

Non-Executive Report of the: Audit Committee Tuesday, 30th May 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 on 2022/23 Audit Plan	

Originating Officer(s)	David Dobbs and 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 January 2023.

Recommendations:

The Audit Committee is recommended to:

1. **Note** the contents of this report and the overall progress and assurance for audits carried out as part of the 2022/23 Audit Plan.

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 Audit and Fraud Prevention Manager and 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 currently.
- 3.2 Following a re-procurement exercise in July 2022, BDO LLP – a professional services and accountancy firm was selected. It was expected that the contract would be awarded soon after the procurement was finalised. However, due to delays in agreeing to the Terms and Conditions, the contract was awarded on 7th February 2023. This, therefore, caused some delays in BDO making a start on the audit assignments allocated to them. As BDO was our previous provider, the mobilisation period was kept short as staffing resources were already earmarked to service the delivery of the 2022/23 Audit Plan.
- 3.3 The Audit Committee is provided with updates at each meeting on progress against the 2022/23 Annual Internal Audit Plan which was approved by the Audit Committee in March 2022. This report provides an update as at April 2023 against the 2022/23 Annual Internal Audit Plan.
- 3.4 This report also provides an update on the two 2021/22 audits which remain to be finalised and includes a summary of one audit finalised in April 2023 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 service to Tower Hamlets Homes (THH) via a Service Level Agreement. Progress against this separate plan is reported to the THH Finance and Audit Committee on a quarterly basis. The THH plan includes provision for 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 March 2023

	High Priority	Medium Priority
Number of Agreed Management Actions Followed Up	11	26
Number of Management Actions Fully Implemented	4	13
Number of Management Actions Partially Implemented	4	12
Number of Management Actions Not Implemented	3	1
% Fully Implemented	36%	50%
% Partially Implemented	36%	46%
% Not Implemented	28%	4%

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. Of the following three 2021/22 audits remaining to be completed, one has been finalised and two are at draft report stage:

Audit title	Progress up- date
Compliance with Failed Visits Procedures – Health, Adults and Community.	Final Report issued.
Property Disposals – Place	Revised Draft report issued and waiting for Management response
S 106 Planning Obligations – Place	Revised report issued

A summary of the finalised report on Failed Visits is at Appendix A.

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 the following agreed reviews:

Audits at Draft Report Stage

Audit title	Draft report issued date
Contract Management and Monitoring of a sample of IT Contracts	March 2023
Compliance Testing of Bank Reconciliation Process	March 2023
Acting Up and Honoraria Payments	March 2023
Homelessness Assessments	April 2023
Educational Psychologists - Service Review	March 2023
Compliance Testing of Schools Licensed Deficit process	April 2023
Management and Control of Cost of Living Payments	March 2023
Brady Arts Centre – Regularity Audit	March 2023
Eva Armsby Family Centre	April 2023
Children and Culture – Petty Cash Account Management	April 2023

Audits in Progress

Audit title	Audit Status
Signing & Sealing of Documents (incl. retention)	Field Work
Council Tax	Field Work
Revenue Budgetary Control	Field Work
Equality Assessment	Field Work
Children's Safeguarding Partnership – Monitoring of Action Plan	Field Work
Land Searches	Field Work
Control and Monitoring of DBS checks	Field Work

2022/23 Audits completed and finalised since January 2023 Audit Committee

Audit title	Date Audit completed/Final Report Issued
Readiness for the New Building Safety Legislation	January 2023
Management of Members' Interests, including Related Party Interests	January 2023
Payments without orders (AP1)	April 2023
Supporting Stronger Families Grant Certification	Monthly grant certification work

Summaries of the 2022/23 audits finalised since January 2023 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
IT Cloud Strategy & Operation	Resources
IT Virtual Infrastructure	Resources
Scheme of publication (publication required via the Local Government Transparency Code)	Resources

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 2022/23 Audit Plan, a total of 15 schools have been audited and all these audits have now been concluded as follows:-

