

# INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2017-18

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# TABLE OF CONTENTS

- Introduction
- Overall Approach and Summary
- Proactive Internal Audit Plan
- CAFT continuous and reactive work streams
- CAFT cross-cutting and proactive exercises
- Performance Indicators

# INTRODUCTION

## Internal Audit

Internal Audit provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (including the Chief Operating Officer) to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit ensure a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Committee for approval. Internal audit will be delivered and developed in accordance with this Charter.

## Internal Audit Service Provision

The Internal Audit service is delivered through a mixed economy model, which includes an in house team and external provider, currently PwC. We work closely with 5 other London Boroughs (Islington, Camden, Enfield, Lambeth and Harrow) under a framework contract with PwC for the provision of internal audit, risk management, investigation and advisory services. Collectively we are the Cross Council Assurance Service (CCAS).

The vision for CCAS is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively, improve service agility and the ability to deliver more for less.

Being a part of this framework enables us to:

- work more closely with a number of other London Boroughs, sharing expertise, knowledge and working practices to further enhance the efficiency and effectiveness of the service; and
- develop a platform, with a lead external partner, to harmonise working practices and audit processes and enhance the skills and capacity of the in house teams to deliver a greater proportion of internal audit work and to share audit activity and resource planning.

## Managed Audit Approach

Internal Audit and CAFT are committed to the managed audit approach, which ensures joining up with External Audit to make the best use of resources and to avoid duplication of effort. We liaised with External Audit during the preparation of this Annual Plan thereby ensuring coverage of the corporate risks.

# INTRODUCTION

## Risk-Based Plan

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards. The Institute of Internal Auditors (IIA) describes assurance mapping as “a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw”. We have used this approach to help inform where internal audit resource should be directed in 2017/18 to ensure that duplications of assurance activities or gaps in coverage are identified as follows:

- Updating our understanding of the Council’s services to define its ‘Auditable Units’ - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;
- Undertaking a workshop between Internal Audit, Risk Management and CAFT colleagues to challenge areas for review;
- Applying an ‘Audit Requirement Rating’ to each auditable unit. This is made up of the following:

**Inherent Risk Rating** - a judgement based on Impact and Likelihood

**Control Environment Indicator** – a judgement based on our knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.

- Prioritising the auditable units with the highest Audit Requirement Ratings to design a plan that makes the best use of the resources available.
- Seeking agreement of the plan by SCB and the Audit Committee to ensure coverage of the core aspects of the Council’s governance and control environment.

In addition, the plan includes Schools audits (which are conducted in accordance with a risk-based cycle) and a number of grant claim / statutory return reviews.

The Assurance Map is a live document and is refreshed throughout the year, through discussions with senior management, Members and stakeholders. We will use the map to inform and support any changes to the audit plan that are required.

## Emerging issues

There is a contingency in place to enable this plan to be responsive to changes in risks throughout the year. The Council is undergoing numerous significant change projects. The contingency will allow internal audit and anti-fraud to respond as required.

During the year, if changes are required to the plan in response to this or any new local or national risks, this will be communicated to the Audit Committee in a timely manner.

# INTRODUCTION

## Corporate Objectives

This strategy and plan demonstrate how Internal Audit and the Corporate Anti-Fraud Team (CAFT) support the Council in achieving its overall aims and objectives whilst maintaining the necessary professional standards.

The Council's Corporate Plan 2015-2020 identifies a set of strategic objectives which have been based on consultation with residents:

*The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:*

- 1. Of opportunity, where people can further their quality of life...*
- 2. Where people are helped to help themselves, recognising that prevention is better than cure...*
- 3. Where responsibility is shared, fairly...*
- 4. Where services are delivered efficiently to get value for money for the taxpayer.*

These objectives will be reviewed as part of each audit, as applicable.

The Internal Audit and CAFT functions are organisationally independent from the Strategic Commissioning Board and other Council officers.

