INTERNAL AUDIT, ANTI-FRAUD AND RISK MANAGEMENT PLAN 2015-16

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INTRODUCTION

This document presents the Council's Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for the period 2015-16. The plan covers the work of the in-house teams for Internal Audit, Anti-Fraud and Risk Management working with the Council's current strategic partner – Price Waterhouse Coopers (PwC).

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.

Corporate Anti Fraud Team

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.

CAFT operate in accordance with appropriate legislation, powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution and the Counter Fraud Framework. Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure 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 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 are taken.

CAFT provide progress reports to the Senior management and Audit Committee on a quarterly and Annual cycle.

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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. Over the past 18 months we have worked closely with 5 other London Boroughs (Islington, Camden, Enfield, Lambeth and Harrow) to jointly procure a framework for the provision of internal audit, risk management, investigation and advisory services. We commenced drawing down against this framework in September 2014.

The vision for the Cross Council Assurance Service 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.

The six boroughs participating in the framework, along with the selected external provider, form the Cross Council Assurance Service (CCAS). Joining the framework enables us to:

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

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 2015/16 to ensure that duplications of assurance activities or gaps in coverage are identified. The exercise has involved:

- Analysing the Council's services to define its 'Auditable Units' (of which we have assessed there are currently 235) - 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 Fraud 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 combination of assessed Impact and Likelihood

Control Environment Indicator. This is based on our judgement from knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.

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- Prioritising the auditable units with the highest Audit Requirement Rating of 5 to design a plan that makes the best use of the resources available;

- Provisionally allocating auditable units to future years' plans using the following rationale:

  - Audit requirement rating 5 = every year
  - Audit requirement rating 4 = every 2 years
  - Audit requirement rating 3 = every 3 years
  - Audit requirement rating 2 or 1 = not subject to audit

- Seeking agreement by SCB and the Audit Committee to ensure coverage of the core aspects of the Council's governance and control environment.

In addition, the draft plan contains 6 reviews which where were deferred from 2014/15, ongoing assurance work including the Continuous Auditing Methodology approach towards Key Financial Systems, 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 will be refreshed on an on-going basis throughout the year, through discussions with senior management, Members and stakeholders. We will use this to inform and support any changes to the audit plan that are required.

Corporate Objectives

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.

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.

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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 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 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.

Independence

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

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.

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 a period of rapid change, with numerous significant change projects underway. 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.

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ANTI FRAUD STRATEGY AND APPROACH

Our annual anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to public sector tackle fraud. We have further adapted our strategy to incorporate a response to the local fraud risks facing the Council as well as national fraud risks identified within various public sector good practice guidance.

Nationally there have been significant changes which you will note in our approach for 2015/16, namely the national transition to a Single Fraud Investigation Service (SFIS) for all welfare benefit fraud investigations. Barnet is due to transfer to on 1st July 2015 and this means that both the benefit fraud investigation work and the CAFT employees principally undertaking the work will transfer to the Department of Works and Pensions (DWP). Following the transfer those affected staff will be employed by the DWP and will relocate to DWP offices.

Therefore part of our focus for 2015/16 will be the migration of work to the DWP, establishing and maintaining effective new working arrangements with SFIS, which will form part of our overall strategic approach and our annual work plan compliments and delivers against all the strategic objectives detailed below.

