Works	November 2022
Payments without orders (AP1)	November 2022
Regeneration projects	November 2022
Supporting Stronger Families Grant Certification	On-going monthly grant certification work
Readiness for the New Building Safety Legislation	December 2022
IT Contract Management and Monitoring	December 2022
Holiday Playschemes	December 2022
Homelessness Assessments	January 2023

Audits completed since June 2022 Audit Committee

<b>Audit title</b>	<b>Date Audit completed/Final Report Issued</b>
Management and Monitoring of Council's Contribution to Climate Change Agenda (deferred from 2021/22)	October 2022
Mobile Device Management (deferred from 2021/22)	October 2022
Staff Recruitment and Pre-employment checks	October 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	July 2022

4. The Better Mental Health Grant 2021/22	
5. Local Authority Test & Trace Support Payment Scheme 2021/22	

Summaries of the 2022/23 audits finalised since June 2022 are reported at Appendix B.

2022/23 Priority 1 Audits Requested by Management to be Deferred/Cancelled

<b>Audit title</b>	<b>Directorate</b>
Monitoring of Local Community Fund Grants (LCF)	Chief Executive's Office
CIPFA/SCIE action plan follow up	Health, Adults and Community

- 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:

<b>Audit title</b>	<b>Current Status</b>	<b>Assurance Opinion</b>
Bangabandhu Primary School	Draft Report	Reasonable
Blue Gate Fields Junior	Draft Report	Limited
CFGS	Draft Report	Limited
Chisenhale	Fieldwork	N/A – Fieldwork in progress
English Martys	Draft report in collation	TBC - Draft report being collated
Hague Primary School	Final Report	Reasonable
Halley	Deferred	School audit deferred to next programme
Hermitage	Draft Report	Reasonable
Mowlem	Final Report	Reasonable
Stepney All Saints Secondary School	Draft Report	Limited
Stepney Park	Fieldwork	N/A – Fieldwork in progress
St Mary's and St Michael's	Fieldwork	N/A – Fieldwork in progress
St Peters London Dock	Draft Report	Reasonable

Stewart Headlam	Draft Report	Reasonable
William Davis Primary School	Final Report	Reasonable

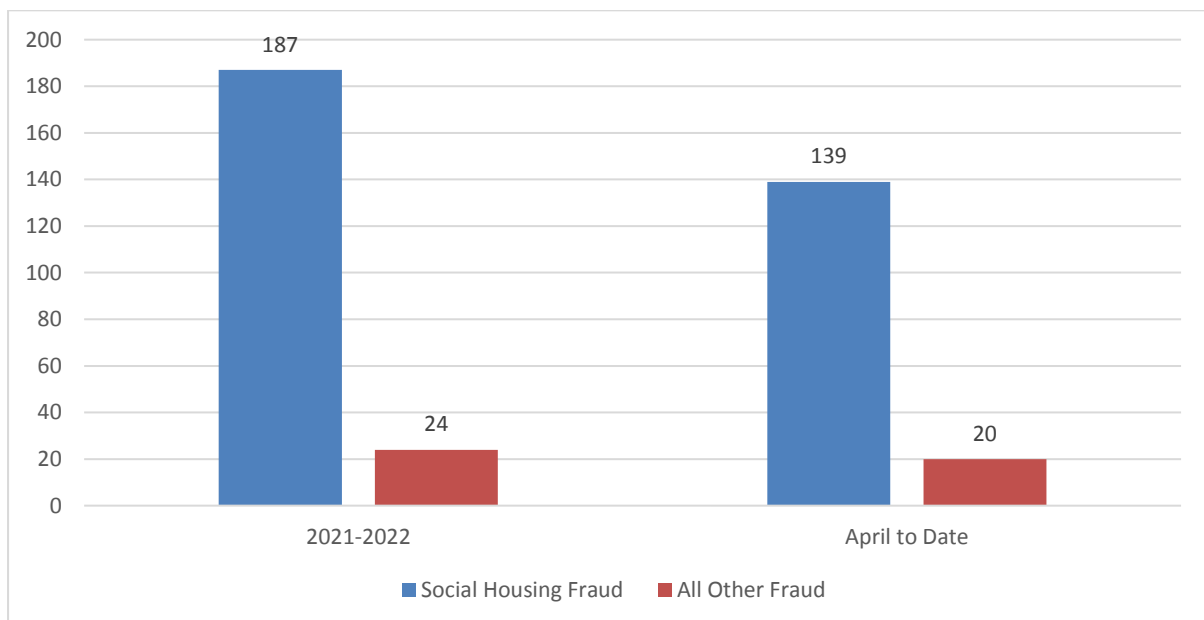
### Fraud Investigation Activity

- 3.10 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.
- 3.11 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.