## Officer and Management Responsibilities

For Internal Audit and CAFT to contribute to the Council's overall achievement of its objectives, it is essential that officers and management play a full role in the assurance work undertaken. The expectations from management are:

- Strategic level involvement to inform the annual plan;
- Operational level involvement with individual reviews;
- Being open and honest with audit and CAFT staff;
- Making staff and records available when requested;
- Responding to draft reports in the agreed timescale;
- Only accepting recommendations with which they agree, and providing timescales for implementation that are achievable; &
- Implementing the agreed actions (by the agreed date) arising from the reviews.

The responsibility for a sound system of internal control and the prevention and detection of fraud rests with management. Work performed by Internal Audit and CAFT should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Those risks identified and recommendations raised should be considered in line with the Council's current Risk Management Framework.

# INTRODUCTION

## Corporate Anti-Fraud Team (CAFT)

All CAFT work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFT supports the Chief Operating Officer in fulfilling their statutory obligation under section 151 of the Local Government Act 1972 to **ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption**. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the CAFT over the years means that there is a much stronger anti-fraud culture within the Council, however, we recognise that we must continue to further develop this culture with awareness through communications campaigns, new, innovative working practices and the strengthening of our skills and partnership work.

We are committed to closer collaboration with Internal Audit as demonstrated through conducting joint reviews and for the first time utilising the data from the National Fraud Initiative exercise to ensure that we have an intelligence led approach to inform audit reviews and targeted sampling.

Work processes in the team have been reviewed in the last year and are designed for compliance with legislation and best practice as well as maximum efficiency.

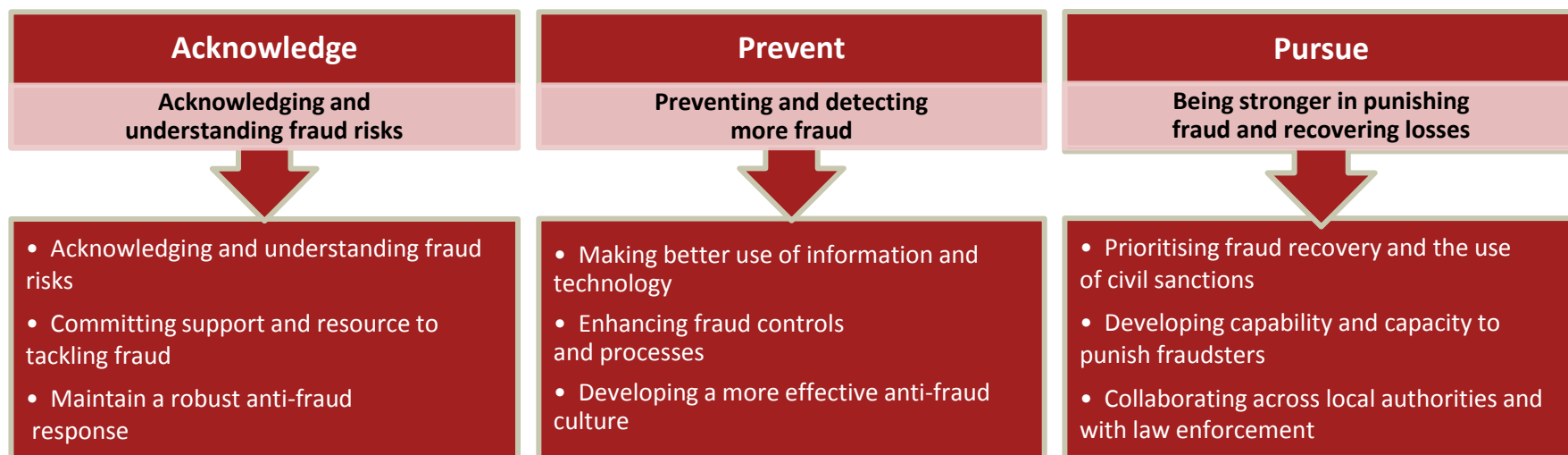
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Blue Badge Fraud and Misuse Investigations), **Tenancy Fraud** (which includes Housing Needs, Subletting and Right to Buy fraud) and **Financial Investigations** in accordance with the **Proceeds of Crime Act**. We continue to review all fraud related policies, working procedures and processes to ensure that they reflect best practice and legislative requirements, whilst contributing to the overall objectives of the team and that we are efficient, effective and provide value for money.

CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT also provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary or recovery are taken. It is this element of the work of CAFT that is hard to quantify statistically.

# ANTI FRAUD STRATEGY AND APPROACH

Our annual anti-fraud strategy is aligned with the strategic approach as outlined in 'Fighting Fraud Locally' ( FFL – the Local Government Fraud Strategy 2016) and provides a blueprint for a tougher response to public sector tackle fraud. The principles of our strategy remain the same as previous years but we have also considered and incorporated the new six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**) and as such have further adapted our strategy and approach to incorporate a response to these themes as well as consideration of local fraud risks facing the Council alongside horizon scanning on emerging national fraud risks and relevant good practice guidance. Our strategy further demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

Our strategy and approach is underpinned by the Counter Fraud Framework Manual documents and the work of the CAFT as set out in this annual work plan. It remains the policy of this Council that only the CAFT may investigate allegations or suspicions of fraud, corruption or bribery committed against the London Borough of Barnet and subsidiary holdings such as Barnet Group. Additionally CAFT are the only authorised Council service to conduct financial investigations under the Proceeds of Crime Act on behalf of all Council Services (and subsidiary holdings) and to further investigate individuals who are suspected of money laundering against the London Borough of Barnet, whether it be internally or externally.



# ANTI FRAUD COMMUNICATIONS STRATEGY

This year we continue with our communications strategy which envisages increasing CAFT's impact and effectiveness by aligning with the strategic approach set out in the Local Government Fraud Strategy 'Fighting Fraud Locally'. Our communications strategy is an essential instrument that we envisage will increase CAFT visibility across the organisation and the Borough. We aim to increase awareness around CAFT policies and channels through which concerns and incidents can be reported as well as emphasize the responsibility of staff on making reports and enable residents to report any suspicions or incidents of fraud or wrongdoing.

**Acknowledging and understanding fraud risks** - It is fundamental for staff and residents to understand the role of CAFT, different types of fraud and through which channels they can report any concerns or incidents of fraud.

- The **internal awareness campaign** and **face to face fraud awareness** sessions aim to increase fraud understanding between staff and their ability to detect fraud. In addition, it is important to emphasize their responsibility as council employees/partner employees regarding reporting fraud and abide with the new fraud policies.

- The **external campaign** will be targeted to residents across the council and will aim to increase awareness around fraud and the different ways they can report any concerns. Specific themes of communication around fraudulent school admission applications, blue badge misuse and tenancy fraud will be promoted depending on particular fraud risks attached to particular quarters throughout the financial year.

**Preventing and detecting fraud** – An increase of fraud awareness will help promote and strengthen an anti-fraud culture within the organisation and across the Borough. A clear message will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. Staff and residents will be more confident to report fraud incidents when they are aware of the consequences of fraud and when the organisation itself actively condemns fraud. This will result in a more effective way of preventing and detecting fraud.

**Being stronger in punishing fraud and recovering losses** – Through the campaign we will be able to deliver the message that fraud does not pay and that we will punish and recover losses within the full force of the law (where relevant), our policies and authority. By successfully getting staff and residents on board a stronger response to fraud will be delivered. Different stakeholders will support CAFT's work by understanding and identifying fraud and being more empowered to actively condemn fraud themselves through operating within an anti-fraud environment.

In order to support the communications strategy we have devised a detailed targeted deliver plan for the year.



# OVERALL SUMMARY

As summarised in the tables below Internal Audit and CAFT will deliver 1286 audit days and 2625 anti-fraud days in 2017-18. The following pages detail the assurance plan for each aspect of the Council.

