

London Borough of Harrow

Internal Audit and Corporate Anti Fraud Team

Progress Report

as at 29 February 2024

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1. Introduction

This report outlines the work carried out by the Internal Audit Service and Corporate Anti Fraud Team (CAFT) for the period up to 29 February 2024.

The Internal Audit Plan 2023/24 was based on a level of internal audit input of 366 days and was agreed by the Governance, Audit, Risk Management and Standards Committee on 20 September 2023. Internal Audit work has been performed in compliance with the Public Sector Internal Audit Standards.

2. Head of Internal Audit Opinion

The aim of the internal audit annual plan is to ensure that sufficient internal audit work is undertaken throughout the year to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and internal control across the Council.

The level of progress against the plan as at the 29 February 2024 indicates that sufficient work will be undertaken to allow an opinion to be given at year-end.

3. Summary of Internal Audit Progress

The work of the Internal Audit Service was affected by the departure of the Head of Internal Audit and an auditor at the beginning of the financial year, leaving only one auditor in post at that time. Since mid-late summer two agency workers were recruited is helping to ensure adequate coverage of the 2023/24 Annual Audit Plan will be achieved. As a result of the vacancies the number of planned reviews for 2023/24 are less than would be expected were there a full complement of auditors.

As at the 29 February 2024 a total of 27 reviews had been started from the 2023/24 Annual Plan, 21 have been completed and one is currently at draft report stage. Progress with the 2023/24 Annual Plan is summarised in Table 1 below. The table shows 75% have been completed or are in progress.

2023/24 Internal Audit Plan Stage of Audit Activity	Number of Audit Reviews	Percentage of Revised Plan
Scoping/Terms of Reference Agreed		
Fieldwork in Progress	5	14%
Draft Report Issued	1	3%
Completed	21	58%
Total Work Completed/In progress	27	75%
Original Plan	35	
Additional Requests	4	
Postponed/Cancelled	3	
Total Revised Plan	36	

Table 1

Details of changes to the original audit plan are shown in Table 2 below.

Cancelled or Postponed Reviews	Reasons for Deferral
HSDP/Council Owned Companies Governance	Cancelled at request of management, external review commissioned
Safeguarding Team	Deferred at management request
Marlborough Primary School	Deferred due to Ofsted Inspection
Additional Reviews	Reasons for Addition
Fees & Charges	Assurance that charges made are accurate
Employee Expenses	Assurance that these are in accordance with the policy
HBPL	Management assurance
Highways	To assess current assurance

Table 2

3.1 Progress against 2023/24 Annual Plan at 29 February 2024

Review	Assurance Rating	Number of Recommendations			Comment
		H	M	L	
Corporate Risk Based/Governance Reviews					
Annual Corporate Governance Assurance (AGS)	N/A				Completed
Asset Management Assurance					
Financial Management Assurance					
Human Resources					
Information & Data Management					
Performance Management					
Programme & Project Management					
Tell Us Once/Legacy Systems		0	2	2	Completed
Fees & Charges					WiP
Core Financial Systems (2023/24)					
Business Rates		0	4	0	Completed
Capital Expenditure		0	1	0	Completed
Treasury Management		0	0	0	Completed
Housing Rents		0	2	0	Completed
Housing Benefit		0	0	0	Completed
Corporate Accounts Receivable		0	1	1	Completed
Corporate Accounts Payable		0	4	0	Completed
Payroll		0	1	0	Completed
Council Tax		0	4	0	Completed
IT					
Loss of Social Care Data					Q4
Legacy File Storage					Q4
Audit Needs Assessment					Q4
Resources & Assurance					
Financial Resilience					Draft Report
HR Policies (Evaluations & Honorariums)		1	3	4	Completed
Employee Expenses					Q4
HBPL					WiP
Place					
Facilities Management Statutory Compliance		2	3	3	Completed
HSDP/Council Owned Companies Governance					Cancelled
Housing Planned Investment		0	1	2	Completed
Licensing		2	3	2	Completed
Aids & Adaptations		1	4	1	Completed
Highways					WiP
People					
Children's Placements					Q4
Safeguarding Team					Deferred

Occupational Therapy					Q4
Schools					
Glebe Primary					WiP
Marlborough Primary					On hold
Weald Rise Primary					Completed
Shaftesbury High School					Completed
St John's C of E School					WiP
Grant Assurance					
Together with Families Grant	N/A				Completed
SVFS	N/A				Completed
Bus Subsidy Grant	N/A				Completed

Table 3

Final red and red/amber assurance reports are presented to the GARMS Committee individually for review and comment with relevant managers attending the meetings.

