

Appendix A: Internal Audit and Counter Fraud Progress Report 12th November 2020



1. Summary

1.1 Purpose of this report

We are committed to keeping Corporate Committee up to date with Internal Audit and Counter Fraud progress and activity throughout the year. This summary has been prepared to update you on our activity since the last meeting of Corporate Committee and to bring to your attention any other matters that are relevant to your responsibilities.

1.2 Internal Audit

Delivery

As at 31/10/2020, we have issued draft or final reports for 15/58 audits (26%) and begun fieldwork or are awaiting fieldwork to start for 25/58 audits (43%). The remainder of the audits are either in scoping or are not yet due 18/58 (31%). This is in line with our expected delivery profile which is typically heavier in the second part of the financial year. In line with our reporting protocol with Corporate Committee we present any no assurance or limited assurance reports for discussion at Corporate Committee. We have issued one limited assurance report this period.

Implementation of Actions

There were 17 high or critical risk actions which were due by 31/08/2020:

- 11/17 (64%) actions have been recorded as Implemented.
- 6/17 (36%) actions are recorded as In Progress.

More details are provided in Annex A: Internal Audit Progress.

1.3 Counter Fraud

General Investigations: Between 1 April 2020 and 31 August 2020, 59 investigations had been completed; 13 had resulted in recovery of properties and one in a formal caution being accepted. The Team had 125 live investigations and 129 cases were with Housing and/or Legal Services for further action after concerns were raised during investigations as at 31 August 2020

Internal Investigations: 10 investigation reports had been submitted, and 38 investigations had been closed, of which 24 had resulted in management recommendations being provided, three in pension contributions being recovered and one officer had resigned.

Financial Investigations: 19 financial investigations are being progressed.

More details are provided in Section 4: '*Counter Fraud Progress*'

1.4 Amendments to the Internal Audit Plan

In line with our Internal Audit Charter, our Internal Audit Plan is designed to focus on key risks facing the Council. While we present a forecast Internal Audit Plan to Corporate Committee at the start of each financial year, we flex our Internal Audit Plan throughout the year to ensure that our work is focussed on key risks facing the Council and to provide assurance in the areas where it is most needed. Using this risk-based approach we have made the following amendments to our Internal Audit Plan since the last Corporate Committee.

- **Addition – Corporate Committee Training** – We provided training on the role of the Audit Committee and Internal Audit on 23/09/2020.
- **Cancelled - Management Information and Data Quality** – The scope of this audit is addressed in the scope of the Business Performance Assurance review. Therefore, it has been removed so as to avoid duplication.

2. Internal Audit Reports issued since the previous meeting

2.1 Core Audit Programme: No and Limited Assurance reports

2.1.1 Waltham Estate Resident Management Organisation (WERMO)

Overall rating	Number of findings by risk rating				
No Assurance	Critical	High	Medium	Low	Advisory
	0	5	1	0	0

Summary

The purpose of a Resident Management Organisation (RMO) is to manage properties under a Right to Manage Agreement. RMOs carry out housing management functions in relation to Council property in accordance with their terms of the Modular Management Agreement (MMA). They receive an annual management and maintenance allowance for the delivery of this management function.

Our review of WERMO identified the following *high-risk* findings which will need to be addressed by the RMO:

- **Governance** – Board meeting minutes were not signed, and minutes did not always record agreement of the previous meeting minutes which is in breach of the RMO's Rules. Not all sub-committee meeting minutes were available, not all Board member declarations were available or complete, and two members of the Executive Committee did not declare their family relationship.
- **Human Resources** – Recruitment and personnel records were incomplete, in particular in relation to references and right to work checks for staff.
- **Financial Management** – Update of bank mandates with current authorised signatories were not followed and Board member arrears was not effectively managed.
- **Procurement Management** – Procurement processes and decisions were not always in line with RMO policies and payment card expenditure lacked review and effective oversight.
- **Data Protection** – Whilst Board members as volunteers use unsecured email accounts as standard, at WERMO Board members circulated information and documents outside the normal Board papers normally distributed via these email accounts. There is a significant potential for data breaches.