The budget and resources allocated to the service are deemed sufficient to enable an annual audit opinion to be prepared and reported. In deriving this plan the resources have been considered in terms of the skills of both the in-house team and the strategic partner, PwC. During the course of the year, if the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

Area	Days 2017/18	Days 2016/17
Cross-Cutting *	248	90
Delivery Units **	392	450
Assurance Group, Commissioning Group & CSG	353	240
Management, Follow-up and Reporting	193	170
Contingency	100	100
<b>Total Audit Days</b>	<b>1286</b>	<b>1050</b>
<b>CAFT Days</b>	<b>2625</b>	<b>2860</b>
<b>Total combined Audit and CAFT Days</b>	<b>3911</b>	<b>3910</b>

*\* Increase mainly due to focus in 2017/18 on children and multi-agency working*

*\*\* Includes 100 days for schools audits and audit days to be recharged to Capita as appropriate for CSG and Re audits*

# CROSS-CUTTING REVIEWS

Provisional Audit Title	Provisional timing
Performance Management Framework <i>Advisory piece</i>	Q1
Transformation - Benefits Realisation	Q1
Business Continuity & Emergency Planning	Q1
Project & Programme Management toolkits	Q1
Health & Safety – Project Management	Q1
Domestic Violence	Q1
Council Support for Children’s Safeguarding (Conditions for Success)  <i>See also <b>Safeguarding – Health Visitors and School Nurses</b> within Public Health and <b>Barnet Homes Assurance Mapping</b></i>	Q1 & Q2

# CROSS-CUTTING REVIEWS

Provisional Audit Title	Provisional timing
Income Generation <i>Advisory piece</i>	Q2
Special Project Initiation Requests (SPIRs)	Q2
Customer Transformation Programme	Q2
The Way We Work	Q3
Equalities	Q3
Risk Management Framework	Q3
Vulnerable Adolescents	Q3
Various grant claims requiring Internal Audit input	Various

# ADULTS & COMMUNITIES

Provisional Audit Title	Provisional timing
<b>Better Care Fund - development of protocol for joint Internal Audits with the Clinical Commissioning Group (JOINT IA &amp; CAFT REVIEW)</b> <i>To include review of progress of Health &amp; Social Care Integration</i>	Q1
<b>Investing in IT – Lessons Learnt</b> <i>Advisory piece</i>	Q1
<b>Contract Management – Freemantle</b>	Q1
<b>Strength Based Social Care Practice</b>	Q2
<b>Deputyship – money management</b>	Q3
<b>Contract Management - Sport &amp; Physical Activity</b>	Q4

# PUBLIC HEALTH

Provisional Audit Title	Provisional timing
<b>Safeguarding – Health Visitors and School Nurses</b> <i>Part of cross-cutting review of Safeguarding Children</i>	Q1
<b>Public Health delivery model 2018 onwards</b>	Q2

# FAMILY SERVICES

Provisional Audit Title	Provisional timing
Troubled Families - Payment by Results	Q1, Q2 and Q3
Review of post-Ofsted visit Practice Improvement plan	Q4

# EDUCATION AND SKILLS

Provisional Audit Title	Provisional timing
Transfer to Education, Health & Care Plans (EHCPs)	Q2
Passenger Transport – brokerage	Q3
<b>Individual audits of schools</b> <i>Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations and to provide assurance over other key risks.</i>	Q1, Q2, Q3 and Q4
<b>CAFT Proactive Review</b> <b>Schools Admissions</b> <i>Proactive annual targeted anti-fraud work in this area to ensure the safeguarding of school placements.</i>	

# STREET SCENE

Provisional Audit Title	Provisional timing
<b>Commercial Waste – achieving income target (JOINT IA &amp; CAFT REVIEW)</b>	Q1
<b>Street Scene Capacity &amp; Capability Review</b> <i>Advisory piece</i>	Q2
<b>Review of new Depot arrangements (JOINT IA &amp; CAFT REVIEW)</b>	Q3



RE

Provisional Audit Title	Provisional timing
<b>Re Operational Review – Planning</b> <i>In-depth review off back of 2016/17 audit</i> (JOINT IA & CAFT REVIEW)	Q1
<b>Regeneration Programme - Benefits Realisation</b>	Q2
<b>S106 / CILs expenditure</b>	Q2
<b>Capital Development Pipeline – Tranche 1 (Re)</b>	Q3
<b>Highways Programme</b>	Q3

