

Appendix A: Internal Audit and Counter Fraud Progress Report

31st March 2022



- **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.

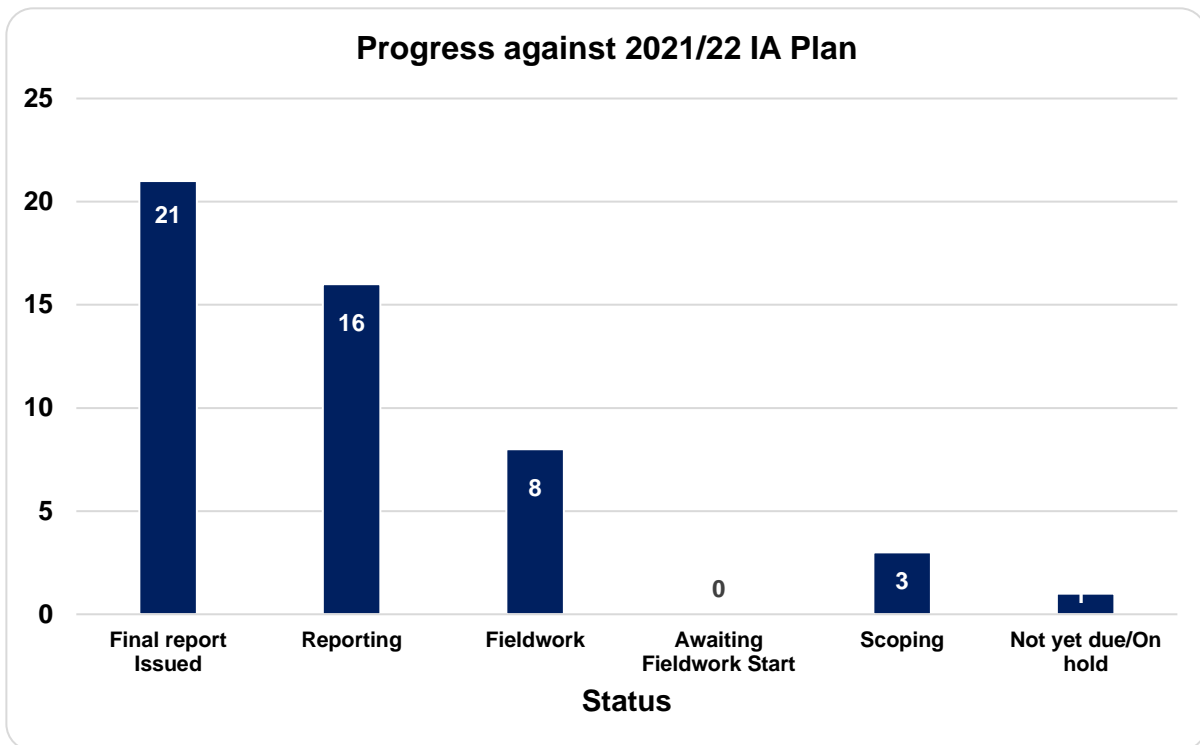
1.2 Internal Audit

Delivery

The progress against the 2021/22 Internal Audit Plan as at 28/02/2022 is outlined in Chart 1 below. Good progress has been made against delivery of the internal audit plan across the year to date. As at the end of February 2022, we have delivered around 76% of the annual programme of audit work including 33% currently at the reporting stage. The cooperation of management in gaining access to systems and process remains good. Implementation rates remain over 90%, which is best in class for the sector.

More details are provided in Section 3: '*Internal Audit Progress*'.

