**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 Table1 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 2nd Follow-up | **Amber** | | **Amber** | **Green** | Completed |
| Highways Review 2nd Follow-up |  | |  | | Replaced by system review of Highways |
| Leaseholder Service Charges | **Amber** | | **Green** | | Completed |
| Parking Operations 2nd 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 |

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 2024[[1]](#footnote-2)** | | | | | |
| **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.

**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** |
| 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:  • 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 |

1. Statistical data, other than number of referrals, may include cases ongoing from previous periods. [↑](#footnote-ref-2)