# BARNET GROUP

Provisional Audit Title	Provisional timing
<p><b>Barnet Group Assurance Mapping</b></p> <p><b>Including review of Barnet Group Internal Audit plan and reports</b></p> <p>To provide assurance over the whole delivery unit and to identify any gaps in assurance over key risks to the Council.</p> <p>To include consideration of the Housing impact / involvement in Children's Safeguarding (see Cross-Cutting reviews)</p>	Q2

# ASSURANCE GROUP / COMMISSIONING GROUP

Provisional Audit Title	Provisional timing
Elections Management – New Software System	Q2
CSG 3 Year review and Re 4 Year review – KPI baselines	Q2 and Q4
General Data Protection Requirements (GDPR)	Q2

# COMMISSIONING GROUP - COMMERCIAL

Provisional Audit Title	Provisional timing
Commercial – Contract Management Toolkit	Q1
Cambridge Education governance including contract management	Q2

# COMMISSIONING GROUP - ENVIRONMENT

Provisional Audit Title	Provisional timing
<b>Contest Framework – Prevent follow-up</b> <i>Follow-up of 2016/17 review</i>	Q2
<b>Highways DLO</b> (JOINT IA & CAFT REVIEW)	Q2
<b>Freedom Passes</b> (JOINT IA & CAFT REVIEW)	Q3

# COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Accounts Payable <b>(JOINT IA &amp; CAFT REVIEW)</b>	Q2 or Q4
	Accounts Receivable <b>(JOINT IA &amp; CAFT REVIEW)</b> <i>Including online payments / My Account</i>	
	General Ledger	
	Budget Monitoring	
	Treasury Management	
	Cash Management	
	Non-Schools Payroll <i>To include review of Holiday pay, Sick Pay, Overpayments</i>	
	Schools Payroll	
	Pensions Administration	
	Teachers Pensions	
CSG - Revenues & Benefits	Housing Benefits	Q2
	Council Tax	
	NNDR	

# COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG - Finance	Purchase Cards / Expenses follow-up	Q1
CSG – Finance / Estates & Barnet Homes	Fixed Asset Register - Corporate Landlord – cross checks with Land Registry (JOINT IA & CAFT REVIEW)	Q1
CSG - Finance	Integra efficiency review	Q3

# COMMISSIONING GROUP / CSG - IT

Provisional Audit Title	Provisional timing
IT Risk Diagnostic (ITRD)	Q1
IT Change Management final follow-up	Q1
IT review(s) – scope dependent on outcome of ITRD	Q2, Q3, Q4



# COMMISSIONING GROUP / CSG - HR

Provisional Audit Title	Provisional timing
HR Core efficiency review	Q1
Eligibility to Work - Pre-Employment Checks (JOINT REVIEW WITH CAFT)	Q1
Performance Reviews	Q2
Onboarding process	Q3

# COMMISSIONING GROUP / CSG - ESTATES

Provisional Audit Title	Provisional timing
<b>Estates / Health &amp; Safety compliance follow-up</b> <i>To include coverage of water testing</i>	Q1
<b>CSG Estates – Rent Reviews</b>	Q3
<b>Facilities Management</b>	Q3

# COMMISSIONING GROUP / CSG PROCUREMENT

Provisional Audit Title	Provisional timing
<b>Procurement</b> <ul style="list-style-type: none"><li>• Commissioning Intention Plans</li><li>• Waivers</li></ul>	Q3