Our *medium risk* finding was in relation to an outdated repairs policy.

3. Progress against 2020/21 Internal Audit Plan

#	Name of Review	Report Classification / Comments
Reports issued in final: September 2020 – October 2020		
1	Resident Services – Waltham Estate RMO	No Assurance
2	Resident Services – Angell Town RMO	Reasonable
3	Resident Services – Council Tax	Reasonable
4	Resident Services – Cowley RMO	Substantial
5	Resident Services – Roupell Park RMC	Substantial
6	Children’s Services – Iqra Primary	Substantial
7	Cross Cutting - Corporate Committee Training	Advisory
8	Children’s Services – Troubled Families Q2	Advisory
9	Cross Cutting - Oracle	Advisory
10	Covid-19 Response – Remote Working	Advisory
Work in progress (scoping, fieldwork or draft report)		
11	Children’s Services – Christ Church Primary SW9	Draft Report
12	Children’s Services – Granton Primary	Draft Report
13	Covid-19 Response – Vulnerable People’s Hub	Fieldwork
14	Cross Cutting – Subject Access Requests	Fieldwork
15	Covid-19 Response – Decision-Making	Fieldwork
16	Adults and Public Health – Care Homes	Fieldwork
17	Children’s Services – Financial Processes	Fieldwork
18	Children’s Services - Dedicated Schools Grant	Fieldwork
19	Children’s Services – Placements	Fieldwork
20	Cross Cutting – Continuous Auditing and Monitoring P1	Fieldwork
21	Resident’s Services – Homelessness and Temporary Accommodation	Fieldwork
22	Cross-Cutting - Business Performance Assurance	Fieldwork
23	Children’s Services – Allen Edwards Primary	Awaiting Fieldwork Start
24	Children’s Services – Jubilee Primary	Awaiting Fieldwork Start
25	Children’s Services – Loughborough Primary	Awaiting Fieldwork Start
26	Children’s Services – Archbishop Sumner CE Primary	Awaiting Fieldwork Start
27	Children’s Services – Ashmole Primary (Wyvern Fed)	Awaiting Fieldwork Start
28	Children’s Services – Bonneville Primary	Awaiting Fieldwork Start
29	Sustainable Growth – Energy Efficiency and Carbon Reduction	Awaiting Fieldwork Start
30	Children’s Services – Herbert Morrison Primary (Wyvern Fed)	Awaiting Fieldwork Start
31	Children’s Services – Lark Hall Primary	Awaiting Fieldwork Start
32	Children’s Services – Macaulay CE Primary	Awaiting Fieldwork Start

33	Children's Services – Kings Avenue Primary	Awaiting Fieldwork Start
34	Children's Services – Troubled Families Q3	Awaiting Fieldwork Start
35	Children's Services – Troubled Families Q4	Awaiting Fieldwork Start
36	Cross-Cutting – Redress Scheme Assurance P2	Awaiting Fieldwork Start
37	Finance and Investment – Gifts and Hospitality	Scoping
38	Finance and Investment – General Ledger	Scoping
39	Cross-Cutting - Continuous Auditing and Monitoring: P2	Scoping
40	Adults and Public Health – Lambeth Together Strategy	Scoping
41	Resident's Services – Loughborough EMB	Scoping
42	Resident's Services – Direct Labour Organisation	Scoping
43	Resident's Services – Health and Safety Follow Up	Scoping
44	Covid-19 Response – Fixed Assets	Scoping
45	Resident's Services - Contract Management: Housing Repairs	Scoping
46	Children's Services – Transition from Children's to Adult's Social Care	Scoping
47	Covid-19 Response - Information Security	Scoping
48	Resident's Services – Homes for Lambeth	Not yet due
49	Resident's Services - Public Protection: ASB	Not yet due
50	Cross-Cutting - Assurance Mapping	Not yet due
51	Covid-19 Response – Digital and Customer Access	Not yet due
52	Resident's Services – TMO Summary Report	Not yet due
53	Children's Services – Schools Summary Report	Not yet due
54	Covid-19 Response - Lessons Learnt	Not yet due
Ongoing assurance and advisory support, and service management		
55	Implementation Reviews	Ongoing
Completed reports/assignments (April 2020 – August 2020)		
56	Children's Services – Troubled Families Q1	Advisory
57	Cross-Cutting – Redress Scheme Assurance P1	Advisory
58	Children's Services – Le Retraite RC School	Substantial
Cancelled / Deferred		
-	Management Information and Data Quality	Please see Section 1
-	Liberty Safeguards	Reported to Corporate Committee previously
-	Disciplinary Processes	
-	SFVS	

