

# **London Borough of Barnet**

  

# **Counter Fraud Assessment**

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Report Author:

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## Introduction and Background

This review was undertaken as part of the 2022-23 Internal Audit and Anti-Fraud Strategy and annual plan.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council's Internal Audit service underwent an External Quality Assessment (EQA) in February 2022. The resultant report stated that whilst not a requirement of the PSIAS, the Head of Internal Audit may also wish to consider auditing the Council's approach to fraud prevention, detection, and investigation.

Due to the close working relationship of the Council's Head of Internal Audit with the Corporate Anti-Fraud Team (CAFT), it was agreed that the audit would be undertaken by a third party to ensure appropriate independence.

Taking a similar approach to the EQA of Internal Audit the CAFT team self-assessed against the Fighting Fraud & Corruption Locally Strategy checklist and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud and Corruption. The self-assessment has then been independently reviewed and validated Paul Rock, Assistant Director Internal Audit and Counter Fraud Services at the London Borough of Lambeth.

## Conclusion

Overall, the Corporate Anti-Fraud Team is a well led, professional and respected service. Based on the self-assessment, supporting evidence and independent validation it is the view of the lead assessor that the Council generally conforms with the Fighting Fraud & Corruption Locally Strategy checklist and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud. Definitions of all the ratings are detailed in Appendix A. Generally, Conforms is the highest available rating.

|                           |  |
|---------------------------|--|
| <b>Generally Conforms</b> | The relevant structures, policies, and procedures of the counter-fraud service, as well as the processes by which they are applied, comply with the recommendations of FFL and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in all material respects. |
|---------------------------|--|

## Areas for Improvement

The assessment identified some areas for improvement which includes the following:

- Ensure that senior management and the Audit Committee are provided with an opportunity (at least annually) to review a consolidated fraud risk register that covers all key fraud risks for the Council. Each risk should be assessed for impact and likelihood and identify current mitigating actions as well as identifying any further actions to minimise the risk of each fraud. CAFT should utilise the consolidated fraud risk register to assess the adequacy and

capability of their resources and map planned CAFT activity against the risks on the register.

- CAFT should increase engagement with teams that regularly review and/or introduce new policies and strategies to ensure any policies, strategies or initiatives are reviewed by CAFT and 'fraud proofed' before they go live. The progress and outcomes of this work should be included in activity reports to senior management and the audit committee.
- Introduce continuous professional development requirements for core investigation skills for all investigation staff; this could be achieved by joining the Government Counter Fraud Profession.
- Introduce appropriate key performance indicators that measure performance against non-investigation activity such as prevention, anti-fraud culture, raising awareness of fraud, delivery of the proactive plan. The measures could include:
  - Completion rates of fraud e-learning content.
  - Percentage of fraud awareness programme delivered.
  - Percentage of staff positively responding in a survey that they would report suspect fraud and similar crimes.
  - Percentage increase in fraud referrals from areas targeted for fraud awareness.
  - Percentage completion of agreed proactive work plan.
- Develop a risk-based rolling programme for delivering fraud awareness sessions (virtual or in-person) throughout the Council. Report progress against the programme when formally reporting to senior management and the audit committee.
- When reporting investigation activity include comparators to previous year(s) performance and/or any targets to support senior management and the audit committee in understanding and assessing performance.
- Allocate sufficient, dedicated resources to proactive fraud prevention work to ensure this work is not subordinated for investigations and there is a good balance of prevention and investigation activity that is measured and reported.

An action plan has been developed by the Head of Internal Audit to address these areas and is included as Appendix B. Progress/completion of this action plan should be reported to senior management and the Audit Committee.