Chart 1. Progress against 2021/22 IA Plan



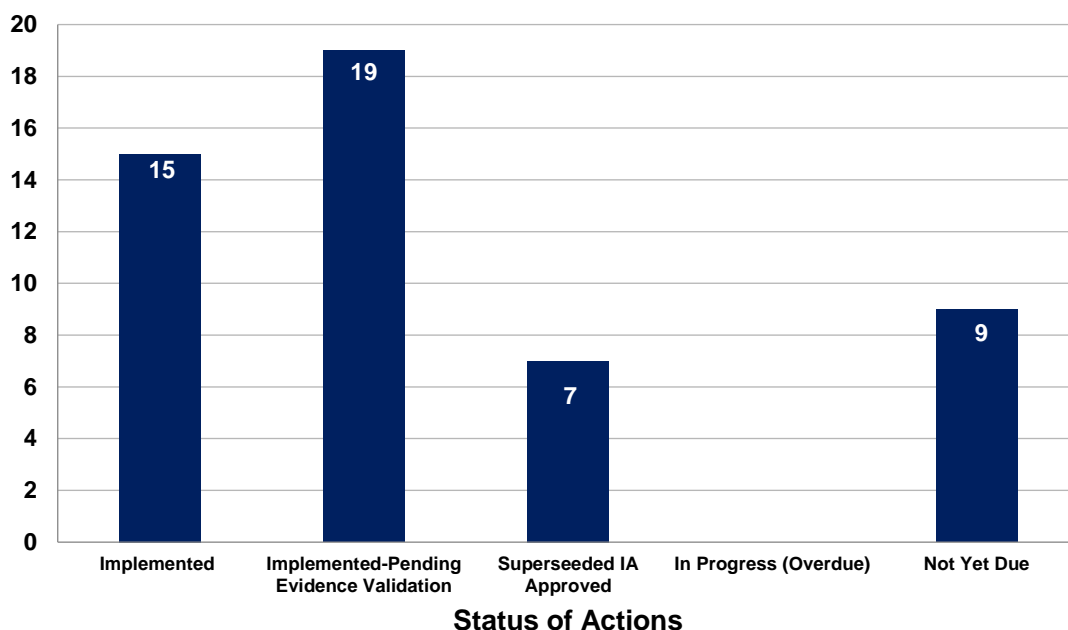
Implementation of Actions

There were 50 high risk actions as at 28 February 2022. The status of implementation of these actions is outlined in Chart 2. below:

Further detail in Annex A: Follow Up: Status of outstanding management actions.

Chart 2. Implementation of Actions

Implementation of Actions



1.3 Counter Fraud

General Investigations: Between 1 April 2021 and 28 February 2022, 226 investigations have been completed of which 87 have resulted in the recovery of properties. The Team has 123 live investigations, and 139 cases are with Housing and/or Legal Services for further action after recommendations were made by Counter Fraud to serve notices.

Internal Investigations: 49 investigation reports have been submitted, and 54 investigations have been closed, of which 9 have resulted in management recommendations being provided, 2 officers have been dismissed, 5 officers have resigned, 7 have received warnings and 16 candidates have had offers of employment rejected due to information obtained from Cifas.

Financial Investigations: 11 financial investigations are being advanced; progress has been hindered by the pandemic and the resulting court delays. There are several crown court trials set for 2022 where financial investigations are ongoing.

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, we present a proposed Internal Audit Plan to Corporate Committee at the start of each financial year which is flexed throughout the year to ensure that our work is focussed on the Council's key risks and provides assurance in the areas where it is most needed. Using this risk-based approach we have made the following amendments since the last Corporate Committee.

- **Deferred – Capital Projects Use of Funding** – Due to the key audit sponsor currently on secondment, following the finalisation of the terms of reference it was agreed that this will be audited as part of next years' internal audit plan.

2. Internal Audit Reports issued since the previous meeting

2.1.Core Audit Programme: No and Limited Assurance report

We have one Limited report in this period.

2.1.1 St Andrew's CE Primary School

Overall rating	Number of findings by risk rating				
	Critical	High	Medium	Low	Advisory
	0	3	1	0	0

This report is based on findings from the Internal Audit testing conducted at the School in October 2021. Our review identified the following *high-risk* findings which are currently being addressed by the School:

- **Pay and Personnel Records** – Employment contracts were missing from personnel files in 2/4 (50%) instances and the same finding was made in the 2017/18 audit where 8/11 files (73%) did not contain a contract of current contract of employment.

Status (February 2022): The School has provided an update that all contracts have now been reviewed.

- **Budgetary Control** - The School has received licensed deficit approval for 2020/21 and 2021/22. Whilst the financial health of the School is subject to regular monitoring by the Council, there has been a declining trend in deficit Schools and the overall impact for the local authority. Within this context, findings from our audit and feedback from the Schools Finance Team have been taken into consideration where higher risk ratings have been assigned to Schools where the reduction plan does not recover the deficit and ongoing cash flow concerns have been identified.

