

INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2019-20

Clair Green, Assurance Director

Caroline Glitre, Head of Internal Audit

Declan Khan, Head of Counter Fraud Operations

TABLE OF CONTENTS

- Introduction
- Anti-Fraud Strategy and Approach
- Anti-Fraud Communications Strategy
- 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 Council Management Team (including the S151 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 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; and
- develop our Data Analysis skills.

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 2019/20 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;
- Seeking agreement of the plan by CMT 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 2019-2024 identifies three main outcomes which have been based on consultation with residents:

- **A pleasant, well maintained borough that we protect and invest in**
- **Our residents lead happy, healthy, independent lives with the most vulnerable protected**
- **Safe and strong communities where people get along well**

These outcomes will be considered as part of each audit, as applicable.

The Internal Audit and CAFT functions are organisationally independent from the Council Management Team 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 Finance 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. Through the work of the CAFT in the previous year we recognise that the organisation needs to strengthen the anti fraud culture, and we aim to progress this with anti fraud awareness and communications campaigns, including the relaunch of our e-learning programme as well as bespoke face to face fraud risk workshops, in addition we will continue to work jointly with relevant services including internal audit on improving internal controls.

We remain committed to closer collaboration with Internal Audit as demonstrated through this plan, including conducting joint reviews, through intelligence and utilising data from the National Fraud Initiative exercise, to ensure that we have a risk based approach to inform audit reviews and targeted sampling.

Work processes are designed for compliance with legislation and best practice as well as maximum efficiency.

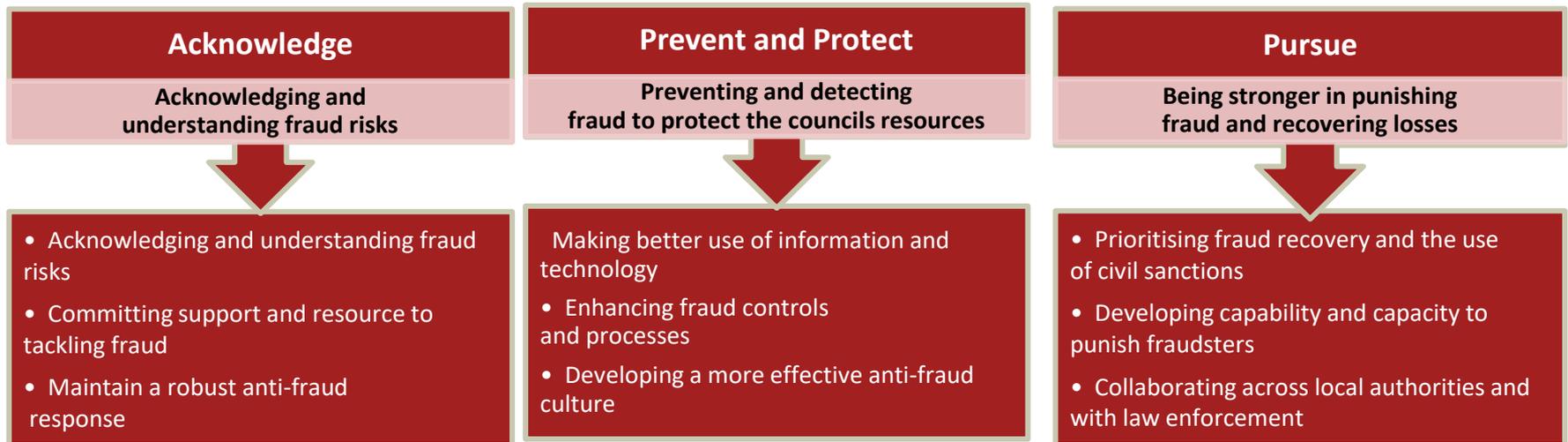
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Staff Fraud as well attacks on the public purse from external sources), **Concessionary Travel Fraud** (which includes Application fraud, Blue Badge Fraud and Misuse as well as Freedom Pass Fraud Investigations), **Tenancy Fraud** (which includes Housing Needs, Subletting, Right to Buy and Succession 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 the overall objectives of the team and that we are efficient, effective and provide value for money.

We believe that 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 asset 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 remains aligned with the strategic approach as outlined in 'Fighting Fraud and Corruption Locally' ([Fighting Fraud and Corruption locally strategy](#)) and provides a blueprint for a tougher response to public sector tackle fraud. The principles of our strategy remain the same as previous years including the six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**). We have 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 to build upon 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 risk 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. This will also include relaunching and a phased delivery of e-learning campaign.

- 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 fraud risks will be promoted throughout the year.

Preventing and detecting fraud – It is well established that fraud awareness helps promote and strengthen an anti-fraud culture within an organisation. We will aim to ensure that through targeted communications clear messages will be communicated to all stakeholders that fraud is not acceptable and will not be tolerated. We hope that this will ensure that staff and residents are 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 our ability and 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 will devise a detailed targeted delivery plan for the year.

OVERALL SUMMARY – 2019/20

As summarised in the tables below Internal Audit and CAFT will deliver 1465 audit days and 2722 anti-fraud days in 2019-20. The number of audit days includes those to be recharged to Capita as appropriate for CSG and Re audits.