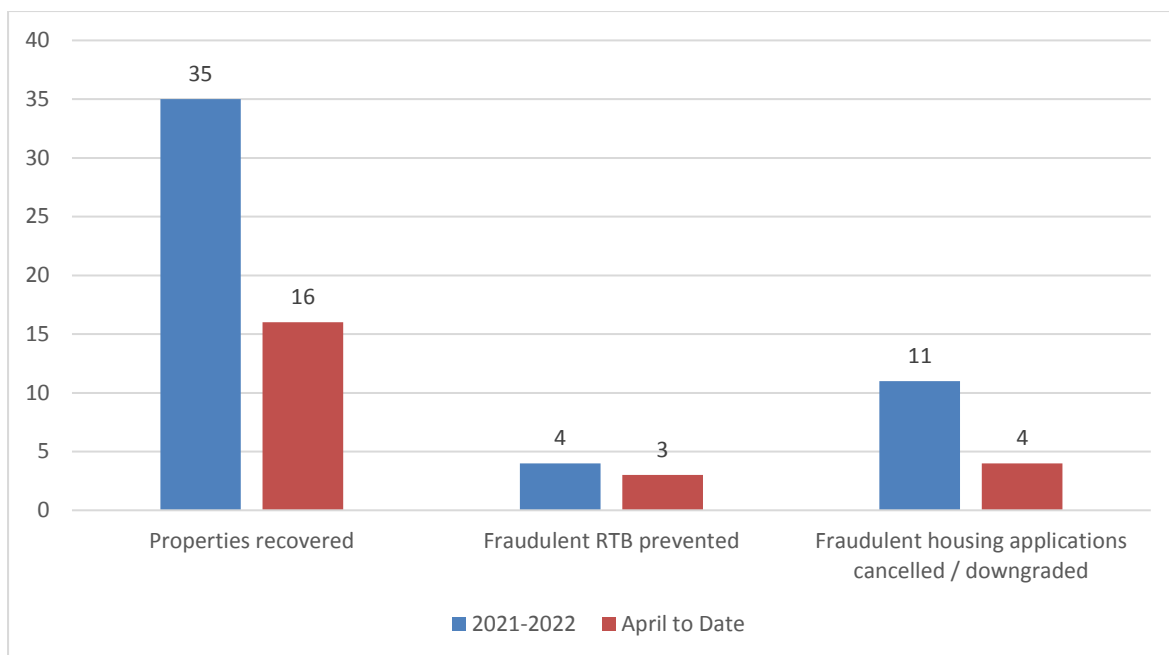
### Summary of Caseloads, Referrals and Outcomes for 2022/23

- 3.12 A summary of referrals and outcomes for 2022/23 is show below:

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



#### Outcome Comparison 2021/22 to 2022/23 (To date)



3.13 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. There is a further agreed compensation payment totalling £175,000 which has been agreed and is being legally formalised regarding compensation for a historic Right-to-Buy which was fraudulently obtained.

### Fraud Prevention Activity

3.14 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 two fraud awareness sessions to schools.
- Delivered two fraud awareness sessions to the Direct Payments team.
- Delivered fraud awareness session to the No Recourse to Public Funds Team.
- Delivered fraud awareness session to the Lettings teams.
- The services of the Metropolitan Police have been secured to deliver training on fraudulent documentation detection. There will be two training sessions, and these were held on 8<sup>th</sup> and the 29<sup>th</sup> September 2022. Sessions were made available via the Learning Hub for wider Council teams to attend. Further dates are currently being arranged due to the demand and success of the training.
- Organised and delivered the Fraud Awareness Week during w/c 18<sup>th</sup> July 2022. This was headlined by an Anti-Fraud message from the Chief Executive

- Following this week, there has been three potential fraud referrals generated as a direct result. There have also been several enquiries concerning fraud related matters and requests for further fraud awareness training,
- Work currently remains ongoing regarding the review of an Anti-Fraud e-learning training offering which we are looking to roll out across the Council.
- Conducted a high-level review of the fraud prevention arrangements concerning Right-to-Buy applications.
- Conducted a high-level review of the housing application process with the Housing Options Team to consider how to identify anomalies and potential fraudulent applications.
- Providing anti-fraud fraud support information and guidance to the No Recourse to Public Funds Team.
- Anti-Fraud awareness presentation prepared for Tower Hamlet Homes, awaiting presentation date confirmation.
- Fraud awareness refresher presentations to be delivered to the Right-to-Buy Team and Lettings Team.
- Ongoing updates to Fraud Prevention information on the Intranet.
- The preparation for the NFI 2022/2023 matching exercise has commenced and data submission expectations have been communicated to the Cabinet Office.

#### **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.
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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- None.

#### **Appendices**

- Appendix A – Final audit summaries for 2021/22 audits
- Appendix B – Final audit summaries for 2022/23 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:**

Aaron Winter, Interim Head of Internal Audit, Anti-Fraud and Risk

Email: [aaron.winter@towerhamlets.gov.uk](mailto:aaron.winter@towerhamlets.gov.uk)