3.2 Follow Up Work Conducted/Due

In order for the Council to derive maximum benefit from internal audit, agreed actions should be implemented. Whilst management is responsible for implementing recommendations, in accordance with the internal audit protocol follow-ups of recommendations are undertaken for Red, Red/Amber & Amber assurance reports and report recommendations are followed-up until at least an Amber assurance rating is achieved. Table 4 below summarises the follow up work performed up to 29 February 2024.

Review	Original Assurance Rating		Re-Assessed Assurance Rating		Comments
Capital Expenditure	Amber	Green	Green		Completed
NDR	Amber	Green	Amber	Green	Completed
HMO 2 nd Follow-up	Amber		Amber	Green	Completed
Highways Review 2 nd Follow-up					Replaced by system review of Highways
Leaseholder Service Charges	Amber		Green		Completed
Parking Operations 2 nd Follow-up					WiP
Housing Repairs Compliance					Q4
Woodland Investigation	Amber		Green		Completed
Cedar Manor Investigation					WiP
Cedar Manor Governance & Finance					WiP

Table 4

3.3 Performance of Internal Audit at 29 February 2024

A number of Key Performance Indicators (KPIs) were agreed as part of the 2023/24 Internal Audit Plan, performance against these are set out in Table 5 below.

	Internal Audit Performance Indicator	Target	Actual to date	Comments
1	Recommendations agreed for implementation	95%	100%	Exceeded

2	Follow up undertaken – Red & Red/Amber Assurance Reports	100%		All in progress, online to meet target
3	Follow up undertaken – Amber Assurance Reports	56.25% (70% full year)	83%	Exceeded
4	Plan achieved for key control reviews	100%	100%	Achieved
5	Plan achieved overall (key indicator)	45% (90% full year)	75%	Exceeded
Corporate Performance Indicator				
1	Implementation of recommendations	90%	74%	Online to meet target

Table 5

Of the six internal audit performance indicators three were exceeded and one was met with the final two expected to meet the target by the end of the financial year.

3.4 Summary of the UK Public Sector Internal Audit Standards Self-Assessment Review 2023

The UK Public Sector Internal Audit Standards (PSIAS) requires local authorities to undertake periodic self-assessments and externally validated assessments every five years as part of the Quality Assurance and Improvement Programme of the authority's internal audit service. The last external assessment took place in 2017, a self-assessment was undertaken during 2019.

The Interim Head of Internal Audit & CAFT has recently undertaken a self-assessment. The findings of the assessment are that although Harrow's Internal Audit Service was non-compliant with the standards due to the length of time since an assessment was undertaken. This is similar to most local authorities due to the effect of the Covid 19 pandemic which resulted in the cancellation of all external assessments during 2020. Assessments recommenced in 2021/22. Enquiries are underway to arrange an external assessment during 2024/25.

Despite the lack of assessments the overall result was that Harrow 'generally conforms' with the standards. There are a small number of areas where improvement is necessary, largely around undertaking assessments. This is a similar result across the country as assessments were halted during the Covid pandemic. Areas identified for improvement and actions required are detailed in the Quality Assurance and Improvement Action Plan (QAIP) at Appendix B, a brief summary of areas for improvement are outlined in Table 6 below: -

Summary of PSIAS Self-Assessment Action Plan

PSIAS Core Principles	Findings	Priority	Agreed Actions/ Responsible Officer/Date	Status
Organisational Independence	Partially conforming	High	Restructure of the service is currently being proposed. HIA - 01/04/24	In progress
Quality Assurance and Improvement Programme	Not conforming	Medium	Prepare QAIP HIA - 01/04/24	In progress
Internal Assessments	Not conforming	Low	Summary included in IA Progress for GARMS 31/01/24	Completed
External Assessments	Not conforming	High	HIA to investigate options with London Audit Group – 01/04/24	Ongoing
Reporting on the QAIP	Not conforming	Medium	To be included in annual report to GARMS HIA - 01/06/24	Due 01/06/24

Disclosure of Non-conformance	Not conforming	Medium	HIA - 31/01/24	In progress
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Table 6

4. Summary of Corporate Anti Fraud Team Work

The CAFT received 97 referrals during 2023/24 to date. A breakdown of the outcomes and values of loss/loss avoidance as a result of the work carried out by the team is provided in Table 7 below.