# CAFT CONTINUOUS AND REACTIVE WORK STREAMS

This table details the continuous and re-active investigation work of the team. Resources within the team are directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Description of work
<b>Corporate Fraud</b>
<p>To investigate all suspected frauds committed against the Council and effectively pursue fraudsters, by risk assessing and reacting accordingly to all instances of internal and external fraud, corruption or bribery. This work will cover all council services and subsidiary holdings such as Barnet Group. We continue to offer advice and assistance to colleagues and other services, on particular issues and/or fraud awareness as well as work closely with HR where our investigations involve members of staff and disciplinary offences.</p> <p>We will ensure consistency in seeking appropriate penalties in accordance with legislation, the Counter Fraud Framework and other relevant council policies whilst actively recovering any losses and obtaining compensation by utilising our in-house <b>Financial Investigation Officers</b> to recover Proceeds of Crime.</p>
<b>Tenancy Fraud</b>
<p>To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud (application, sub letting, not resident, succession and right to buy fraud) including maximising the recovery of properties where Tenancy Fraud is proven with a target of <b>60</b> properties set for 2017/18. We also plan to deliver at least <b>four</b> pro-active anti fraud drives as well as work on ongoing other exercises (<i>Key Fob – not for publication</i>) alongside Barnet Homes throughout the year with the aim to tackle tenancy fraud issues in our borough.</p>

# CAFT CROSS-CUTTING PRO –ACTIVE EXERCISES

Description of review
<b>Disabled Blue Badge Misuse and Fraud</b>
<p>To investigate and respond accordingly to all suspected frauds and/or misuse relating to Disabled Blue Badges committed within the Borough.</p> <p>We also plan to deliver at up to <b>Eight</b> intelligence led joint (police and NSL parking ) street operations as well as other on-going intelligence led pro- active work to tackle Blue Badge Misuse / Fraud in our Borough.</p>
<b>Cabinet Office - National Fraud Initiative (NFI)</b>
<p>The NFI is a national public sector data matching exercise.</p> <p>Data uploads took place in October 2016 and matches have been received by LBB for review and/or investigation. These will form part of the years proactive program and be used to assist in focusing joint work with Audit.</p> <p>CAFT will co-ordinate this exercise for the Council and investigate related referrals.</p> <p>Data sets include areas such as Disabled Blue Badge, Parking Permits, Direct Payments, Procurement data, Pensions and Payroll as well as data from Barnet homes which was uploaded for the first time in this exercise.</p>

# PERFORMANCE INDICATORS – INTERNAL AUDIT

The service has a number of performance indicators in place to assess whether performance is effective and efficient.

Performance Indicator	Target	Reporting frequency
% of Plan delivered	Based on 95% complete of those due in quarter	Quarterly
Verification that at least 75% of Critical and High Risks have been mitigated by management at the time of follow up	75%	Quarterly
% of reports year to date achieving: <ul style="list-style-type: none"><li>• Substantial</li><li>• Reasonable</li><li>• Limited</li><li>• No Assurance</li></ul>	N/A	Quarterly
Average customer satisfaction score for year to meet or exceed acceptable level for at least 85% of completed surveys	85%	Exception basis - if not met

# PERFORMANCE INDICATORS – CAFT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the audit committee on a quarterly basis as well as details of outcomes on noteworthy concluded investigations, outcomes of pro-active exercises and joint audit /CAFT reviews.

Performance Indicator	
Corporate Investigation Team	Tenancy Fraud Team
Number of <b>Fraud investigations</b> (opened and closed) including summary breakdown of service area.	Number of <b>Tenancy Fraud investigations</b> (opened and closed) including summary breakdown by fraud type
Number of <b>Financial investigations</b> (under Proceeds of Crime Act) opened and closed including summary breakdown of service area.	Number of <b>Properties recovered</b> including summary detail of how recovered and type of fraud.
Number of <b>Dismissals / staff no longer employed</b> as a result of CAFT intervention.	Number of <b>Right to Buy, Housing Applications</b> and <b>Joint tenancy</b> applications denied as a result of CAFT intervention.
Number of <b>Disabled Blue Badge investigations</b> (opened and closed) including summary breakdown of outcomes.	Number of <b>Regeneration properties</b> where <b>number of bedrooms has been reduced</b> and <b>downgrading of Housing Application Banding</b> following CAFT intervention.
Number of <b>Prosecutions</b> or other <b>Sanction</b> for each category.	
Other information reported as per Policy requirements	
<b>Whistleblowing referrals</b> - number received (and summary detailed provided on closed cases where appropriate).	Number of <b>Surveillance</b> requests / authorisations in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 (and summary detailed provided on concluded investigations if proven).