

INTERNAL AUDIT AND ANTI-FRAUD STRATEGY AND ANNUAL PLAN 2018-19

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INTRODUCTION

Internal Audit

Internal Audit provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (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, with a lead external partner, 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.

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 2018/19 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;
- Discussing each auditable unit with Directors and their wider teams to identify other sources of assurance and emerging risks;
- Applying an ‘Audit Requirement Rating’ to each auditable unit. This is made up of the following:

Inherent Risk Rating - a judgement based on Impact and Likelihood

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

- Prioritising the auditable units with the highest Audit Requirement Ratings to design a plan that makes the best use of the resources available.
- Seeking agreement of the plan by SCB 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

To support the Council’s compliance with the General Data Protection Regulations in 2018/19 we will consult with the Data Protection Officer during the year on the planned audits to ensure assurance over GDPR compliance is gained where appropriate.

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 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.

The Internal Audit and CAFT functions are organisationally independent from the Strategic Commissioning Board 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. The work of the CAFT over the years means that there is a much stronger anti-fraud culture within the Council, however, we recognise that we must always further develop and strengthen this culture with awareness through communications campaigns, new innovative working practices and the development of our skills and partnership work.

We are committed to closer collaboration with Internal Audit as demonstrated through 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.

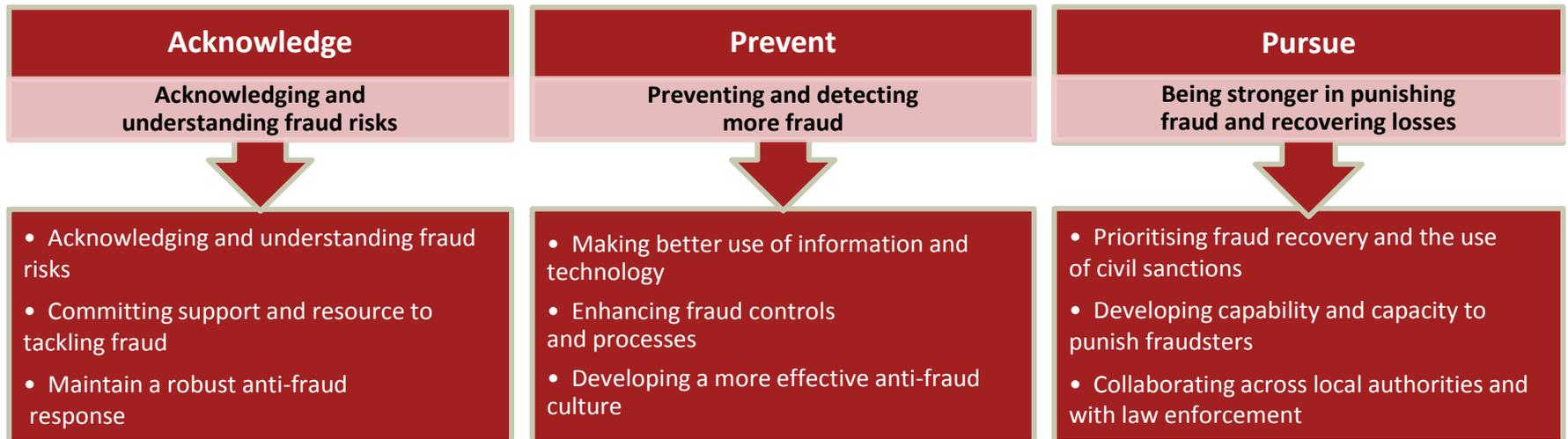
The team is structured so as to support the following work streams:- **Corporate Fraud** (which includes Staff Fraud, Blue Badge Fraud and Misuse Investigations), **Tenancy Fraud** (which includes Housing Needs, Subletting, Right to Buy and Succession fraud) and **Financial Investigations** in accordance 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.

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 is 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 but we have also considered and incorporated the new six themes as detailed within the 2016 FFL (**Culture, Capability, Capacity, Competence, Communication and Collaboration**) and as such have further 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 with 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 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

As summarised in the tables below Internal Audit and CAFT will deliver 1238 audit days and 3080 anti-fraud days in 2018-19. 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 2018/19	Days 2017/18
Cross-Cutting	210	248
Delivery Units *	423	392
Commissioning Group & Assurance Group	252	353
Management, Follow-up and Reporting	200	193
Contingency	153	100
Total Audit Days	1238	1286
CAFT Days **	3080	2625
Total combined Audit and CAFT Days	4318	3911

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

** Increase in CAFT days due to additional funding (2 X fte staff) in relation to Blue Badge Misuse investigations

CROSS-CUTTING REVIEWS 1

Provisional Audit Title	Provisional timing
Business Continuity (DEFERRED FROM 2017/18)	Q1
Health & Safety in Project Management (DEFERRED FROM 2017/18)	Q1
Domestic Violence	Q1
Income Generation – benchmarking report <i>Advisory piece</i>	Q1
Transformation	Q1 and Q3
Schemes of Financial Delegation	Q2
Disabled Facilities Grant (JOINT IA & CAFT REVIEW)	Q2

CROSS-CUTTING REVIEWS 2

Provisional Audit Title	Provisional timing
General Data Protection Requirements (GDPR)	Q3
Performance Management Framework compliance	Q3
Decision making framework - compliance	Q3
Risk Management Framework	Q4
Various grant claims requiring Internal Audit input e.g. Local Transport Capital Block Funding (Pothole Action Fund)	Various

