


Non-Executive Report of the: Audit Committee Thursday, 26th January 2023	 TOWER HAMLETS
Report of: Caroline Holland, Interim Corporate Director, Resources (S.151 Officer)	Classification: Open (Unrestricted)
Internal Audit and Anti-Fraud Quarterly Progress Report	

Originating Officer(s)	Bharat Mehta
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 an update on fraud prevention and anti-fraud work. The report also highlights any significant issues since the last report to the Audit Committee in November 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 has an establishment of three Senior Internal Auditors, two Internal Auditors, one Audit Practitioner (Apprentice) , one Fraud Prevention Officer and is led by an experienced Audit and Fraud Prevention Manager who is also the Deputy Head of Internal Audit. During 2022/23, the service carried three vacancies, but following the completion of a recent recruitment campaign, we have been successful in appointing one Senior Internal Auditor from December 2022. This leaves two vacancies at Internal Auditor level, which we have not been able to fill.
- 3.2 Following a re-procurement exercise, BDO – a professional services and accountancy firm was selected and the Council is currently in the process of letting the contract. It is expected that the contract will be awarded by mid-January 2023. As BDO was our previous provider, this will assist in providing continuity of 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 which was approved by the Audit Committee in March 2022. This report provides an update as at December 2022 against the 2022/23 Annual Internal Audit Plan. It should be noted that the Audit Committee meeting on 24th November 2022 received an update against the Audit Plan as at October 2022 and hence the present report includes audit activities and progress for a two month period only.
- 3.4 This report also provides an update on the 2021/22 audits which remain to be finalised and includes a summary of one audit finalised in December 2022 at Appendix A. 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.
- 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 December 2022

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	6	20
Number of Management Actions Fully Implemented	1	9
Number of Management Actions Partially Implemented	2	10
Number of Management Actions Not Implemented	3	1
% Fully Implemented	17%	45%
% Partially Implemented	33%	50%
% Not Implemented	50%	5%

To support Management in improving the implementation rates of agreed actions, the Head of Audit has developed follow up trackers for each Directorate which are then shared with the DLTs. These enable Management to self-assess and update the trackers directly in relation to their progress in implementing the agreed management actions. 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. Necessary escalation process is in place when agreed actions are not fully implemented.

Progress Update on 2021/22 Audits

- 3.8. The June 2022 Audit Committee was provided with a detailed analysis of the progress and outcomes against the 2021/22 Annual Internal Audit Plan. The following 2021/22 audits remain to be finalised:

Audit title	Progress up- date
Compliance with Failed Visits Procedures – Health, Adults and Community.	Management response awaited.
Property Disposals - Place	Revised report to be discussed with the Acting Director, Property & Major Programmes in January 2023
S 106 Planning Obligations – Place	Revised report to be issued in January 2023

Progress against the 2022/23 Internal Audit Plan

- 3.9. 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 planning the following agreed reviews:

Audits at Planning Stage

Audit title	Current Target for draft report
Educational Psychologists - Service Review	February 2023
Equality Assessments	March 2023
Signing & Sealing of Documents (incl. retention)	March 2023
Council Tax	March 2023
Revenue Budgetary Control	March 2023
IT Cloud Strategy & Operation	February 2023
IT Virtual Infrastructure	March 2023
Children's Safeguarding Partnership – Monitoring of Action Plans	March 2023
Land Searches	April 2023 (Re-prioritised)

Audits in Progress (Fieldwork / Draft reporting)

Audit title	Current Target for draft report
Payments without orders (AP1)	Draft Report issued in Oct. 2022
Supporting Stronger Families Grant Certification	On-going monthly grant certification work
Readiness for the New Building Safety Legislation	Draft Report issued in Nov. 2022
Contract Management and Monitoring of a sample of IT Contracts	February 2023
Homelessness Assessments	March 2023
Management of Members' Interests, including Related Party Interests	January 2023
Acting Up and Honoraria Payments	January 2023
Compliance Testing of Bank Reconciliation Process	February 2023

Compliance Testing of Schools Licensed Deficit process	February 2023
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2022/23 Audits completed and finalised since November 2022 Audit Committee

Audit title	Date Audit completed/Final Report Issued
Management of Regeneration Projects	December 2022
Contract Monitoring of Electrical MTC Works	November 2022
Supporting Stronger Families Grant Certification	Monthly grant certification work