Audit title	Current Status	Assurance Opinion
Bangabandhu Primary School	Final Report	Limited
Blue Gate Fields Junior School	Final Report	Limited
Central Foundation Girls Secondary School	Final Report	Reasonable
Chisenhale Primary School	Final 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	Final Report	Substantial
St Mary's and St Michael's RC Primary School	Final Report	Limited
St Peters London Dock Primary School	Final Report	Reasonable
Stewart Headlam Primary School	Final Report	Reasonable
William Davis Primary School	Final Report	Reasonable
Bow Secondary School	Final Report	Reasonable

Summaries of those schools audits which have been finalised and receiving Limited Assurance opinions are reported at Appendix B. The Audit Committee will receive an Annual Report on schools' audits in July 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:

- During the year, the service reviewed the Anti-Fraud Strategy, Bribery Policy, 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 14 fraud awareness training sessions which include Human Resources, Schools; Direct Payments team; THH staff, No Recourse to Public Funds Team, Right to Buy Team and the Lettings team.
- 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 on-going anti-fraud fraud support and vetting, advice and guidance to the No Recourse to Public Funds Team.
- A series of fraud awareness sessions is planned to be delivered to Human Resources and Procurement teams.
- Work on anti-fraud e-learning training has been completed and the e-learning for all LBTH staff is to be launched via Learning Hub in June 2023.
- Arrangements are currently being made to include the e-learning fraud awareness training as part of the council's induction programme for new starters
- Ongoing reviews and updates are being made to the fraud risk register.
- The National Fraud Initiative (NFI), which is a national data matching exercise for 2022/23 to identify fraud etc., commenced in January 2023. Progress is being made and monitored on the data matches. As at April 2023, out of 6200 data matches, a total of 135 matches have been looked at. A notional saving of £114,109.80 has been recorded with respect to 247 of these matches opened so far.

Fraud Investigation Activities

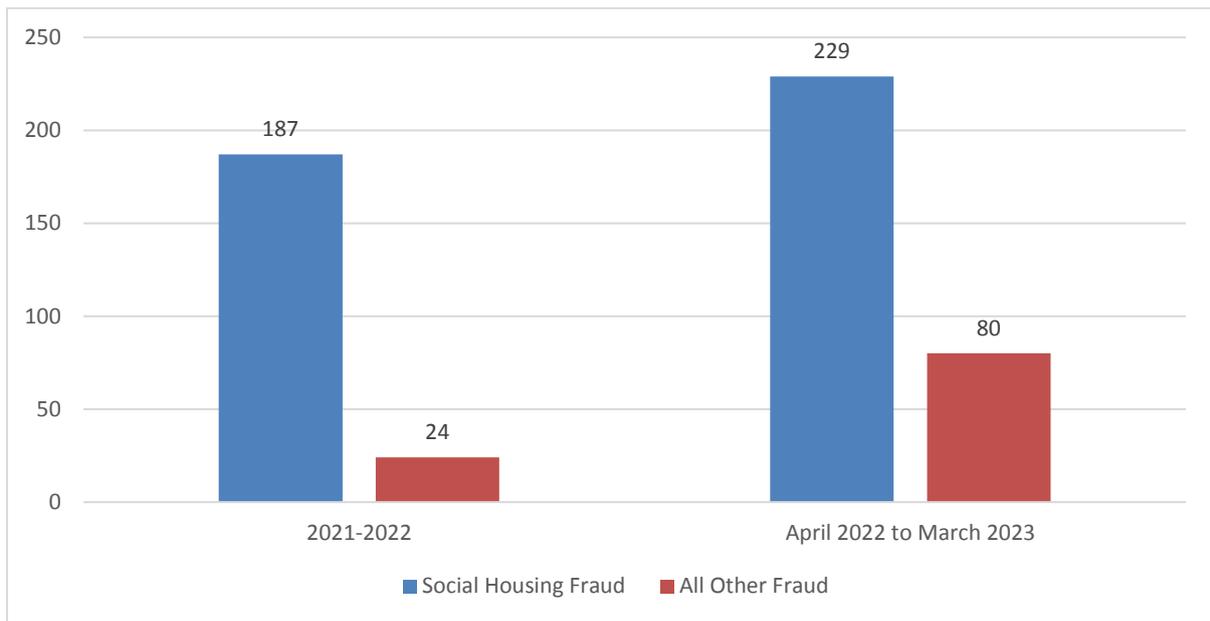
- 3.12 All investigation activities including social housing fraud, insurance fraud, internal fraud, and blue badge fraud are dealt with by the Investigation Team. The team consists of five Fraud Investigators, a Fraud Investigator Apprentice, two Social Housing Fraud Investigators (funded by Tower Hamlets Homes) and

