

Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach 2013-14

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Table of Contents

• Introduction and Overview	1
• Components of the Council	6
• Overall Approach	7
• Overall Summary	8
• Detailed Plan	9
• Risk Management	18
• Corporate Anti-Fraud	19
• Management, follow-up and reporting	22
• Performance Indicators	23

Introduction & Overview

This document presents the Council's strategy and operational internal audit, risk management and anti-fraud plan for the period 2013-14. The plan covers the work of both the combined in-house teams for Internal Audit and Anti-Fraud and Risk Management working with the Council's supplier – Price Waterhouse Coopers (PwC).

Over the past year the Council has undertaken a re-organisation and as a result of this all three teams have come together to form part of the "Assurance Group". Primarily the emphasis of the group is to provide independent oversight and assurance to Members and the Strategic Commissioning Board on governance procedures and business processes.

Of significance during 2013-14 are key decisions expected on the two major outsourcing contracts – back office and customer services (NSCSO); and Development and Regulatory Services (DRS). For the purposes of this report we have not defined them as being internal or external delivery units/support services.

The change in organisational structure and new ways of delivering services requires a change in approach for the Assurance team.

Within this plan is the acknowledgment that the Council is required to make £72.5m savings between 2011 and 2015. This plan summarises the assurance framework and work to be undertaken in 2013-14.

Risk-Based Plan

The plan is set out in the following pages and shows the organisational structure, the objectives of the groups and the various assurances that are required by these groups based on risk. In line with CIPFA Best Practice, the 2013-14, fully risk-based plan, has been formulated by:

- Reviewing the updated corporate and group risk registers and selecting a number of the high to medium risk areas for audit review;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;

Introduction & Overview - Continued

- Meeting with officers in order to understand strategic and operational plans for 2013-14 that are likely to have a significant impact on the control environment; and
- Ensuring coverage of the core aspects of the Council's governance and control environment in order to be able to support achievement of the Council's overall objectives.

Corporate Objectives

The focus for the upcoming year for the Council is the following strategic objectives:

- Create the right environment to promote responsible growth, development and success across the borough;
- Support families and individuals that need it – promoting independence, learning and well-being; and
- Improve the satisfaction of residents and businesses within the London Borough of Barnet as a place to live, work and study.

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

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

Managed Audit Approach

Internal Audit, CAFT and Risk Management 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 & Overview - Continued

Internal Audit

Internal audit will 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 will 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.

Anti-Fraud work

This strategy demonstrates the Council's commitment to a zero tolerance approach to fraud, corruption or bribery. We ensure that we acknowledge, prevent, detect and deter fraud within the council whilst actively pursuing fraudsters and seeking redress.

The strategy and plan detail CAFT's response to the local fraud risks facing the Council as well as national fraud risks identified within various public sector good practice guidance.

We provide anti-fraud assurance reports to the Council's Senior Management and Annual and Interim reports to Audit Committee.

We ensure that all investigation staff are fully qualified and that our internal investigation procedures are effective and that the Counter Fraud Framework is relevant and updated in accordance with legislative changes and good practice.

Introduction & Overview - Continued

The team budget is reviewed to ensure that we have sufficient resources to respond to demand and provide an efficient value for money anti-fraud activity, able to effectively investigate all referrals to a high professional standard with the appropriate investigation/prosecution outcome.

As demonstrated within the plan we have a collaborative working partnership approach, ensuring that we continue to build and strengthen existing partners whilst developing new partners.

The level of proactive anti-fraud work will be dependent on how much reactive work is received by the CAFT. As a result not all areas may be reviewed in 2013-14. Any areas that are still relevant will be carried forward to 2014-15.

Independence

The Assurance Group is organisationally independent from the Strategic Commissioning Board.

Changes in Audit Standards

The Relevant Internal Audit Standard Setters (RIASS) have adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1st April 2013.

Internal Audit is defined within the standards as being ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’

Our plan has been set taking into account any new requirements. It should be noted that at time of writing the accompanying mandatory Practice Note had not yet been published. Our plan will be updated to reflect any further requirements of the Practice Note.

