

Internal Audit and Anti-Fraud Strategy and Annual plan 2021-2022

Clair Green – **Director of Assurance**

Caroline Glitre - **Head of Internal Audit**

Declan Khan - **Head of Counter Fraud and Enforcement
Operations**

Table of Contents

- Introduction - April 2021
- Completion of 2020/21 plan
- Q1 and Q2 – 2021/22 plan
- Anti-Fraud Strategy and Approach
- Anti-Fraud Communications Strategy
- CAFT work streams
- Background
- Performance Indicators

Introduction - April 2021

During 2020/21, delivery of the Internal Audit plan was directly impacted by the COVID pandemic. Internal Audit staff were redeployed and engagement in audits was more complicated due to services' need to prioritise their work on the COVID-19 response.

The plan agreed by the Audit Committee in July 2021 has been continuously revisited to confirm that audit resources were being used in the most effective and efficient manner. By year end, we were able to report that we have delivered 82% of the planned work programme, against the usual target of 95%. The two key factors behind this performance were (a) that we 'lost' 300 audit days due to in-house staff being redeployed and (b) audit fieldwork has generally taken longer due to service areas prioritising their COVID response work.

The Institute of Internal Audit (IIA) commented in August 2020 that 'The need for an annual plan has diminished, internal audit needs to be responsive to stakeholder requirements and requests from across the business. By putting a 12-month plan in place, we end up making so many changes to it that at the end of the 12-months it bears no resemblance to the 12-month plan at the beginning of the year'.

Therefore, we are taking a more flexible approach to the 2021/22 operational plan. Instead of presenting a programme of work for the entire year, which may well be subject to change as the COVID situation evolves, we are presenting a provisional plan for the first 6 months. This will be revisited on a quarterly basis and an indicative plan for Q3 and Q4 will be presented to the Audit Committee at the end of Q2.

The indicative plan for the first 6 months incorporates:

- Completion of ongoing work on the 2020/21 audit plan (estimated at 139 audit days)
- Priority audits for Q1 and Q2 (estimated remaining available allocation of 401 audit days)
- Consideration of in-house team annual leave balances (due to additional leave having been carried forward from 2020/21)

We have also included contingency days in the plan to enable us to be responsive to changes in risks throughout the period, respond to the uncertain situation as it evolves, offering responsive advice and support to other services when they need it.

In line with the Council's Corporate Plan priorities, Customer Services will be a theme underpinning the plan and will be picked up as a scope area in appropriate audits throughout the year e.g. Council Tax.

Completion of 2020/21 plan

Directorate	Status at end of Q4 2020/21	Audit Title	Est. audit days to completion
Completion of 2020/21 Internal Audit plan			
Completion of all audits that were underway as at the end of Q4 of 2020/21:			
Finance & Resources	Draft Report	Finance Global Design Principles (FGDP) - Fixed Assets	2
Finance & Resources	Draft Report	COVID 19 Response and Recovery - Realtime Transaction Analysis (Phase 2)	3
Finance & Resources	Fieldwork	Finance Global Design Principles (FGDP) - General Ledger	3
Finance & Resources	Fieldwork	Finance Global Design Principles (FGDP) - Accounts Receivable	3
Finance & Resources	Fieldwork	Finance Global Design Principles (FGDP) - Accounts Payable	3
Finance & Resources	Fieldwork	Finance Global Design Principles (FGDP) - Cash and Bank	5
Finance & Resources	Fieldwork	Finance Global Design Principles (FGDP) - Non-Schools Payroll	5
Finance & Resources	Fieldwork	Integra Issue Management	1
Finance & Resources	Fieldwork	COVID19 Business Grants – Post Payment Assurance	10
Finance & Resources	Planning	Pension Transition Follow-up	5
Finance & Resources	Planning	Agency Staff	10

Completion of 2020/21 plan cont.

Directorate	Status at end of Q4 2020/21	Audit Title	Provisional audit days to completion
Growth & Corporate Services	Draft Report	Construction (Design & Management) Regulations	3
Growth & Corporate Services	Fieldwork	Brent Cross Regeneration Project	5
Growth & Corporate Services	Fieldwork	Estates Compliance	10
Growth & Corporate Services	Planning	Private Residential Blocks – Fire Safety	15
Growth & Corporate Services	Planning	Land Charges Follow-Up	5
Growth & Corporate Services	Draft Report	Project Management Toolkit – Advisory Review	1
Adults & Health	Draft Report	Direct Payments – Data Analysis	1
Public Health	Planning	Test and Trace grant	3
Children & Young People	Draft Report	Barnet Education & Learning Services (BELS) Governance arrangements	2
Children & Young People	Planning	Managing Systems Access Rights - Controcc	12
Children & Young People	Fieldwork	Danegrove School	1
Environment	Draft Report	Parking - PCN Cancellations	3
Assurance	Planning	Premises Licensing and Gambling	10
Cross-Cutting	Planning	Equalities Diversity and Inclusion	15
Cross-Cutting	Draft Report	Adults Debt Recovery	3

Q1 and Q2 – 2021/22 plan

Directorate	Provisional Audit Title	Provisional audit days
Finance & Resources	Council Tax	15
Finance & Resources	IR35	15
Finance & Resources	VAT	15
Growth & Corporate Services	Local Land Charges outputs	15
Growth & Corporate Services	Remote Working	15
Growth & Corporate Services	SLaM Project – Review of 'To Be' Proposal	15
Adults & Health	Direct Payments follow-up	15
Children & Young People	Schools audits	40
Children & Young People	Troubled Families Q1 and Q2	6

Q1 and Q2 – 2021/22 plan cont.