## Appendix A

| Opinion            | Definition   |
|--------------------|--|
| Generally Conforms | The relevant structures, policies, and procedures of the counter-fraud service, as well as the processes by which they are applied, comply with the recommendations of FFL and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in all material respects. |
| Partially Conforms | The counter-fraud service falls short of achieving some elements of practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective counter-fraud arrangements.                               |
| Does not Conform   | The counter-fraud service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives of FFL and the CIPFA.   |

| Recommendation |   | Management Response   Responsible Officer   Target Date  |
|----------------|---|--|
| 1              | Ensure that senior management and the Audit Committee are provided with an opportunity (at least annually) to review a consolidated fraud risk register that covers all key fraud risks for the Council. Each risk should be assessed for impact and likelihood and identify current mitigating actions as well as identifying any further actions to minimise the risk of each fraud. CAFT should utilise the consolidated fraud risk register to assess the adequacy and capability of their resources and map planned CAFT activity against the risks on the register. | Agreed – we will aim to include a consolidated fraud risk register in the 23/24 joint IA and CAFT annual strategy and plan which is presented to CMT and Audit Committee. In addition, Audit and CAFT will work with departments going forward to scrutinise fraud related risks on the department's registers |
| 2              | CAFT should increase engagement with teams that regularly review and/or introduce new policies and strategies to ensure any policies, strategies or initiatives are reviewed by CAFT and 'fraud proofed' before they go live. The progress and outcomes of this work should be included in activity reports to senior management and the audit committee.   | Agreed – although this has reliance on departments informing audit and CAFT of any newly introduced policies or strategies. However, we will aim to introduce a mechanism to identify these as part of our 23/24 plan.   |
| 3              | Introduce continuous professional development requirements for core investigation skills for all investigation staff; this could be achieved by joining the Government Counter Fraud Profession.  | Agreed – Our intention is to join Government Counter Fraud Profession next year. Meanwhile all CAFT staff are professionally qualified and have access to ongoing training.  |
| 4              | Introduce appropriate key performance indicators that measure performance against non-investigation activity such as prevention, anti-fraud culture, raising awareness of fraud, delivery of the proactive plan. The measures could include: <ul style="list-style-type: none"> <li>a. Completion rates of fraud e-learning content.</li> <li>b. Percentage of fraud awareness programme delivered.</li> </ul>  | Agreed – although there are challenges difficulty in reporting / measuring fraud prevention however we will: <ul style="list-style-type: none"> <li>a. Report on the fraud awareness e-learning at least biannually.</li> <li>b. Report on fraud training that has been delivered biannually.</li> </ul>       |

|          |  |   |
|----------|--|---|
|          | <ul style="list-style-type: none"> <li>c. Percentage of staff positively responding in a survey that they would report suspect fraud and similar crimes.</li> <li>d. Percentage increase in fraud referrals from areas targeted for fraud awareness.</li> <li>e. Percentage completion of agreed proactive work plan.</li> </ul>   | <ul style="list-style-type: none"> <li>c. Give consideration of how we may introduce this.</li> <li>d. These statistics are already kept by Tenancy and concessionary fraud teams but not made public as they are the source of our referrals.</li> <li>e. This reporting will be reintroduced in our next annual report and onwards thereafter.</li> </ul> |
| <b>5</b> | Develop a risk-based rolling programme for delivering fraud awareness sessions (virtual or in-person) throughout the Council. Report progress against the programme when formally reporting to senior management and the audit committee.  | Agreed - This responsibility has been introduced into the Counter Fraud Managers Role which will begin January 2023. A revised program for fraud awareness will be developed for 23/24.   |
| <b>6</b> | When reporting investigation activity include comparators to previous year(s) performance and/or any targets to support senior management and the audit committee in understanding and assessing performance.  | Agreed - This was reported in previous years, however due to the effects of Covid restrictions on investigations, interviews, visits and prosecutions was not included in recent reports. These statistics can be reintroduced on an annual basis from April 2023.  |
| <b>7</b> | Regularly monitor the delivery of proactive and fraud prevention work over the next 12 months ensuring this work is not subordinated for investigations and there is a good balance of prevention and investigation activity. If necessary, in the future, allocate dedicated (or ring-fenced) resources to proactive exercises and fraud prevention activity to safeguard delivery. | Agreed - Intelligence led proactive exercises will be reintroduced by the Team within the year. These will be monitored and if necessary, in the future, allocate dedicated (or ring-fenced) resources to ensure proactive exercises and fraud prevention activities are delivered.   |