Introduction & Overview - Continued

Officer and Management Responsibilities

For the Assurance Group to contribute to the Council's overall achievement of its objectives, it is essential that officers and management play a full role in the work of the Group. The expectations are that there is:

- 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; and
- 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 and other irregularities rests with management. Work performed by the Assurance Group 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 strategy.

Emerging issues

As the Council moves into a new organisational structure there will be a period of transition whereby frameworks are being established for new ways of working. Some of our work will seek to review the development phases of the frameworks to ensure they are fit for purpose.

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 fashion.

Components of the Council

Members

The elected representatives of citizens set strategic direction for Council and are involved in the development of policy. As the elected representatives in the area they facilitate greater cooperation between Barnet and its partners. They are the strategic decision makers.

Strategic Commissioning Board (SCB)

CEO	COO	Place	People	Partners
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Strategic Commissioning Board (SCB): Provides overall management and leadership of the Council and works with Members to set the strategic outcomes for the borough. Sets and monitors the future direction of the Council and ensures high performance against outcomes.

Commissioning Group (CG)

Commissioning

Corporate & Commercial Operations

Commissioning Group (CG): Translates outcomes set by the SCB into a range of delivery specifications or 'commissions' using specialist expertise from across the Council and its partners. The CG commissions services from a range of providers in line with the delivery specifications it develops. The corporate and commercial operations ensure that information flows through to Commissioners, SCB and Members on delivery of outcomes.

Delivery Units (DUs)

Adults & communities

Children's Services

Schools

Street Scene

LATC

DRS

Internal & External Delivery Units (DUs): A mixture of in house and private service providers. DUs are primarily operational and focused on executing commissions set by the Commissioning Group. They are accountable for the decisions that they make, in line with their scheme of delegation, to deliver the outcomes agreed with Commissioners.

Support Services (SS)