4. Counter Fraud

4.1 Completed Investigations

The table below contains details of outcomes for the period 01/04/2020 to 31/08/2020:

General Investigations	Annual Target	Results to 31/08/2020	Previous Year Results (Same Period)
Properties recommended for recovery	N/A	45	26
Properties recovered	80	13	28
Prosecutions	6	0	0
Financial Awards/Overpayments/Savings			
Property recovery savings (note 1)	£2.544m	351,000	£756,000
Court costs awarded	N/A (note 2)	£0	£48,551
Council Tax overpayments	£18,000	£0	£3,107
Direct Payment overpayments	N/A	£53,429	£0
Unlawful profit orders awarded	N/A (note 2)	£0	£0
Right to Buy discounts prevented	N/A	£97,500	£0
Compensation/repayment	N/A	£206,678	£0
Proceeds of crime awards/costs received	N/A (note 2)	£0	£0
Total Awards/Overpayments/Savings	N/A	£708,607	£807,658

Notes

- (1) Each property recovered is now valued at £27,000. For the purpose of comparison, the same figure will be used for properties recovered during the previous year
- (2) Please note, court costs, unlawful profit orders, compensation payments and proceeds of crime awards don't have individual targets but have a cumulative target of £150k.

Analysis of internal investigation cases across directorates is provided in the following table:

Internal, Financial and Whistleblowing Investigations	Resident Services	Finance and Investment	Adults and Health	Children's Services	Sustainable Growth	Schools	Other	Total
Reports Issued								
Internal	6			1		1	6	9
Whistleblowing							1	1
Sanctions/Warnings								
Sanctions/warnings								0
Dismissals/resignations	1							1
Management Advice	23					1		24
Prosecutions								
Prosecutions								0
No further action	1					1	2	4
Recovery (financial)								
Recovery (financial)							6	6
Financial Investigations								
Financial Investigations								0

4.2 Results to Date

The pandemic and associated measures have resulted in issues meeting Counter Fraud targets to recover properties and secure prosecutions. Our work has been hampered by our inability to perform the following activities due to Covid-19 restrictions:

- Visit properties or conduct interviews during the first two quarters of 2020-21; both functions have recently resumed in a limited capacity.
- Secure outcomes on cases currently with Housing/Legal for recovery as courts have been closed for several months, and have recently been working at a reduced capacity. Evictions have been suspended by the Government.
- Progress criminal and civil cases currently with Legal Services due to the closure of courts during the pandemic.

Although we are recommencing all customer facing functions in a measured way, our plans for recovery may be hindered by future restrictions.

4.3 Cifas Membership

Counter Fraud has been working with Cifas, the fraud prevention agency, on a pilot exercise with fifteen other local authorities. Cifas has been operating since the 1980's and provides a fraud prevention service to many large organisations, including almost all financial institutions. The service allows members to share data detailing attempted or actual fraud carried out by both customers and employees. This allows members to prevent those with a history of fraud accessing their services or gaining employment within their organisations. The system is based on reciprocity, where members who identify fraud or attempted fraud upload details which are available to all other members.