This strategy demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

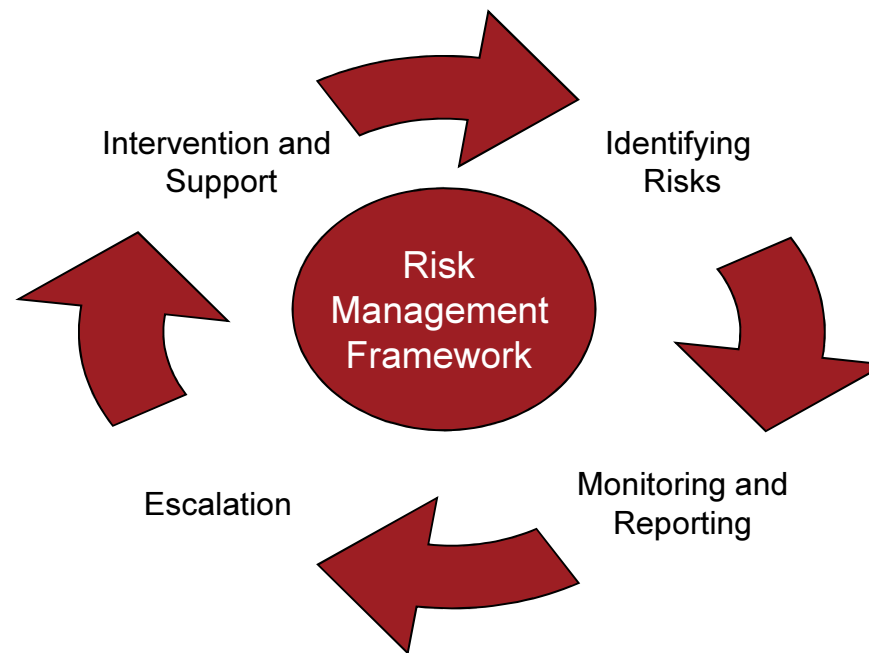| Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud and recovering losses
• Assessing and understanding fraud risks • Committing support and resource to tackling fraud • Maintaining a robust anti-fraud response	• Making better use of information and technology • Enhancing fraud controls and processes • Developing a more effective anti-fraud culture	• Prioritising fraud recovery and the use of civil sanctions • Developing capability and capacity to punish fraudsters • Collaborating across local authorities and with law enforcement

RISK ASSURANCE APPROACH

The Council's Risk Management Policy is to proactively identify, understand and manage risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking. Risk Assurance focuses on enabling the organisation to identify, monitor, report and escalate risks as well as playing an intervention and support role as required.
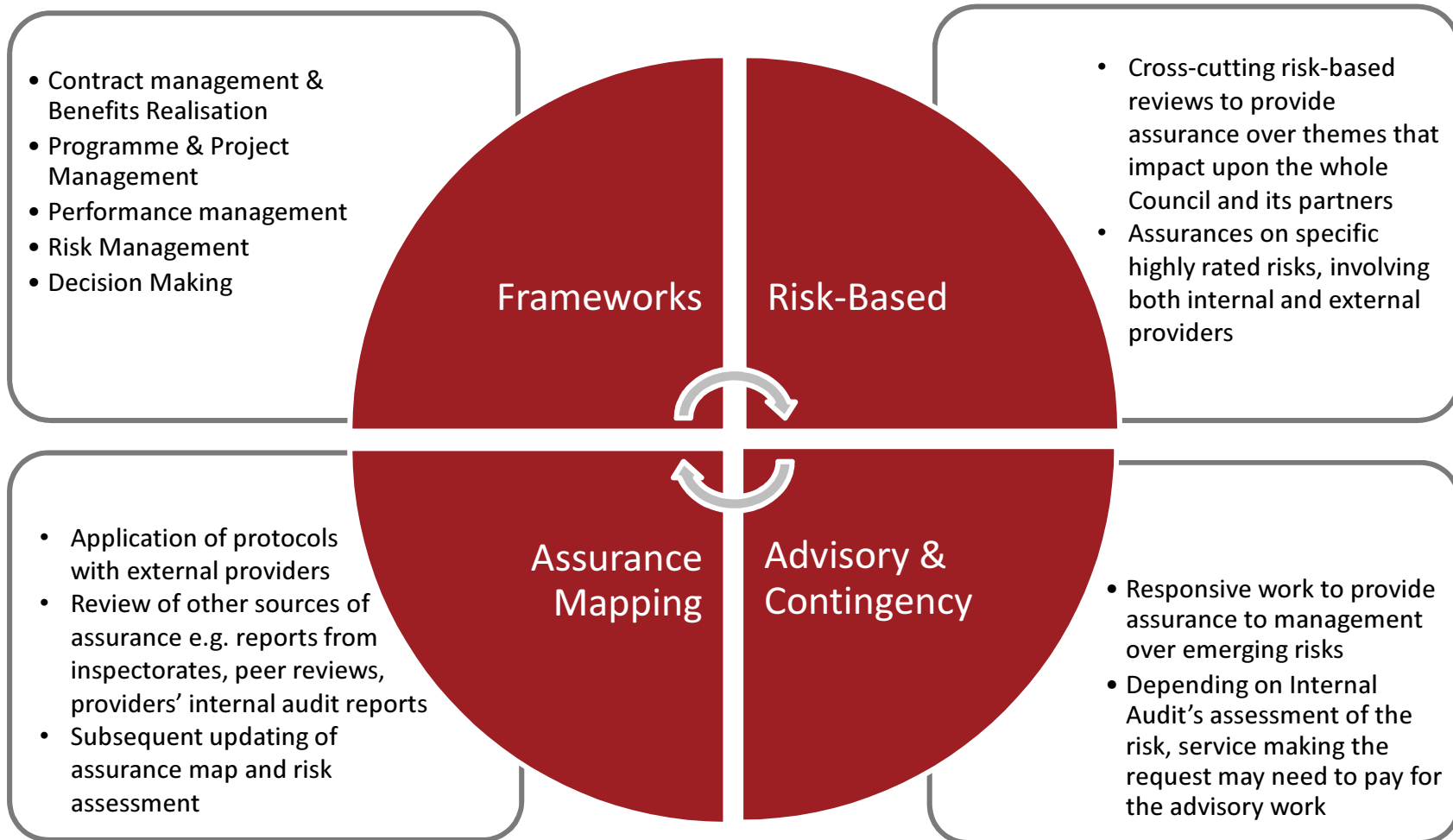
Risk Assurance is responsible for delivering a robust risk assurance function through the risk management framework that ensures the Council meets the highest standards of risk management. Risk management should be a central part of strategic management and business planning; it is the process whereby the organisation methodically addresses the opportunities and threats attached to their activities with the goal of achieving sustained benefit across the portfolio of all activities.