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

2022/23 Priority 1 Audits Requested by Management to be Deferred to 2023/24

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

2022/23 Priority 1 Audits Requested by Management

Audit title	Directorate
Management of Members' Interests	Corporate
Management and Support of Sports and Physical Activities by Clubs and Organisations – Advisory Review	Children and Culture
Management and Control of Cost of Living Payments	Place

- 3.10 As part of the plan, the recommencement of the school audit programme was agreed. A total of 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:

Audit title	Current Status	Assurance Opinion
Bangabandhu Primary School	Draft Report	Reasonable
Blue Gate Fields Junior School	Final Report	Limited
Central Foundation Girls Secondary School	Final Report	Reasonable
Chisenhale Primary School	Draft Report	Reasonable
English Martyrs Primary School	Final report	Reasonable
Hague Primary School	Final Report	Reasonable
Halley Primary School	Deferred	School audit deferred to next programme
Hermitage Primary School	Final Report	Reasonable
Mowlem Primary School	Final Report	Reasonable
Stepney All Saints Secondary School	Final Report	Limited
Stepney Park School	Fieldwork	N/A – Fieldwork in progress
St Mary's and St Michael's RC Primary School	Draft Report	Limited
St Peters London Dock Primary School	Draft Report	Reasonable
Stewart Headlam Primary School	Final Report	Reasonable
William Davis Primary School	Final Report	Reasonable

Summaries of those schools' audits finalised since November 2022 and receiving Limited Assurance opinions are reported at Appendix B. The Audit Committee will receive an Annual Report on schools' audits in March 2023 which will pull together key issues, risks and themes across all the schools audited in 2022/23.

Fraud Prevention Activities

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:

- Review of the Recruitment and Selection policy, Gifts and Hospitality Policy and Secondment Policy prior to roll out.
- Review and amendment of the single person discount online application.

- Delivered two fraud awareness sessions to schools; two fraud awareness sessions to the Direct Payments team; one fraud awareness session to the No Recourse to Public Funds Team and one fraud awareness session to the Lettings teams.
- The services of the Metropolitan Police have been secured in conjunction with the Civil Protection Unit to deliver training on fraudulent documentation detection. Two training sessions were held on 8th and the 29th September 2022. Sessions were made available via the Learning Hub for wider Council teams to attend. Further training was delivered on the 22nd and the 29 November 2022. Sessions were well attended and well received.
- Delivered the Fraud Awareness Week during w/c 18th July 2022. This was headlined by an Anti-Fraud message from the Chief Executive.
- Following from the Fraud Awareness Week, three potential fraud referrals were received. There have also been several enquiries concerning fraud related matters and requests for further fraud awareness training.
- 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.
- Provided anti-fraud support information and guidance to the No Recourse to Public Funds Team.
- Ongoing updates to Fraud Prevention information on the Intranet.
- A series of fraud awareness sessions is planned to be delivered to an estimated 300 THH staff over 3 sessions. First session due to commence in January 2023. In addition, currently planning Fraud awareness sessions to be delivered to Human Resources and Procurement teams.
- Work on anti-fraud e-learning training has been completed and is Scheduled to be rolled out to all staff via Learning Hub in February 2023.
- Ongoing reviews and updates are being made to the fraud risk register.
- The data sets for the NFI (National Fraud Initiative) 2022/23 exercise have been submitted and matching results are due to be released in the first quarter of next year.