two Blue Badge Investigators (funded by Parking). The team is supported by an Intelligence Officer and led by an experienced Investigation Manager.

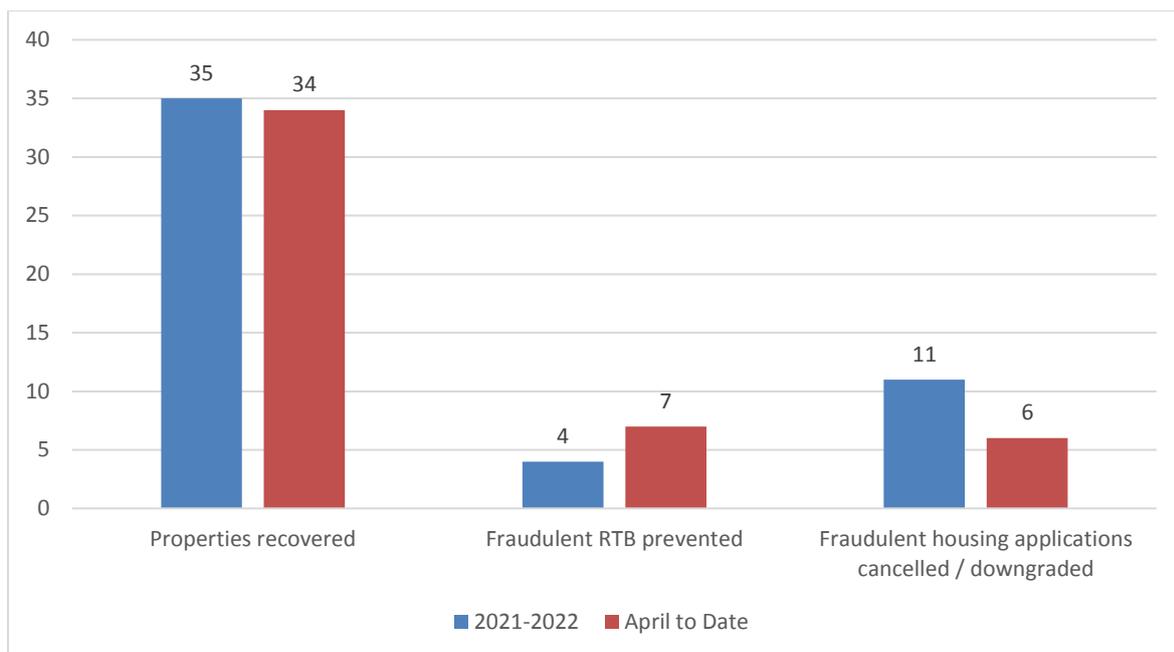
Summary of Caseloads, Referrals and Outcomes for 2022/23

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 Regulation 3 of the Accounts and Audit Regulations 2015 requires local authorities to have 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.

7.2 This report demonstrates the Council's compliance with these duties and with the duties set out in Section 151 of the Local Government Act 1972. This section requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs.

7.3 The matters set out in this report comply with the above legislation.

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:

Bharat Mehta

Email: bharat.mehta@towerhamlets.gov.uk