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 current 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 2019/20	Area	Days 2019/20
Director of Finance	225	Strategic Director for Environment	80
Deputy Chief Executive	180	Director of Assurance	35
Strategic Director for Adults, Communities & Health	75	Cross-Cutting	240
Director of Public Health	15	Follow-Ups	150
Strategic Director for Children & Young People	165*	Contingency	300
Total Audit Days			1465**
CAFT Days			2722***
Total combined Audit and CAFT Days			4187

**Includes 100 days for schools audits*

*** Internal Audit days increased in 2019/20 due to a successful growth bid and the creation of two new posts.*

****CAFT days decreased in 2019/20 due to revised management structure. Resources (days) to be further reviewed in year dependent on reactive work levels and London Counter Fraud Hub project.*

OVERALL SUMMARY – 2018/19

Due to the changes in the Council's structure the 'areas' covered by the audit plan are different in 2019/20 compared to in previous years. The summary figures for 2018/19 are included below for reference, under the categories that were previously reflected in the plan.

Area	Days 2018/19
Cross-Cutting	210
Delivery Units *	423
Commissioning Group & Assurance Group	252
Management, Follow-up and Reporting	200
Contingency	153
Total Audit Days	1238
CAFT Days	3080
Total combined Audit and CAFT Days	4318

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

DIRECTOR OF FINANCE

Provisional Audit Title	Provisional timing
Revenue Budget Setting and Monitoring (DEFERRED FROM 2018/19)	Q1
Treasury Management (DEFERRED FROM 2018/19)	Q1
Cash & Bank (DEFERRED FROM 2018/19)	Q1
Accounts Receivable	Q1
Pensions Administration	Q1
Capital Budget Monitoring	Q2
General Ledger	Q2
Non-Schools Payroll	Q2
Teachers Pensions	Q3
Accounts Payable (JOINT IA & CAFT REVIEW)	Q3

DIRECTOR OF FINANCE

Provisional Audit Title	Provisional timing
MTFS Assurance Process	Q2
Integra Issue Management (DEFERRED FROM 2018/19)	Q3
Revenues & Benefits – 3 year cyclical audit programme <ul style="list-style-type: none">• Housing Benefits <p>Note: Council Tax and NNDR to be reviewed in years 2 and 3 unless new risks or concerns arise over those areas during the year</p>	Q3

DEPUTY CHIEF EXECUTIVE – HR, IT AND ESTATES

Provisional Audit Title	Provisional timing
Data Management Procedures (IT Governance)	Q1
HR Processes (post insourcing)	Q2
Schools Payroll (Carlisle)	Q2
Non-Schools Payroll (Belfast)	Q2
IT - Cost Infrastructure	Q2
Follow up of IT Strategy audit	Q3
Estates – Project Management	Q3

DEPUTY CHIEF EXECUTIVE – REGENERATION, GROWTH AND HOUSING

Provisional Audit Title	Provisional timing
Brent Cross Cricklewood - Regeneration - Financial Controls	Q1
Private Treaty Agreements (PTAs) – Follow-up of 2018/19 review	Q1
Land Charges – Data Quality	Q2
Brent Cross (placeholder)	Q3
Barnet Group Assurance Mapping Including review of Barnet Group Internal Audit plan and reports Plus contingency for 1 review, pending finalisation of Mazars 2019/20 plan	Q1 – Q4

STRATEGIC DIRECTOR FOR ADULTS, COMMUNITIES & HEALTH

Provisional Audit Title	Provisional timing
Better Care Fund Finalisation of audit and fraud protocol with the Clinical Commissioning Group (Deferred from 2018/19) (JOINT IA & CAFT REVIEW)	Q1
Mosaic application review	Q2
Adults restructure - Strategic risk around Safeguarding	Q2
Integrated Commissioning for Better Outcomes	Q3

DIRECTOR OF PUBLIC HEALTH

Provisional Audit Title	Provisional timing
Public Health Grant – follow-up review (JOINT IA & CAFT REVIEW)	Q3

STRATEGIC DIRECTOR FOR CHILDREN & YOUNG PEOPLE

Provisional Audit Title	Provisional timing
Family Services Financial Management	Q1
Troubled Families - Payment by Results	Rolling submissions
Cambridge Education Assurance Mapping Including review of CE Internal Audit plan and reports	Q2
Individual audits of schools <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 - Q4

STRATEGIC DIRECTOR FOR ENVIRONMENT

Provisional Audit Title	Provisional timing
Parking – PCN Cancellations (DEFERRED FROM 2018/19)	Q1
Highways Health & Safety (DEFERRED FROM 2018/19)	Q2
Waste Health & Safety	Q2
Local Transport Capital Funding grant	Q2
Local Authority Bus Subsidy grant	
Trade Waste Invoicing	Q3

DIRECTOR OF ASSURANCE

Provisional Audit Title	Provisional timing
Geographic Information Services (GIS) – Advisory review	Q1
Regulation of Investigatory Powers Act (RIPA) – follow-up of action plan (TBC)	Q2
Local Counter Fraud Hub – review of effectiveness (TBC)	Q4