The Risk Assurance function provides challenge, ensures consistency of approach, advises on joint risks, cross cutting risks, risk conflicts and responds to serious incidents. Risk Assurance plays a role in the development and management of the SCB Risk Register, Quarterly Performance reports (which include risks that have been challenged by the risk assurance function and delivery board prior to submission to SCB and Performance and Contract Monitoring Committee for publishing) .

Intervention and Support

Identifying Risks

Risk Management Framework

Monitoring and Reporting

Escalation

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OVERALL APPROACH

The following four quadrants underpin the Audit and Anti-Fraud programme.

- Contract management & Benefits Realisation
- Programme & Project Management
- Performance management
- Risk Management
- Decision Making

Frameworks

Risk-Based

- Cross-cutting risk-based reviews to provide assurance over themes that impact upon the whole Council and its partners
- Assurances on specific highly rated risks, involving both internal and external providers

- Application of protocols with external providers
- Review of other sources of assurance e.g. reports from inspectorates, peer reviews, providers' internal audit reports
- Subsequent updating of assurance map and risk assessment

Assurance Mapping

Advisory & Contingency

- Responsive work to provide assurance to management over emerging risks
- Depending on Internal Audit's assessment of the risk, service making the request may need to pay for the advisory work

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OVERALL SUMMARY

As summarised in the tables below Internal Audit, CAFT and Risk Management will deliver 1050 audit, 3046 corporate anti-fraud and 180 risk management days in 2015-16. 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 2015/16	Days 2014/15
Cross-Cutting	202	215
Internal Delivery Units	192	210
External Delivery Units & Support Services*	252	240
Commissioning Group & Assurance Group	159	150
Management, Follow-up and Reporting	145	190
Contingency	100	45
Risk Management	180	180
CAFT proactive work	385	165
CAFT reactive and continuous investigation**	2661	3355
Total Days	**4276**	**4750**

Includes 100 days for schools audits

** The reduction in CAFT reactive days is due to the transfer of staff to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

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PROACTIVE PLAN

CROSS-CUTTING REVIEWS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Transformation	Projects and Programmes	Q1 & Q3
Project Management Toolkit - Follow Up	Projects and Programmes	Q1
Capital Projects - Development Pipeline	Projects and Programmes	Q2
Alternative Delivery Models	Internal Governance	Q2
Speed of Implementing Decisions	Internal Governance	Q4
Data Quality – PI spot checks	Data Quality	Q1234
Various grant claims requiring Internal Audit input: • Community Capacity Grant (30 June deadline – Q1) • Pothole Fund (30 Sep deadline – Q2) • Bus Subsidy Grant (30 Sep deadline – Q2) • Other grants as required	Grants	Q1234