NSO

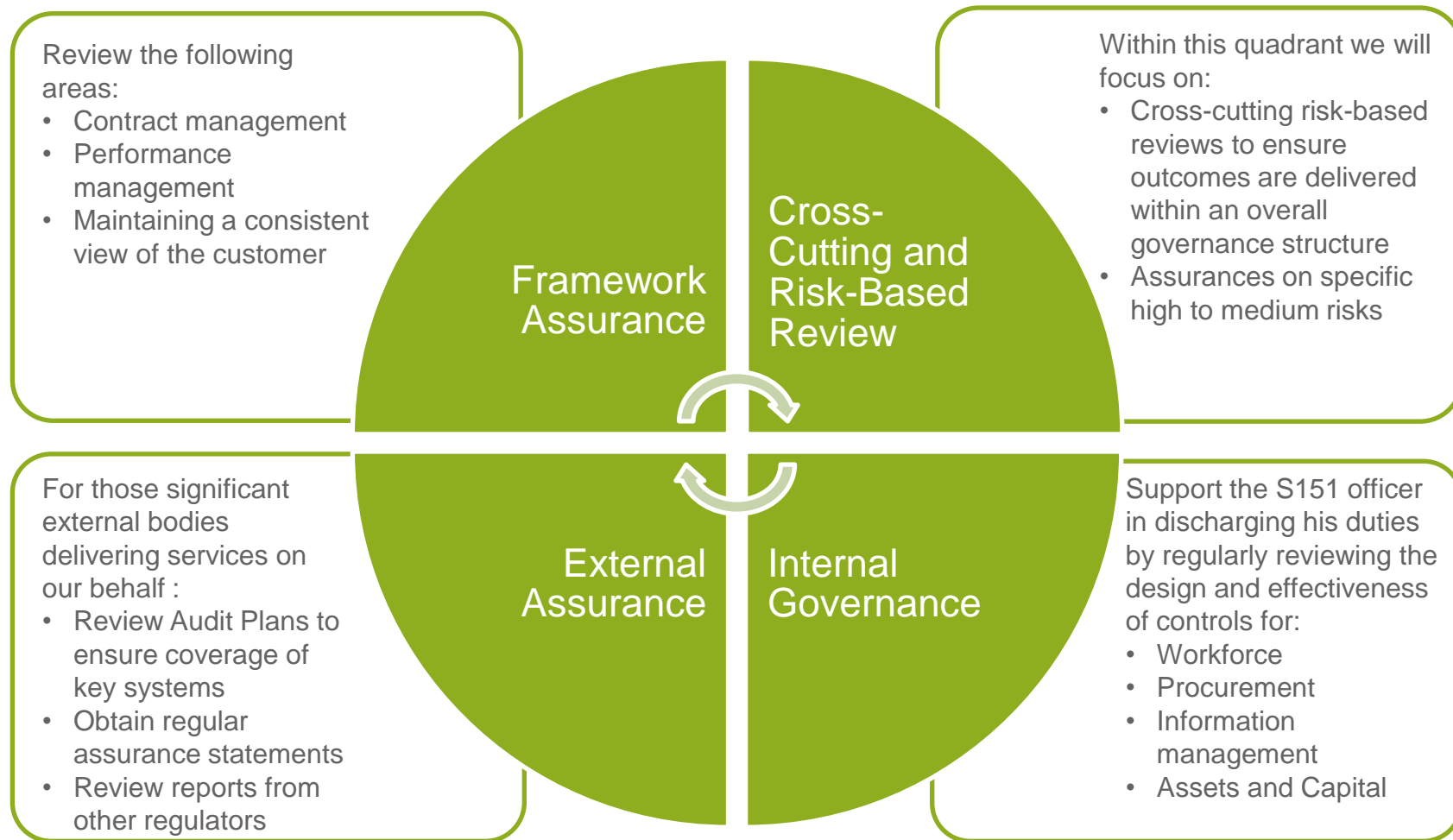
CSO

Legal

Support Services and Customer Services (NSCSO): Provides support services, such as finance and HR, to support the day to day operations of the Council as well as the management of the Council's interactions with customers.

Overall Approach

Due to the change in organisational structure, with the primary focus on commissioning services, the following four quadrants will now underpin the Audit and Anti-Fraud programme:



Overall Summary

As summarised in the tables below Internal Audit, CAFT and Risk Management will deliver 1520 audit days, corporate anti-fraud and risk management days in 2013-14. The assurance approach will be different depending on the objectives of each group that is subject to review. The following pages detail the assurance plan for each group.

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. The total days per scope area are summarised in the table below:

Area	No of days	Applicable approach			
		Framework Assurance	Cross-Cutting and Risk-Based Review	Internal Governance	External Assurance
Transition Contingency	67.5		✓		
Internal Delivery Units	376.5		✓	✓	✓
External Delivery Units & Support Services	177		✓		✓
Commissioning Group	205.5	✓	✓		
Management, Follow-up and Reporting (including Risk Management)	298.5				
CAFT	395	✓	✓	✓	✓
Total Days	1520				

Detailed Plan – Transition

For services potentially transferring to external providers during the year, our approach will be to undertake a baseline review to capture aspects of the service prior to transfer. Our audit work will be based on a risk assessment to ensure adequate coverage prior to transfer. This will ensure transparency in the risk management process when the transfer to the external provider occurs.

For example, within the current service-based risk register, a risk was identified around Roads and

Pavements. Our baseline review will ensure this risk is addressed both before and after this aspect of the service is transferred to DRS. Once the service is being provided by an external partner, our approach will be to seek external assurance as detailed on page 14 of this plan.

In the year of transition, this plan will be a responsive, dynamic document, reviewed on a monthly basis. Any changes to the plan will be communicated to the Audit Committee at each meeting during 2013/14.

Area of Review	No of Audit Days	Quarter
DRS baseline review	15.5	1
Planning – review of arrangements to deliver performance indicators within the planning service	15.5	2
New Support Customer Services organisation – review mobilisation plans and consider interdependencies	15.5	1
NSCSO risk-based review of Key Financial Systems pre-transfer- effectiveness of controls	15.5	1
Regeneration – detailed follow-up of implementation of programme controls following the review undertaken in 2012-13.	5.5	1
TOTAL	67.5	

Detailed Plan – Internal Delivery Units

Delivery Units will have the objective of delivering outcomes within the resources available. Assurance will review on a risk basis whether the appropriate governance structures are in place to deliver outcomes efficiently and effectively; and also that key risks are being mitigated according to risk appetite. As such there will be a number of cross cutting reviews that will be undertaken across internal delivery units. 124 audit days will be allocated to these reviews:

Cross Cutting Reviews	Audit Days	Quarter
Risk Management	15.5	4
Business Continuity	15.5	2
Information Management & Governance	15.5	3
Health and Safety	15.5	4
Financial Management	15.5	3
Equalities	15.5	2
Performance and data quality	15.5	2
People Management	15.5	3
TOTAL	124	

In addition, the Strategic Commissioning Board and Members will want independent assurance that decisions are being made within the powers delegated to officers and that there are effective governance processes and controls in place. Quarterly and half yearly compliance reviews will be undertaken on a risk basis. 82 audit days will be allocated to these reviews:

Internal Governance Reviews	No of Audit Days	Quarter
Assets and Capital	20.5	2 & 4
Information Management	20.5	2 & 4
Procurement	20.5	1 & 3
Human Resources	20.5	1 & 3
TOTAL	82	

Finally, external assurance will be sought from the regulators of our internal delivery units e.g. OFSTED

Internal Delivery Unit – Adults & Communities

In addition, each delivery unit will require assurance on the key risk areas within their delivery units. For the Adults & Communities Service Delivery Unit we have allocated 46.5 audit days to the programme.

Area of Review	No of Audit Days	Quarter
Health and Social Care integration – review internal controls and arrangements for partnerships in place, including where relevant the use of pooled budgets or accounts specifically earmarked for the partnerships to function effectively.	15.5	2
SWIFT and WISDOM – an IT focused review to ensure that the systems in use to manage clients are working effectively to support the business objectives.	15.5	4
Safeguarding Adults – Data Quality Performance Management review of safeguarding data based on the updated process map	15.5	1
TOTAL	46.5	

Internal Delivery Unit – Children’s Service

In addition, each delivery unit will require assurance on the key risk areas within their delivery units. For the Children’s Service Delivery Unit we have allocated 77.5 audit days to the programme.

Area of Review	No of Audit Days	Quarter
Children in Need - review of the systems and processes in place to ensure consistent and robust recording of supervision, application of thresholds, and responses to the child protection plan.	15.5	1
Remands – Review controls and procedures in place to mitigate the risk of increased demand and potential increase in costs. This could result from changes in legislation regarding children and young people remanded into secured estate by criminal court and becoming looked after children.	15.5	3
Placements- a review that focuses on the process for placing children in care, specifically for compliance with contract procedure rules and the procure to pay processes.	15.5	1
Early Intervention and family support – assess the system in place to review the impact of early intervention in terms of cost and impact on life outcomes for the family and child.	15.5	2
Safeguarding Children bi-annual Section 11 audit – undertake the independent review of the section 11 process providing assurance that self-assessments are based on relevant, accurate and reliable information.	15.5	2
TOTAL	77.5	

Internal Delivery Unit – Street Scene

In addition, each delivery unit will require assurance on the key risk areas within their delivery units. For the Street Scene Delivery Unit we have allocated 46.5 audit days to the programme.

Area of Review	No of Audit Days	Quarter
Contract review – Parking contract. Review the client side arrangements in place that ensure the delivery of the expected savings and benefits.	15.5	3
Street Lighting contract management – review the management of the street lighting contract for controls and governance around deliverables.	15.5	1
Project assurance over wave two transformation project – Waste. This will include a review undertaken against the twelve elements of project management excellence, the model used previously for projects of this size.	15.5	4
TOTAL	46.5	

Detailed Plan – External Delivery Units & Support Services

External Delivery Units are focused on delivering outcomes for local people, whilst having freedom on how they deliver those outcomes. External Delivery Units have their own governance and internal assurance models and therefore the detailed plan is based on liaison with their assurance functions. In particular, receiving and reviewing reports to identify any impact on the achievement of strategic objectives.

Support Services have the objective of supporting the Commissioners and Delivery Units to deliver outcomes. Assurance is required that there are the appropriate frameworks in place at the service providers to monitor the performance of the service client-side. We will review this under the Commissioning Group through our Framework Assurance. External assurance will also be obtained from their internal audit providers as to the adequacy of their arrangements.

In addition, **schools** are considered external delivery units and a programme exists to support the Chief Finance Officer in discharging his responsibility for the use of school funding.