Since April 2019 Counter Fraud has had access to the customer database; information obtained from this has assisted the service in recovering or making recommendations to recover 6 tenancies from fraudsters. The pilot has proved successful and Cifas has now agreed to offer membership to all local authorities to both the customer and employee/recruitment database.

Counter Fraud, working with HR, will now ensure that all potential employees are checked against the Cifas database as part of the vetting process. In addition, all employees who are subject to investigation and/or disciplinary proceedings will be checked against Cifas records to ascertain if they have any history of fraudulent activity which may impact on their employment with Lambeth. We will also utilise the service to identify issues with service users and residents who are suspected of fraud.

Annex A Follow Up: Status of outstanding management actions

The table below outlines the status of management actions due by 31/08/20 which are recorded as 'in progress' at the time of writing this report:

Directorate	Audit	Owner	Original target dates	Recommendation	Management Update
Resident Services	Disaster Recovery	Head of Service (ICT)	Original: 31/03/19 Revised: 30/08/20	<p>Scope - Programme Scope</p> <ul style="list-style-type: none"> a) The Council needs to review the status of its current BCM review and ensure this captures how BCM processes will shape the ITDR programme. b) As part of this, the IT function should agree the recovery requirements for IT services with the wider Council via the BCM programmer. c) During this process, the Council should consider and agree what types of IT disaster are in scope of the programme and where specific types of IT disaster are out-of-scope, senior management should risk assess them and formally accept the risk. d) The scope of the ITDR programme should be revisited on at least an annual basis. 	<p>ICT engaged with PWC in February 2019 for assistance in implementing the ITDR audit recommendations. Due to ICT resource availability, this engagement concluded in December 2019 with the completion of an improved ITDR plan and an ITDR policy recommendation outstanding related to the Corporate Business Continuity (BC) Plan.</p> <p>It has not been possible to align the ITDR plan to the Council's overarching BC Plan due to the prioritisation of the Council's pandemic response by the Corporate Business Continuity Team. It has recently been agreed that a small senior management working group will meet to decide on (1) the ITDR initiation scope and (2) service prioritisation for approval by the Corporate Management Board.</p> <p>As part of continued annual reviews of the ITDR Plan, we will continue to ensure that it is driven by the the most recent version BCM Plan.</p> <p>Revised target implementation date: 31/12/2020</p>

Resident Services	IT Performance Management	Head of Service (ICT)	Original: 31/03/19 Revised: 30/08/20	<p>Operating targets may not be fit for purpose</p> <p>a) ICT should ensure that a set of KPIs are designed, which underpin Critical Success Factors that support the strategic intent. This should include a review of the current operational metrics to ensure they are fit for purpose and do not conflict across differing documents and reporting sources.</p> <p>b) The Council and ICT should agree on the critical systems and services supported by ICT.</p> <p>c) An agreed Service Level Agreement between ICT and the Council should be put in place and supported by appropriate Operating Level Agreements within ICT. When formulating the SLAs, consider qualitative indicators to ensure that the focus remains on service quality and impact to business services.</p>	<p>A statement of works (SoW) was provided by PWC in February 2019 for assisting ICT in implementing the audit recommendations.</p> <p>The SoW was not progressed as the recommendations are dependent on the completion of a new ICT Strategy and associated ICT reorganisation. Both of which have been delayed due to changes in the strategic direction of the directorate.</p> <p>With assistance from a separate external strategic partner, the completion of a new ICT Strategy is now in progress, with the ICT reorganisation commencing shortly.</p> <p>The audit recommendations have been shared with our strategic partner and will be addressed in the new ICT Strategy and Service Delivery Governance. These are due for completion by the end of the year.</p>
Resident Services	IT Performance Management	Head of Service (ICT)	Original: 31/03/19 Revised: 30/08/20	<p>Lack of formalised process-level reporting</p> <p>a) Review the services provided by ICT and ensure that process-level reporting is in place for at least the key processes and high-risk services, such as:</p> <ul style="list-style-type: none"> • Evaluation of change management; • Evaluation of incident management through the service desk function (e.g. agent-level qualitative and quantitative metrics); and • Processes supporting key business services such as new joiners, movers and leavers; • Processes supporting software and hardware asset management; • Evaluation of key cybersecurity processes, such as patch policy 	<p>The audit recommendations have been shared with our strategic partner and will be addressed in the new ICT Strategy and Service Delivery Governance. These are due for completion by the end of the year.</p>
Resident Services	IT Performance Management	Head of Service (ICT)	Original: 31/03/19 Revised: 30/08/20	<p>Monthly performance reports</p> <p>a) When refining the CSFs and KPIs for ICT, determine a reporting format that provides the audience with the required context and analysis to evaluate the information, such as:</p> <ul style="list-style-type: none"> • An overarching executive summary, explaining the current performance of IT services and what action will be taken to improve; • Indication of the goal/ target sought; 	<p>Revised target implementation date: 31/12/2020</p>