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CROSS-CUTTING REVIEWS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Performance Management Framework *2015/16 focus: Escalations*	Performance Management	Q3
Contract Management & Benefits Realisation Framework - Toolkit Compliance	Contract Management	Q1 and Q4
Conflict Management	Procurement	Q1
Procurement – Compliance with Contract Procedure Rules	Procurement	Q2
CAFT 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 2015-16 . Any areas that are still relevant will be carried forward to 2016-17.	**National Fraud Initiative** National Fraud Initiative – 9,500 Data Matches These include area's such as Disabled Blue Badge, Parking Permits, Direct Payments, duplicate Invoices, Pensions, Payroll	
	CIPFA National Counter Fraud Hub Barnet will be working in partnership with CIPFA and a number of other local authority's to pilot their National Counter Fraud Hub – a data analytics tool bringing public and private sector data together in order to proactively identity fraud and error.	

INTERNAL DELIVERY UNITS

ADULTS & COMMUNITIES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Financial Assessment (Joint audit with CAFT)	Assessment & Care Management	Q1
Better Care Fund - Pooled Budget Arrangements	Better Care Fund	Q2
Client Affairs	Client Affairs - Appointeeship, Deputyship and Protection of Property	Q3
Care Act Compliance	Residential care homes / Support for Carers	Q4

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EDUCATION & SKILLS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Schools Improvement Data	Schools monitoring	Q1 - to underpin schools audit approach
SEN Follow-Up - Education Healthcare Plans (EHCs)	SEN (Special Educational Needs)	Q2
Catering Traded Service (Joint audit with CAFT)	Catering	Q3
Individual audits of schools Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations. From September 2015 potentially to include coverage of other areas of risk as agreed with Education & Skills, the Chief Operating Officer and the Audit Committee.	Schools Audits	Q1234
CAFT Proactive Review	**Schools Admissions** Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.	

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FAMILY SERVICES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Foster Carer & Adoption Payments – Controcc system	Foster Care / Adoption	Q2
Troubled Families Payment by Results	Troubled Families	Q1234

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STREET SCENE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Fleet Management (Joint audit with CAFT)	Fleet Management	Q2
Residential Waste - Collection and Disposal	Residential Waste / Recycling (including food waste)	Q3

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EXTERNAL DELIVERY UNITS & SUPPORT SERVICES

For external delivery units and Joint Ventures we will undertake Assurance Mapping of the sources of assurance that are available over key risks. We will then undertake any further audit work as required. Audit clauses of contracts or management agreements may need to be invoked accordingly where the assurances available over the Council's key risks are not sufficient.

BARNET HOMES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Review of Barnet Group Internal Audit plan and reports - to provide assurance over the whole delivery unit and to identify any gaps in assurance over key risks to the Council.	Various – focus on Barnet Homes	Q1

CSG

Days are included within our plan to ensure sufficient assurance is obtained over the Key Financial Systems that underpin the Council's financial statements. We will liaise with External Audit to ensure the work undertaken will be sufficient for their purposes when auditing the Council's financial statements.

In 2014/15 we introduced a new approach to the testing of the Key Financial Systems – the **Continuous Audit Methodology (CAM)**. Design of the key controls was assessed at the initial phase of testing and sample testing of key controls to determine operating effectiveness was completed. The report that was issued outlined the performance of the key controls, acting as a benchmark for comparison when the equivalent testing is performed for these financial systems in 2015/16.

CSG

In 2015/16 in quarters 2 and 4 we plan to revisit the areas that received limited assurance in 2014/15. We have added two new areas to the CAM approach for 2015/16 (fixed assets and budget monitoring) which we also plan to review in both quarters 2 and 4. Other areas will only be reviewed in quarter 4.

Delivery Unit	Auditable Unit(s)	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Accounts Payable	Accounts Payable **(Joint audit with CAFT)** *To include coverage of feeder systems into Integra*	Q2 and Q4
	Accounts Receivable	Accounts Receivable *To include coverage of feeder systems into Integra*	
	General Ledger	General Ledger	
	Fixed Assets	Fixed Assets	
	Budgetary setting and monitoring	Budget Monitoring	
	Treasury Management	Treasury Management	Q4 only
	Cash & Bank	Cash Management	
	Payroll	Payroll	
	Pensions	Pensions Administration	
CSG - Revenues & Benefits	Housing Benefits	Housing Benefits	Q2 and Q4
	Council Tax	Council Tax	
	National Non-Domestic Rates	NNDR	