Detailed Plan – External Delivery Units & Support Services Cont'd

Area of review	No. of Audit Days	Quarter
Internal Auditors– review annual plans, reports, assurance statements, regular liaison with providers	10	3
External Auditors – obtain assurance statements, in particular that the controls written into the bidding output specifications have been implemented as agreed and are operating effectively	10	3
Verification of assurance statements and reports from providers or partners to ensure they can be relied upon e.g. confirmation of compliance with the new Public Sector Internal Audit Standards	10	3
Recommendation tracker – review of recommendations being raised by providers' internal and external auditors to ensure potential are risks being addressed	15	1, 2, 3 & 4
Schools – continuous auditing of schools in accordance with risk cycle to ensure compliance with the financial regulations	132*	All terms
TOTAL	177	

* Will be dependent on number of schools audited in any one year

Detailed Plan – Commissioning Group

Commissioners will want to ensure that the outcomes agreed at a strategic level are being delivered as planned. Their ability to understand whether Commissions are being delivered is based on information flows throughout the Commissioning cycle based on:

- Formal and informal contract information
- Relationship management

- Performance management information
- Customer insight
- Risk management

As a result, the assurance programme will focus on the Frameworks in place to manage information and also review key risk areas within the year of transition. There will be 205.5 (64 and 141.5) audit days attributed to this group in the year of transition.

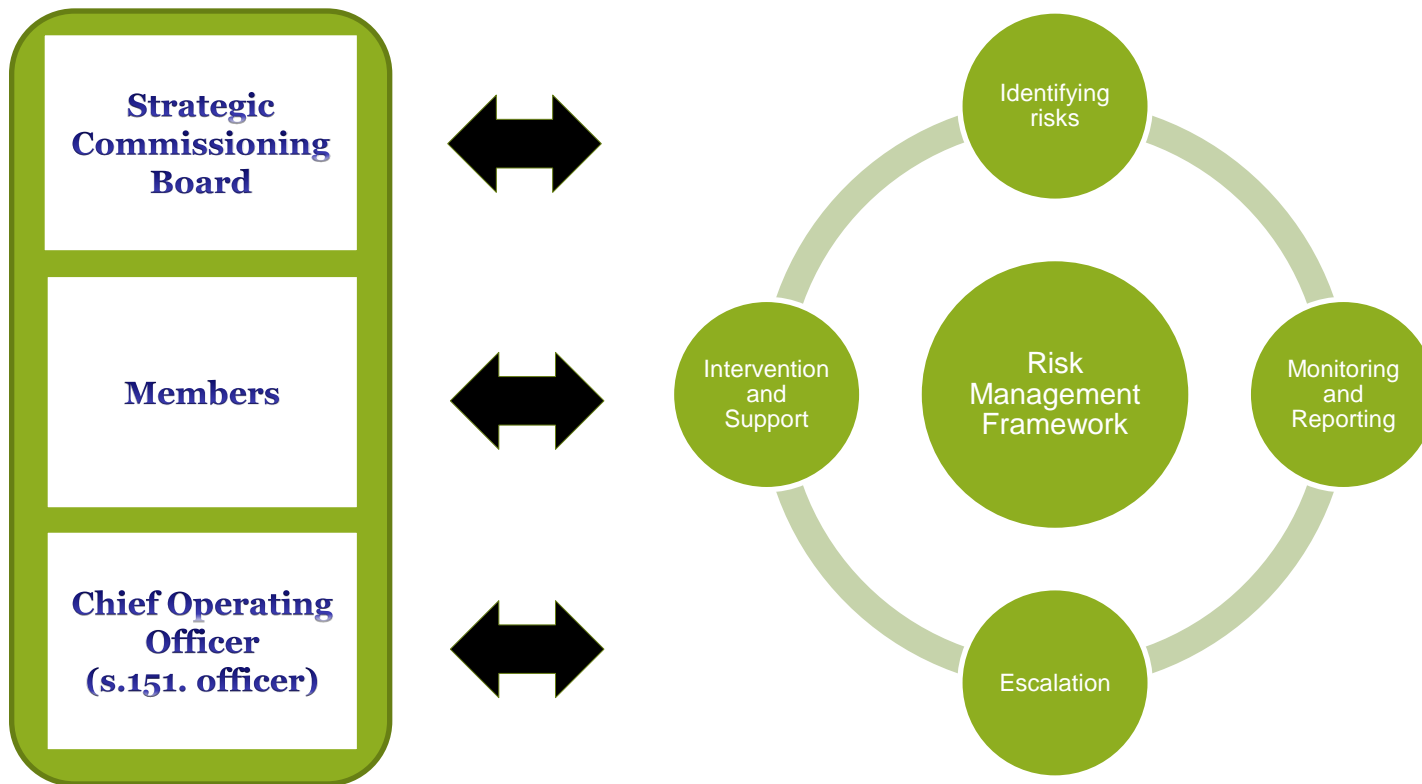
Frameworks	No of Audit Days	Quarter
Performance Management Framework – review arrangements to collect, monitor, report and escalate matters in relation to internal and external delivery units for delivery of outcomes. To include review of data quality. Ensure action plans are in place to address poor performance against targets	16	2
Benefits Realisation Framework – review arrangements to ensure that pre-agreed benefits, such as tangible cost savings, are achieved	16	3
Contract management - review arrangements to ensure effective contract and relationship management.	16	3
Risk Management – review arrangements in place to identify, monitor, escalate and manage risks across the Council and its joint risks attributable to its relationship with partners.	16	3
TOTAL	64	