Directorate	Provisional Audit Title	Provisional audit days
Environment	PCN Cancellations Phase 2	10
Environment	Trade Waste	15
Cross-Cutting	Sustainability Strategy	15
Cross-Cutting	Conduct Standards Compliance	15
Cross-Cutting	Disabled Facilities Grant	5
Cross-Cutting	Follow-Ups of previous audit actions	75
Cross-Cutting	Contingency	100
	Total Days Completion of 2020/21 plan	139
	Total Days Q1 and Q2 – 2021/22 plan	386
TOTAL		525

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 new and updated 2020 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.

We consider that all of the above fall into 5 key areas and each of these is vital in the delivery of a holistic anti-fraud strategy and an effective service delivery. These keys areas are **Govern, Acknowledge, Prevent, Pursue and Protect** and are expanded on in the next page.

Anti-fraud strategy and approach cont...

Govern	Acknowledge	Prevent	Pursue	Protect
Having a zero tolerance culture through out the council	Acknowledging and understanding fraud risks	Preventing and detecting fraud to protect the councils resources	Being stronger in punishing fraud and recovering losses	Protecting the council and its residents
				
<ul style="list-style-type: none"> Having robust arrangements and Executive Support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation 	<ul style="list-style-type: none"> Assessing and understanding fraud risks Committing support and resource to tackling fraud and corruption Demonstrating a robust anti-fraud response Communicating the risk to those involved with Governance 	<ul style="list-style-type: none"> Making the best use of information and technology Enhancing fraud controls and processes Developing a more effective anti-fraud culture Communicating CAFT activity and its successes 	<ul style="list-style-type: none"> Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish offenders Collaborating across geographical and sectoral boundaries Learning lessons and closing the gaps 	<ul style="list-style-type: none"> Recognising the harm that fraud can cause in the community protecting public funds, protecting the council from fraud and cyber-crime and also protecting the council from future frauds

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.

Assessing 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 emphasise 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.

CAFT work streams

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 2021/22. Further to that, CAFT will aim to recover all available costs and losses suffered by the council due to tenancy fraud. This includes funds recovered via Proceeds of Crime with a view to replenishing the HRA with these funds</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.</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 continued

Description of review
<p>Financial Investigations</p>
<p>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.</p>
<p>Cabinet Office - National Fraud Initiative (NFI)</p>
<p>The NFI is a national public sector data matching exercise. Data uploads took place in October 2020 and matches have been received in March 2021 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.</p> <p>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.</p>
<p>Parking Fine Appeals</p>
<p>Previous investigative evidence has demonstrated that there have been a number of cases of parking appeals being made fraudulently, which have not been highlighted under the current methodology.</p> <p>CAFT will continue to co-ordinate a data matching exercise to verify that the appellants with the highest volume of successful appeals have not been making them on fraudulent grounds.</p>
<p>Covid-19 pre-payment checks</p>
<p>In response to the Chancellor's announcement of grant payments to small businesses based in the borough, CAFT have been working with other departments to provide a pre-payment assurance function and will continue to provide a post payment investigative function to ensure that funds that have been paid have been done so accurately.</p>

CAFT work streams continued

Description of review
Internal data matching and use of analytics
To initiate internal data matching in order to develop more data led pro-active investigations and allow CAFT to have a greater ability to investigate and adopt a preventative measures approach to a number of council services
Fraud Awareness Training
CAFT will endeavour to launch a council wide, service bespoke, fraud awareness training package which allows both the ability to add to the council's zero tolerance culture and also raises the profile of the department across the organisation allowing for a more effective and wide ranging variety of investigations to be undertaken.

Background - General

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 2021-25 identifies four priorities:

- **Clean, Safe and Well Run**
- **Family Friendly**
- **Healthy**
- **Thriving**

Underpinned by:

- **Prevention**
- **Equalities**

These priorities and considerations will be supported by each audit, as applicable.

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.

Background - Internal Audit

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.

Barnet is the lead borough on the Cross Council Assurance Service (CCAS), having run the procurement exercise to award the CCAS Framework contract from 1st April 2020 for the provision of internal audit, risk management, anti-fraud and advisory services. We work closely with numerous other London Boroughs (including Barking & Dagenham, Enfield, Hammersmith & Fulham, Royal Borough of Kensington & Chelsea, Lambeth, Waltham Forest and Westminster), as well as other authorities nationally.

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 and public sector bodies nationally, sharing expertise, knowledge and working practices to further enhance the efficiency and effectiveness of the service;
- 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;
- develop our Data Analysis skills; and
- provide income to Barnet via a 1% contract management fee.

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

Background - CAFT

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. Throughout the past 12 months the Council has had to adapt the way that its employees work and this present an opportunity 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 to 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.

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 Critical, High and Medium 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 and Housing 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).	