Status (February 2022): The School has provided an update, that two meetings have taken place with the Council with regard to deficit reduction planning. These meetings took place on 11th January 2022 and 21st January 2022. These meetings will be ongoing.

- **Bank Accounts** – The School’s bank mandate contained a former member of staff and was therefore not up to date; the same finding was made in both the School’s previous audits. The School’s bank account had been overdrawn for a period of two weeks where the School had not informed the Council’s Schools Finance Team. Schools Finance feedback also indicates ongoing cash flow concerns.

Status (February 2022): The School has provided an update stating progress on the bank mandate update is currently with the Council’s Financial Transactions Services Team.

3. Internal Audit Progress

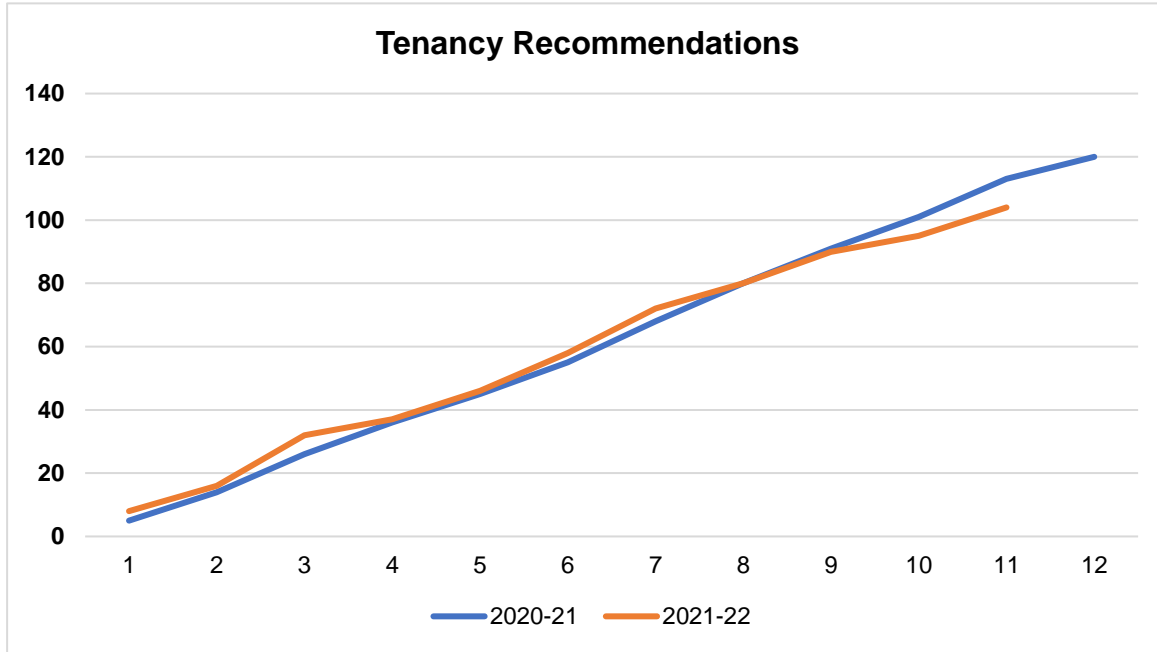
Progress against 2021/22 Internal Audit Plan

#	Name of Review	Report Classification/ Review Status and comments
Reports issued in final: January – February 2022		
1	Children’s Services – St. Andrew’s	Limited Assurance
2	CE Primary Children’s Services – St. Helen’s RC Primary	Reasonable Assurance
3	Finance & Investment – Matrix	Reasonable Assurance
4	Children’s Services – Streatham Wells Primary	Substantial Assurance
5	Resident Services – Cyber Security in Schools	Advisory
Work in progress (scoping, fieldwork, or draft report)		
6	Council wide - Inclusion and Diversity	Reporting
7	Council wide - Business Continuity	Reporting
8	Sustainable Growth – Planning Applications	Reporting
9	Finance & Investment - Procurement	Reporting
10	Cross-Cutting - Modern Slavery	Reporting
11	Council wide - Business Process Assurance	Reporting