				<ul style="list-style-type: none"> • What critical success factor or strategic initiative this is linked to; • High-level commentary to explain what the data is showing (with specific callouts to any peaks and troughs); and • What next steps are being taken to improve/ address the position. 	
Resident Services	Digimail	Programme Manager, Business Transformation	Original: 30/06/2019 Revised: 30/08/20	<p>Council leavers, starters and movers</p> <p>The Council agreed to the following agreed actions:</p> <ol style="list-style-type: none"> Carry out a monthly comparison of the establishment report (listing all active employees) and the active Omnidox account report. Engage with the Oracle report administrators to ensure weekly leavers reports are received. Explore the possibility of integrating Omnidox with Oracle. Implement the use Microsoft Forms for requesting access to Omnidox, including authorisation from a more senior individual. Consult with Oracle report administrators to discover whether there is a report that can be used to capture internal movements. 	<p>Our supplier has developed an Improvement Plan which will address the recommendations and ensure system access is appropriate.</p> <p>Revised target implementation date: 31/11/2020</p>
Finance and Investment	Financial Assessments	Financial Assessments Manager and Lead Commissioner Older Adults Integrated Commissioning	Original: 01/04/20 Revised: 31/07/20	<p>Financial Assessments</p> <p>The Council agreed to the following agreed actions:</p> <ol style="list-style-type: none"> Include the 5-day target processing time into the financial assessments policies and procedures. Provide officers with annual refresher training to identify clients from whom further information should be requested. Introduce regular monthly accuracy checks, replacing the current ad hoc checks, to confirm compliance with policies and procedures, covering areas identified as best practice such as attaching copies of any further evidence received and ensuring the financial assessment form reflects the work performed by Officers (selecting 'Confirmed by DWP' on the financial assessment on Mosaic where applicable). Monitor and report adherence to policies and procedures by performing senior management reviews of 5% of financial assessments across all team members, 	<p>There has been a lack of progress due to COVID-19, implementation of New Charges & Fees Policy continued staff shortages:</p> <ol style="list-style-type: none"> The 5-day target processing time is already being adhered to and will be added into the Financial Assessment procedure notes. Officers have received process notes, reminders and advice on financial assessments re New Charges & Fees implementation. A recruitment process is in place and new staff are expected in November.

				<p>aiming for a target of 90-95% accuracy. Secondary reviewers will evidence the review on Mosaic.</p> <p>d) Encourage more care providers to switch onto the call monitor electronic interface, which automatically interfaces with Oracle meaning clients can be billed promptly for services received.</p>	<p>Refresher training has been planned and will be rolled out to all officers when appointed.</p> <p>c) We have started to use an excel spreadsheet for April 20 onwards. There are some outstanding actions with Severlec/ICT to be processed.</p> <p>d) Four additional providers are being onboarded. These projects should be completed by end of 2020. The total number of providers as at October 2020 is 23.</p> <p>Revised target implementation date: 31/12/2020</p>
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