4.1 Fraud Referrals, Outputs and Savings Summary as at 29 February 2024¹

Fraud Risk Area	Referrals (2023/24)	Positive Outcomes (2023/24 to date)	Loss/Loss Avoidance Value (£)	Live cases Under Investigation	Cases Closed
Tenancy	14	8	651,250	45	32
Right to Buy	11	2	244,100	3	13
Housing Application	2	1	6,140	4	4
Internal/Employee	15	5	300,099	21	9
Social Care	21	0	0	17	27
Blue Badge	14	0	0	0	14
Revenue/CT/CTRS/HB/Grants	10	0	0	1	12
Other	0	0	0	0	1
Totals	97	15	£1,201,589	91	112

Table 7

In addition to investigating referrals received CAFT also coordinates the Council's response to the National Fraud Initiative, a biennial data matching exercise conducted by the Cabinet Office involving public sector organisations across the country. Matches are investigated by various teams within Harrow over the two-year cycle, CAFT investigates some matches and coordinates the Council's overall response. It needs to be recognised that matches are flags that further enquiries may be needed, they do not necessarily result in an investigation. The most recent matches were provided to CAFT in January 2023. The total number of matches 6,516 included 366 categorised as high priority. Participants are expected to further risk assess the results to determine those that require further investigation. To date of the 366 high priority matches there have been 63 positive outcomes this year resulting in savings/loss avoidance in excess of £413,000.

Outcomes from National Fraud Initiative (NFI) 2023

Matches Received in January 2023	Positive Outcomes (to date)	Loss/Loss Avoidance Value (£)	Live cases under Investigation
All Matches - 6,516			
High Risk Matches - 366	63	413,912	4

The CAFT undertakes pro-active reviews throughout the year as agreed in its Pro-active Anti-fraud Plan. Details of progress are shown in Table 8 below. With the exception of Cifas employee screening all the work streams in the Pro-Active Anti-Fraud Plan 2023/24 are on target for completion by the end of the financial year.

¹ Statistical data, other than number of referrals, may include cases ongoing from previous periods.

4.2 Progress against the 2023/24 Pro-Active Anti-Fraud Plan as at 29 February 2024

	Fraud Work Stream	Status	Comments
1.	Corporate Fraud Risk Assessment	Completed	
2.	Corporate Anti-Fraud & Corruption Strategy 2022-26	Completed	
3.	Corporate Anti-Fraud & Corruption Strategy 2022-26 Self-assessment	On target	
4.	National Fraud Initiative co-ordination role	On target	
5.	Fraud E-learning	Completed	
6.	Cifas employee screening	In progress	Further consultation required
7.	Corporate Anti-Fraud Awareness	On target	
8.	Fraud Liaison	On target	
9.	Challenging Organised Crime Groups (OCG's)	Completed	
10.	Housing Fraud	In progress	See KPI's below
11.	Social Care Fraud	On target	
12.	Risk assess allegations of internal fraud and corruption	On target	See KPI's below
13.	Risk assess allegations of fraud and corruption	On target	See KPI's below

Table 8

4.3 Performance of CAFT at 31 December 2023

A number of Key Performance Indicators (KPIs) were agreed as part of the 2023/24 Pro-Active Anti-Fraud Plan, performance against these are set out in Table 9 below.

No.	Key Performance Indicators 2023/24	Year-end target	Output at the end Feb 2024	Comments
1.	Seek to recover a combined total of 11 Council social housing units and disrupt/intercept fraudulent Right to Buy applications	11	9	In progress
2.	Fraud validation checks commenced on Right to Buy applications and resources deployed in 10 working days with 100% check before purchase completion	90%	100% (11/11)	Exceeding
3.	Internal fraud and corruption referrals risk assessed and resources deployed in 5 working days	85%	93% (14/15)	Exceeding
4.	Fraud and corruption referrals risk assessed and resources deployed in 10 working days	85%	100% (82/82)	Exceeding
5.	Fraud risk recommendations agreed for implementation	85%	94% (17/8)	Exceeding

Table 9

Of the five key performance indicators, four were exceeding and one is in progress at the time of writing the report.