RE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Highways Expenditure	Highways	Q2
Carbon Reduction Commitment	NRG Efficiency and Carbon Reduction	Q2
Regeneration Programme	Regeneration	Q4

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COMMISSIONING GROUP & ASSURANCE GROUP

ASSURANCE GROUP

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Schemes of Delegation	Council governance and decision making	Q2
Area Committee Budgets	Council governance and decision making	Q3
Risk Management	Risk Management	Q4

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COMMISSIONING GROUP

Provisional Audit Title	Auditable Unit(s)	Provisional timing
CSG and Re Invoicing / Gain Share Agreements	Accounts Payable	Q1
Business Continuity Strategy	Business Continuity & Emergency Planning / Disaster Recovery	Q1
Information Security – Cyber Risk (Joint audit with CAFT)	Various	Q1
Shared Legal Service - Clienting & Governance	Legal Service	Q2
IT Strategy	IT Strategy	Q2
IT Helpdesk - Operation	IT Helpdesk	Q3
Parking Permit Administration	Parking Permits	Q3
Workforce Planning	Establishment List	Q3
CCTV (Joint audit with CAFT)	CCTV	Q4

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RISK ASSURANCE PRIORITIES

Risk management is a continuous and developing process that systematically addresses risks surrounding the organisation's activities past, present and future, therefore, Risk Assurance supports the on-going improvement of risk management practice across the organisation; objectives this year are described below.

Objective	Description
Risk Management Framework	Annual review of the corporate policy and procedure document to ensure it remains current, relevant and up-to-date and reflects best practice and corporate priorities.
Risk Management Approach	A document describing the way the risk management framework is implemented in internal delivery units and for specific organisational activities like contract management internal governance boards, and joint risk reporting with external partners.
Assurance Mapping	Map assurance coverage of the key process which support the Annual Governance Statement to enhance the self assurance process and ensure there is no duplicated effort or gaps and to understand where the assurance roles and accountabilities reside and the key sources of assurances that they provide.
Implement Training and Development Plan	Training and development plays an important role in ensuring risk management roles and responsibilities are understood and risk management is properly embedded into processes and culture through awareness raising, challenge and promoting best practice through continuous improvement and learning. A priority will be a refresh of risk management training for risk champions and risk owners, and partners.
JCAD, Corporate Risk Management System	Continuous review and cleanse of users in system and structure to ensure that JCAD effectiveness is optimised through training and challenge.

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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
• 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 , the counter fraud framework and relevant council policies whilst actively recovering any losses and obtaining compensation by utilising our in-house Financial Investigation Officers.
• To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud including maximising the recovery of properties where Tenancy Fraud is proven. • Utilising data from the London Fraud Hub – in relation to Tenancy Fraud.
• Q1 only: - To continue to effectively deal with the prevention, detection, identification, 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. • From Q2 onwards - be the council's central point of contact and support for SFIS, including information exchange, fraud re-assessment work , provide expert witness statements and evidence bundles and attend court as required.

PERFORMANCE INDICATORS – INTERNAL AUDIT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. These have been updated for 2015/16 to provide a more meaningful insight into the performance of the service.

Performance Indicator	Target	Reporting frequency
% of Plan delivered	Based on 95% complete of those due in quarter	Quarterly
Number of review due to commence vs. commenced in quarter	95%	Quarterly
% of reports year to date achieving: • Substantial • Satisfactory • Limited • No Assurance	N/A	Quarterly
Number / % of Priority 1 recommendations: • Implemented • Partly implemented • Not implemented in quarter when due	90%	Quarterly
Number / % of Priority 1 recommendations due / implemented year to date	90%	Annual
Staff with professional qualifications	70%	Annual
% of recommendations accepted	98%	Exception basis - if not met
Average client satisfaction score (above 3)	90%	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 detail's of outcomes on noteworthy investigations.

Performance Indicator
Corporate Investigation Team
Number of Fraud investigations
Number of Financial investigations (under Proceeds of Crime Act)
Number of prosecutions
Number of dismissals as a result of investigations
Number of requests for surveillance in accordance with the Regulation of Investigatory Powers Act 2000
Number of Whistleblowing referrals received
Tenancy Fraud Team
Number of Tenancy Fraud investigations
Number of properties recovered
Number of Prosecutions
Number of Right to Buys applications denied as a result of CAFT intervention
Number of Housing applications denied as a result of CAFT intervention

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