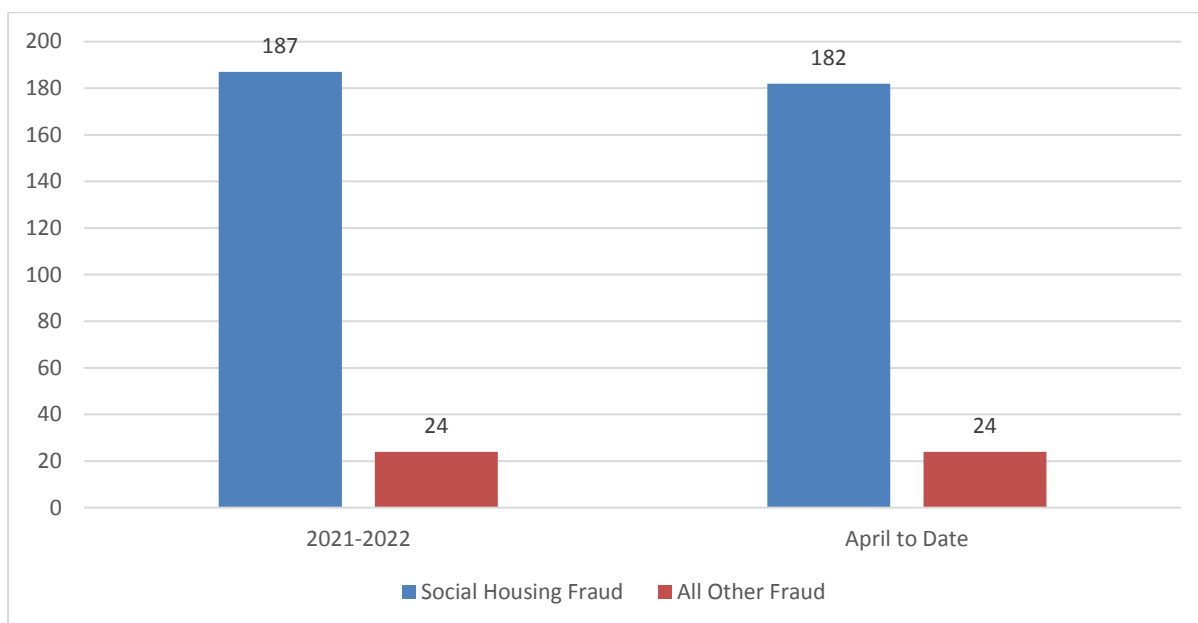
Fraud Investigation Activities

- 3.12 All investigation activities including social housing fraud, insurance fraud, internal fraud, and blue badge fraud are dealt with by the Investigation Team. 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.

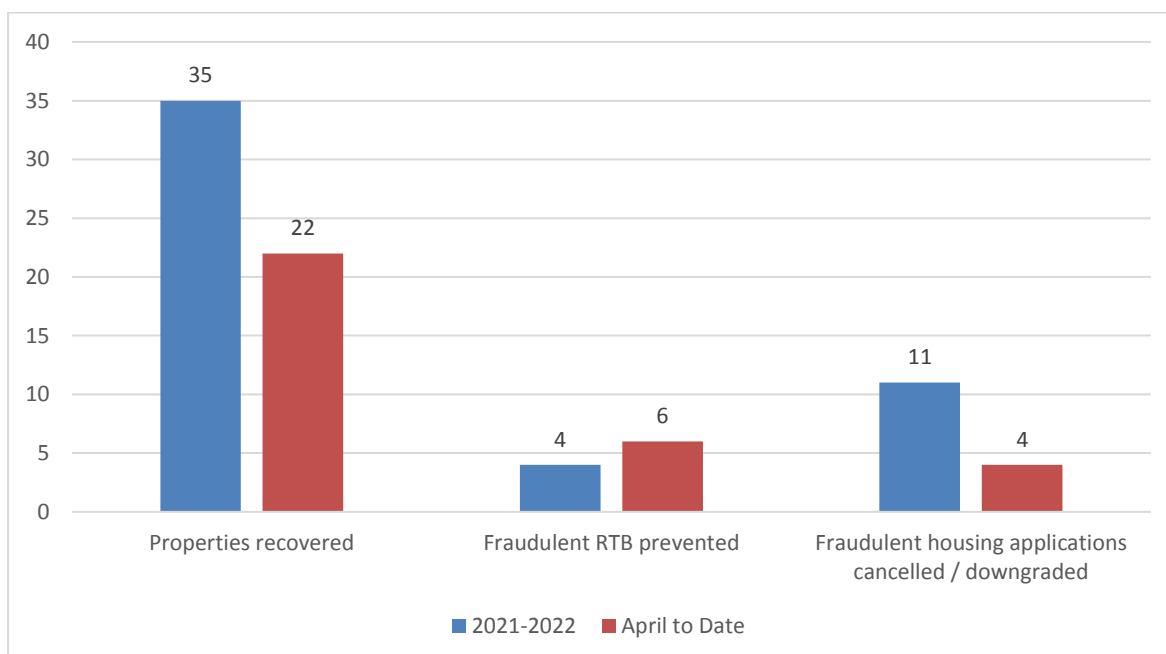
Summary of Caseloads, Referrals and Outcomes for 2022/23

A summary of referrals and outcomes for 2022/23 is shown 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 two unlawful profit/compensation orders amounting to £121,000 in total. 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.

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 – 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:

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