CROSS-CUTTING REVIEWS 1

Provisional Audit Title	Provisional timing
Domestic Violence (DEFERRED FROM 2018/19)	Q1
Theme Committee Priorities – Benefits Management	Q1
Decision making framework – compliance (DEFERRED FROM 2018/19)	Q1
Brexit preparedness / response deep dives	Q2 and Q4
Transformation – Barnet 2024	Q2
Procurement – compliance with Contract Procedure Rules (CPRs)	Q2
Conduct Standards – compliance (DEFERRED FROM 2018/19) (JOINT IA & CAFT REVIEW)	Q2

CROSS-CUTTING REVIEWS 2

Provisional Audit Title	Provisional timing
General Data Protection Requirements (GDPR) compliance	Q3
Performance Management Framework compliance	Q3
Risk Management Framework	Q4
Various grant claims requiring Internal Audit input e.g.	Various

CAFT WORK STREAMS

This table details the continuous and re-active investigation work of the team, including high visibility exercises. 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
<p>Corporate Fraud</p> <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. This covers staff fraud investigations (including where appropriate working closely with HR to support disciplinary offences) and also external fraud attacks on council services and finances.</p> <p>Internal Audit and CAFT are committed to the managed audit approach, which is demonstrated through the number of joint Audit and Fraud reviews listed throughout the workplan. Additionally, any suspected or significant controls weaknesses or fraud risks that are identified throughout the year (and/or as a result of a fraud investigation) are added to the plan as a joint review.</p>
<p>Tenancy Fraud</p> <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 at least 60 recovered properties set for 2019/20.</p> <p>We will deliver at least four intelligence led pro-active anti fraud drives as well as work to support Barnet Homes exercises throughout the year with the aim to tackle tenancy fraud issues in our borough.</p>
<p>Concessionary Travel Fraud</p> <p>To investigate all suspected frauds relating to Concessionary Travel including, Blue Badge misuse, Freedom pass fraud, Resident Parking and all frauds relating to applications for these concessions which are committed against the Council and effectively pursue the fraudsters.</p> <p>We will deliver at up to Eight intelligence led joint (with the Met 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>

CAFT WORK STREAMS

Description of review

Financial Investigations

To initiate Financial investigations under the Proceeds of Crime Act in relation to all frauds (where appropriate) to ensure that any person's subject to a criminal investigation by Barnet do not profit from their criminal action. We will also continue to provide this service to other local authorities on a commercial basis.

Cabinet Office - National Fraud Initiative (NFI)

The NFI is a national public sector data matching exercise.

Data uploads are due to take place in October 2018 and matches are due to be received in January 2019 for review, risk assessment and/or investigation. These will form part of this years and next years proactive work program and be used to assist in focusing joint work with Audit.

CAFT will co-ordinate this exercise for the Council and investigate related referrals. 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.

Direct Payments

This is an area that has been highlighted nationally as having a high risk element for local authorities.

CAFT will co-ordinate a data matching exercise to confirm that Direct Payments are being made to the correct recipients and also that payments do not continue to be paid after the requirement has ceased.

London Counter Fraud Hub (TBC)

The London Counter Fraud Hub, which is managed by CIPFA, is a counter fraud service, which has been developed to supply a counter fraud data analytics service to London local authorities in relation to Council Tax, Business Rates and Council Tenancies.

A report on the LCFH will be taken to Policy and Resources Committee this year 19/20, if a decision is made for Barnet to join the hub then the Tenancy Fraud Element of this project will be led by CAFT. It is envisaged that this would enhance the work already ongoing in relation to Tenancy Fraud

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 90% of Critical and High Risks have been mitigated by management at the time of follow up	90%	Quarterly
% of reports year to date achieving: <ul style="list-style-type: none">• Substantial• Reasonable• Limited• No Assurance	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.

Corporate Investigation Team	Concessionary Travel Fraud Team	Tenancy Fraud Team
Number of Fraud investigations (opened and closed) including summary breakdown of service area and Fraud type.	Number of Disabled Blue Badge Fraud investigations (opened and closed) including summary breakdown fraud type	Number of Tenancy Fraud investigations (opened and closed) including summary breakdown by fraud type
Number of Prosecutions or other Sanction for each category.	Number of Prosecutions or other Sanction for each category.	Number of Prosecutions or other Sanction for each category
Number of Dismissals / staff no longer employed as a result of CAFT intervention.	Number of Blue Badges seized as a result of misuse, lost, stolen, forged, counterfeits being identified	Number of Properties recovered as well as the Number of Right to Buy, Housing and Joint tenancy applications denied as a result of CAFT intervention.
Financial Investigations Team		
Number of Financial investigations (under Proceeds of Crime Act) opened and closed including summary breakdown of service area as well as the amounts recovered.		
Other information reported as per Policy requirements		
Whistleblowing referrals - number received (and summary detailed provided on closed cases where appropriate).	Number of Surveillance requests / authorisations in accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 (and summary detailed provided on concluded investigations if proven).	