Appendix A: Audit Report Assurance Levels

Internal audit reports are given Red, Red/Amber, Amber, Amber/Green or Green assurance ratings as follows: -

Assurance Rating	Description
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Red	Red reports indicate systems/functions/establishments with a low overall percentage of controls in place that represent a high risk to the authority needing immediate attention to improve the control environment
Red/Amber	Red/Amber reports indicate systems/functions/establishments that represent a high to medium risk to the authority needing immediate attention to improve the control environment
Amber	Amber reports indicate a fair level of controls operating that represent a medium risk in need of attention to prevent them becoming high risk
Amber/Green	Amber/Green reports indicate medium to low risk in need of attention to prevent them becoming high risk.
Green	Green reports indicate a high level of controls operating effectively, including all critical controls, that represent low risk areas.

A formula for converting audit findings into a Red, Red/Amber, Amber, Amber/Green or Green rating has been developed as follows: -

Assurance Rating	Description
Red	Red reports will be those where there is one or more of the following: <ul style="list-style-type: none"> • A low overall percentage of controls in place (0-50%) • An absence of critical controls, reflected as high risk recommendations • A significant deterioration in control systems • Poor progress with implementation of previous recommendations
Red/Amber	Red/Amber reports will be those that have 51-60% of controls operating and no more than 40% of controls absent are critical (40% of recommendations made).
Amber	Amber reports will be those that have 61-70% of controls operating and no more than 25% of controls absent are critical (25% of recommendations made).
Amber/Green	Amber/Green reports are those that have 71-80% of controls operating and no more than 10% of controls absent are critical (10% of recommendations made).
Green	Green reports are those having 81-100% of controls operating including all critical controls and no absence of critical controls (no high risk recommendations).

Controls operating/substantially operating will be combined to give an overall assurance rating.

Appendix B: PSIAS Quality Assurance and Improvement Plan

PSIAS Core Principles	Findings	Comment of HIA	Priority	Agreed Actions/ Responsible Officer/Date	Status
Organisational Independence	Currently the role has status but seniority of the CAE is not in line with other senior officers in the Council, respect is shown by colleagues and Members.	Resources have been challenging in recent years. The position in the Council is below that expected. This is supported by benchmarking.	High	Restructure of the service is currently being proposed. HIA -01/04/24	In progress
Quality Assurance and Improvement Programme	No QAIP prepared since the last external assessment in 2017.	A QAIP will be prepared following this self-assessment	Medium	Prepare QAIP HIA - 1/04/24	In progress
Internal Assessments	1. The last self-assessment was completed in 2019 but did not get reported anywhere.	Self-assessment completed in December 2023. Findings to be reported to GARMS in Jan 2024.	Low	Summary included in IA Progress for GARMS 31/01/24	Completed
	2. Customer satisfaction surveys are not undertaken at the conclusion of audits.	The response rate has historically been poor to customer satisfaction surveys. Consultation will be undertaken with FDMT with a view to reintroduce for a trial period.	Low	Consult with FDMT to reintroduce for trial period Annually carry out survey with senior managers. HIA- 01/04/2	Ongoing
External Assessments	Last external assessment was in 2017. A review should have taken place by 2022. Due to the Covid pandemic external peer reviews were suspended until 2021/22. These have now resumed but most LAs are non-conforming.	Enquiries to be made with the London Audit Group to organise a peer review in 2024/25.	High	HIA - 01/04/24	Ongoing
Reporting on the QAIP	This has not happened since 2017.	Findings of 2023 will be reported to GARMS, progress on future QAIPs to be included in annual report.	Medium	To be included in annual report to GARMS HIA - 01/06/24	
Disclosure of Non-conformance	No assessment of any kind since 2019 has not been reported to GARMS.	This will be reported to GARMS in January 2024.	Medium	HIA - 31/01/24 January Meeting of GARMS was cancelled, deferred to April 2024	In progress