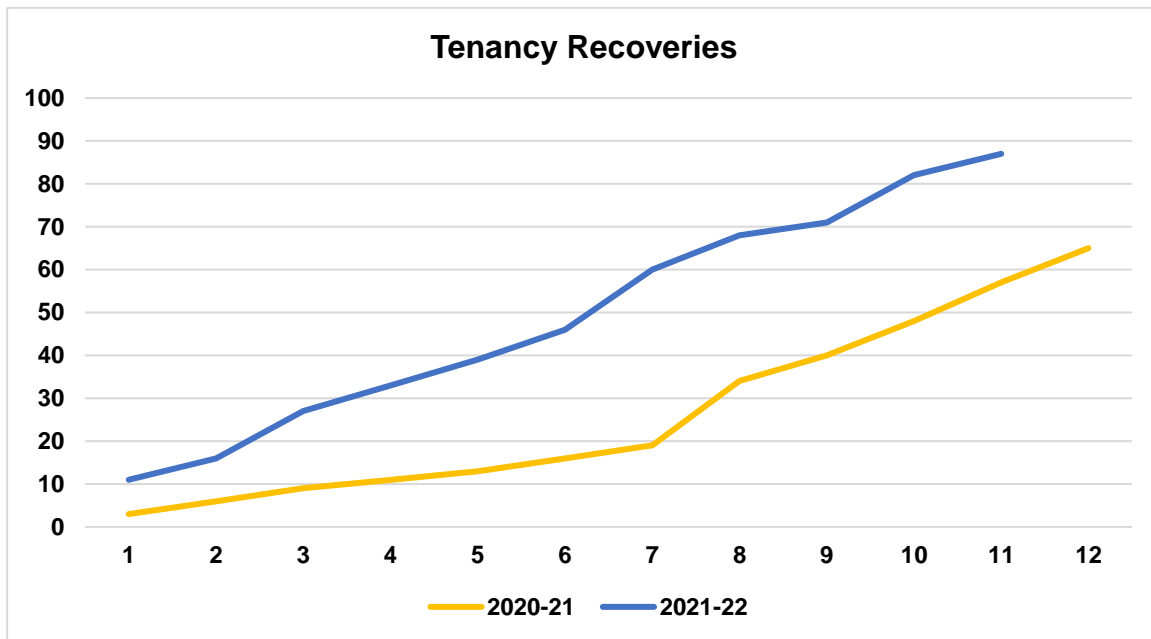
12	Finance & Investment - Continuous Auditing and Monitoring P1	Reporting
13	Public Health - Lambeth Together	Reporting
14	Council wide - Transition from Children to Adults – Tripartite Panel	Reporting
15	Children's Services - Emergency Duty Team	Reporting
16	Resident Services - Tech Risk Assessment	Reporting
17	Resident Services - Application System Governance	Reporting
18	Resident Services - Housing Repairs	Reporting
19	Resident Services - Direct Labour Organisation	Reporting
20	Council wide - Data Protection and Information Governance	Reporting
21	Finance & Investment - Redress Assurance Scheme P2	Reporting
22	Finance & Investment - Home Working Health and Safety	Fieldwork
23	Finance & Investment - Continuous Auditing and Monitoring P2	Fieldwork
24	Resident Services - Voids	Fieldwork
25	Children's Services - St. Bede's Catholic Infant and Nursery	Fieldwork
26	Children's Services - St. Bernadette Catholic Junior	Fieldwork
27	Children's Services – Supporting Families Grant Claim Validation Q4	Fieldwork
28	Children's Services - Archbishop Sumner CE Primary	Fieldwork
29	Children's Services - Henry Cavendish Primary	Fieldwork
30	Children's Services - Youth Offending Service	Scoping
31	Children's Services – School Meal Vouchers and Schools Banking Mandates	Scoping
32	Finance & Investment - Disciplinary Processes	Scoping
Scheduled/ Not yet due		
33	Children's Services - Schools Summary Report	Not yet due
Ongoing assurance and advisory support, and service management		
34	Implementation Reviews	Ongoing
Completed reports/assignments (April 2021 – December 2021)		
35	Resident Services - Blenheim Gardens RMO	Substantial Assurance
36	Children's Services - Reay Primary	Substantial Assurance
37	Adults Social Care -Budgetary Control	Substantial Assurance
38	Children's Services - Hitherfield Primary	Substantial Assurance
39	Children's Services - Woodmansterne (all through) School	Substantial Assurance
40	Resident Services - CETRA Housing Co-operative	Substantial Assurance
41	Resident Services - Holland Rise TMO	Substantial Assurance
42	Resident Services - CETRA Housing Co-operative	Substantial Assurance
43	Resident Services - Holland Rise TMO	Substantial Assurance
44	Children's Services - St. Andrew's Catholic Primary	Reasonable Assurance
45	Children's Services - Telferscot Primary	Reasonable Assurance
46	Children's Services – Supporting Families Grant Claim Validation Q2	Advisory
47	Finance & Investment - Redress Assurance Scheme P1	Advisory
48	Children's Services -Troubled Families Grant Claim Validation Q1	Advisory
49	Children's Services – Supporting Families Grant Claim Validation Q3	Advisory
50	Adults Social Care - Deprivation of Liberty Safeguards	Advisory
51	Children's Services - SFVS	N/A
Cancelled / Deferred / Substituted (April 2021- February 2022)		
-	Resident Services - Capital Projects	See section 1.4
-	Resident Services - Public Protection: ASB	
-	Council wide – Use of funding	
-	Children's Services - School Contingency (additional school audit)	N/A
-	Council wide - Brexit	
-	Children's Services - SEND (Special Educational Needs and Disabilities)	
-	Sustainable Growth - Commercial entities	
-	Children's Services - Pupil Place Planning	
-	Resident Services - Recycling and Waste contract	