ADULTS & COMMUNITIES

Provisional Audit Title	Provisional timing
Better Care Fund Finalisation of audit and fraud protocol with the Clinical Commissioning Group (JOINT IA & CAFT REVIEW)	Q1
Mosaic (placeholder)	Q4

PUBLIC HEALTH

Provisional Audit Title	Provisional timing
Public Health Grant (JOINT IA & CAFT REVIEW)	Q3

FAMILY SERVICES

Provisional Audit Title	Provisional timing
Embedded Assurance over post-Ofsted visit Practice Improvement plan	Q1-Q4
Troubled Families - Payment by Results	Rolling submissions
Live Unlimited charity – financial controls (Advisory review)	Q1

EDUCATION AND SKILLS

Provisional Audit Title	Provisional timing
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

STREET SCENE

Provisional Audit Title	Provisional timing
Waste Health & Safety	Q4

RE

Provisional Audit Title	Provisional timing
Follow up of CFO internal controls review	Q1
Re Operational Review follow-up	Q1
Section 106 / Community Infrastructure Levy expenditure follow-up	Q2
Highways Health & Safety	Q2

BARNET GROUP

Provisional Audit Title	Provisional timing
<p data-bbox="239 422 691 451">Barnet Group Assurance Mapping</p> <p data-bbox="239 508 1107 536">Including review of Barnet Group Internal Audit plan and reports</p> <p data-bbox="239 594 1209 622">Plus contingency for 1 review, pending finalisation of Mazars 2018/19 plan</p>	<p data-bbox="1522 422 1630 451">Q1 – Q4</p>

ASSURANCE GROUP

Provisional Audit Title	Provisional timing
Elections Quality Assurance – Advisory	Q1
Conduct Standards – compliance (JOINT IA & CAFT REVIEW)	Q2

COMMISSIONING GROUP - ENVIRONMENT

Provisional Audit Title	Provisional timing
Highways DLO (JOINT IA & CAFT REVIEW – DEFERRED FROM 2017/18)	Q1
Parking – PCN Cancellations	Q2

COMMISSIONING GROUP / CSG – FINANCE / REVS & BENS

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Follow-up of CFO internal controls review	Q1
	Accounts Payable (JOINT IA & CAFT REVIEW)	Q2
	Accounts Receivable	
	General Ledger	
	Budget Setting and Monitoring (including Managed Budgets)	
	Treasury Management	
	Cash Management	
	Non-Schools Payroll	
	Schools Payroll	
	Pensions Administration	
	Teachers Pensions	
CSG - Revenues & Benefits	Housing Benefits	Q3
	Council Tax	
	NNDR	

COMMISSIONING GROUP / CSG – FINANCE

Delivery Unit	Provisional Audit Title / Description	Provisional timing
CSG – Finance	Capital Programme	Q2
CSG - Finance	Pension Fund Finance and Investment	Q2
CSG - Finance	Integra Issue Management	Q3

COMMISSIONING GROUP / CSG - IT

Provisional Audit Title	Provisional timing
Portfolio and Project Management (IT Management)	Q2
Data Management Procedures (IT Governance)	Q4

COMMISSIONING GROUP / CSG - HR

Provisional Audit Title	Provisional timing
Recruitment – ‘Vacancy Filler’ system	Q3

CAFT CONTINUOUS AND REACTIVE 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
Corporate Fraud
<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.</p> <p>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>
Tenancy Fraud
<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 2018/19.</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>

CAFT CROSS-CUTTING PRO-ACTIVE EXERCISES

Description of review
Disabled Blue Badge Misuse and Fraud Concessionary Travel Freedom Passes
<p>To investigate and respond accordingly to all suspected frauds and/or misuse relating to Disabled Blue Badges committed within the Borough.</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> <p>In addition the CAFT will carryout an assessment of the potential for fraud within the councils administration of Freedom passes.</p>
Cabinet Office - National Fraud Initiative (NFI)
<p>The NFI is a national public sector data matching exercise.</p> <p>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.</p> <p>CAFT will co-ordinate this exercise for the Council and investigate related referrals.</p> <p>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>
Direct Payments
<p>This is an area that has been highlighted as having a high risk element for local authorities.</p> <p>CAFT will co-ordinate a data matching exercise to confirm that Direct Payments are being made to the correct recipients.</p>

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.

Performance Indicator	
Corporate Investigation Team	Tenancy Fraud Team
Number of Fraud investigations (opened and closed) including summary breakdown of service area.	Number of Tenancy Fraud investigations (opened and closed) including summary breakdown by fraud type
Number of Financial investigations (under Proceeds of Crime Act) opened and closed including summary breakdown of service area.	Number of Properties recovered including summary detail of how recovered and type of fraud.
Number of Dismissals / staff no longer employed as a result of CAFT intervention.	Number of Right to Buy, Housing Applications and Joint tenancy applications denied as a result of CAFT intervention.
Number of Disabled Blue Badge investigations (opened and closed) including summary breakdown of outcomes.	Number of Successions and Re-assignment applications denied as a result of CAFT intervention
Number of Prosecutions or other Sanction for each category.	
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).