Detailed Plan – Commissioning Group Cont'd

Key areas of risk	No of Audit Days	Quarter
Equalities – ensuring arrangements in place for equalities are embedded in the Commissioning core.	16	2
Legislative changes - ensuring that there are effective arrangements in place to review any new legislation and to apply and embed it across the organisation, such as Localism Act, Social Value Act and Welfare Reform Act.	16	3
Partnerships – reviewing approach to partnership working across Commissions to deliver strategies such as growth, skills employment and enterprise.	16	2
Transformation – assurance programme on the key risks facing significant Wave 2 projects and programmes.	41	1 & 3
Welfare reform – review of Strategic Housing arrangements in response to population increase	16	1
IT Controls – Data integrity and security review of arrangements across the Council and delivery partners	21	2
Public Health – follow-up joint arrangements with Harrow Council for the delivery of Public Health, particularly focusing on client side arrangements post go-live.	15.5	3
TOTAL	141.5	

Risk Management

Complementing the Assurance Arm the risk management focus will be on enabling the organisation to identify, monitor, report and escalate risks within an appropriate risk management framework. Using the current risk management system, the team will support and enable groups to assess their risks, assist in devising action plans and undertake gap analysis on controls. Our Framework audit approach ensures that risks identified at external providers are reported to the Council quarterly and escalated as appropriate between the quarterly reporting.



Corporate Anti-Fraud Proactive Plan

This table details joint partnership proactive reviews. The level of proactive anti-fraud work will be dependent on how much reactive work is received by CAFT. As a result not all areas may be reviewed in 2013-14. Any areas that are still relevant will be carried forward to 2014-15. We have allocated 395 days across the CAFT programme.

Joint Partnership Reviews	Detail
The West London Fraud Hub - Cross Boundary LA - Data Matching Pilot - Track a Fraudster.	West London Councils have joined together to share various data sets such as benefit claims, council tax, electoral role and housing data with credit reference agencies in the aim of identifying and tracking existing fraudsters as well as providing authorities with a tool to identify and prevent fraud before it happens.
Audit Commission - NFI data matching co-ordination	On-going NFI co-ordination and support including data uploading, training, assistance and investigation of relevant matches in accordance with Audit Commission timelines.
UK Border Agency Partnership	Continuing to work in partnership with UKBA tackling issues regarding Right to Work and recourse to public funds. Combined Partnership working with Barnet Homes in relation to Social Housing Fraud by immigration offenders. Continued work to ensure that anti-fraud measures and controls at the Council's registry office are fit for purpose ensuring that immigration offenders do not illegally utilise services.
Social Housing Fraud Partnership	Continuing to work in partnership with Barnet Homes and Registered Social Landlords (RSLs) in relation to all aspects of Housing Tenancy Fraud – creating a new strategy for dealing with the Prevention of Social Housing Fraud Act 2013 whilst ensuring maximum recovery of properties where appropriate.

Corporate Anti-Fraud Proactive Plan

This table details joint CAFT reviews within Delivery Units. The level of proactive anti-fraud work will be dependent on how much reactive work is received by CAFT. As a result not all areas may be reviewed in 2013-14. Any areas that are still relevant will be carried forward to 2014-15.

Area of CAFT Review	Detail
Commissioning – Procurement Fraud and Purchase Cards	Proactive work in this area ensuring that anti-fraud measures and controls are in place, effective and adhere to relevant good practice standards.
Street Scene – Anti-Fraud Controls and Measures and Conflicts of Interest	Proactive exercise working with the Delivery Unit to ensure effective anti-fraud measures and controls are in place and that they manage conflicts of interest effectively during the letting process.
Council Tax and National Non Domestic Rates (NNDR)	Continuous proactive targeted anti-fraud work in this area to ensure that the exemptions and discounts given are valid and appropriate maximising income to the Council.
Finance - Imprest Accounts	To carry out a detailed examination of the petty cash systems processes and anti-fraud measures across the Council.
Adults – Personal Budgets / Direct Payments	To follow up on previous proactive work with dedicated training and directed analysis of high risk cases.
Children's – Single Customer View around funding for high needs	Proactive exercise around the anti-fraud measures and controls in this new process.

Corporate Anti-Fraud continuous and reactive work

All CAFT work will be conducted within the appropriate legislation and the powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution. CAFT supports the Council in its 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.

Description of work

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. Ensuring that we seek appropriate penalties in accordance with the law and our counter fraud framework and actively recover any losses and obtain compensation by utilising our in-house Financial Investigation Officers.

To continue to effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of Housing and Council Tax Benefit and Council Tax Support, Fraud and Error, in partnership and in accordance the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy and changes in legislation due to welfare reform.

To redesign the e-learning Fraud Awareness training programme in response to the change in organisational structure, ensuring that we have a robust, fit for purpose, effective e-learning training programme with additional bespoke training delivered to high risk areas.

CAFT will continue to liaise with human resources on staff policies and procedures for anti-fraud purposes. To work on introducing enhanced vetting of staff to ensure that employees both new and current of all levels have the right to work, the correct qualifications with no conflicting issues that may affect their performance in their allocated position.

Management, Follow-up, and Reporting

There will be various mechanisms in place to report findings for assurance work. Reporting will occur quarterly to members. 298.5 days of the assurance programme are allocated to this area of work to ensure accurate monitoring of recommendations, and reporting to senior officers and members on assurance and risk activity.

Area of review	Description of Work	No. of audit days
Management, Audit Risk Assessments and planning	Updating risk assessment, strategy and preparation of operational plans and management of contractor.	62
Risk Management	Review of strategy, training and development across the Council, developing risk champion role, devising tools for effective risk management.	84
Assurance Reports	Regular monthly reporting to senior officers and quarterly summaries to Audit Committee. Includes the annual audit opinion for inclusion within the Annual Governance Statement.	34
Follow-up	Continuing approach to following up audits with high priority recommendations. To include mapping of processes for Safeguarding. Devising approach to following up recommendations from all sources of assurance.	65.5
Contingency		53
TOTAL		298.5

Performance Indicators – Internal Audit

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.

Performance Indicator	Target
% of recommendations accepted	98
% of recommendations implemented	90
Average client satisfaction score (above 3)	90%
% of Plan delivered	Based on 95% complete of those due in quarter
% of draft reports completed within 10 days of finishing fieldwork	90
Staff with professional qualifications	70%

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 half-yearly basis.

Performance Indicator	
Benefits Compliance Team	Number of sanctions per investigations officer
Total amount of Fraud overpayments identified in Benefits system	Total amount of Single Person Discount council tax benefit / support fraud identified*
Total amount of Error overpayments identified in Benefits system	Corporate Team
Benefits Investigations Team	Number of investigations
Number of investigations	Number of prosecutions
Number of cautions	Number of dismissals as a result
Number of administration penalties	Detailed outcome of noteworthy investigations
Number of prosecutions	Number of requests for surveillance in accordance with the Regulation of Investigatory Powers Act 2000
Total number of benefit sanctions	Number of Whistleblowing referrals received

*Joint PI across compliance and investigations teams