4.1 Counter Fraud

The following table contains details of tenancy recommendations submitted to Housing/Legal for recovery of the tenancy where fraud or other related concerns have been identified, which is currently ahead of target and at a similar level to the previous year.

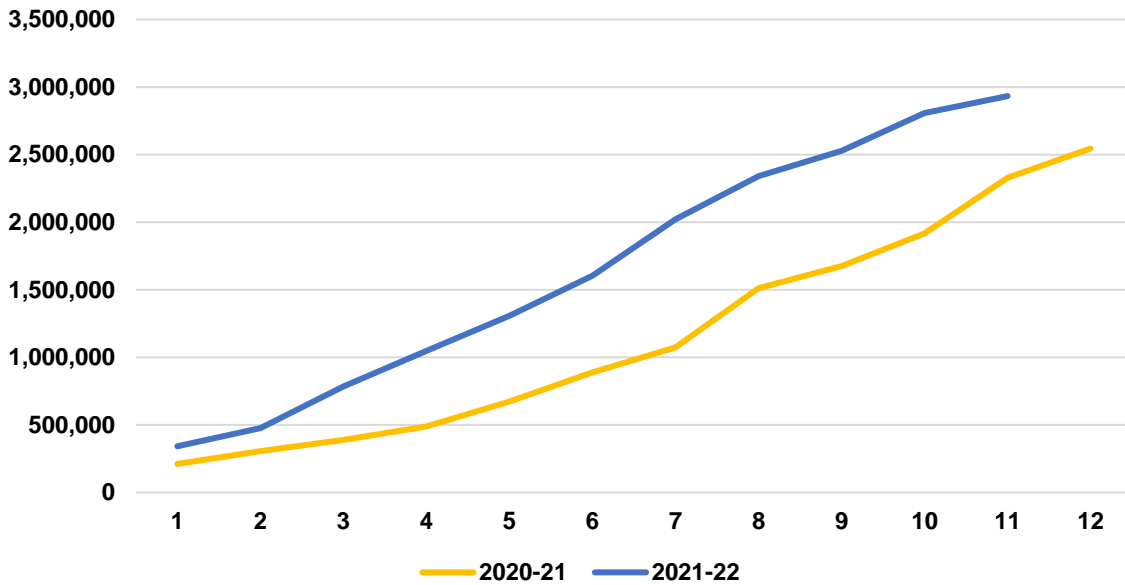


The following table demonstrates tenancy recoveries, which are significantly higher than at this stage during the previous year. This is due to pandemic restrictions being lifted which has resulted in the reintroduction of visits, interviews, and court hearings.



The following table shows financial outcomes to date, compared to the previous year. We are significantly ahead of where we were at this point last year, primarily due to securing significantly more tenancy recoveries.

Counter Fraud Financial Outcomes

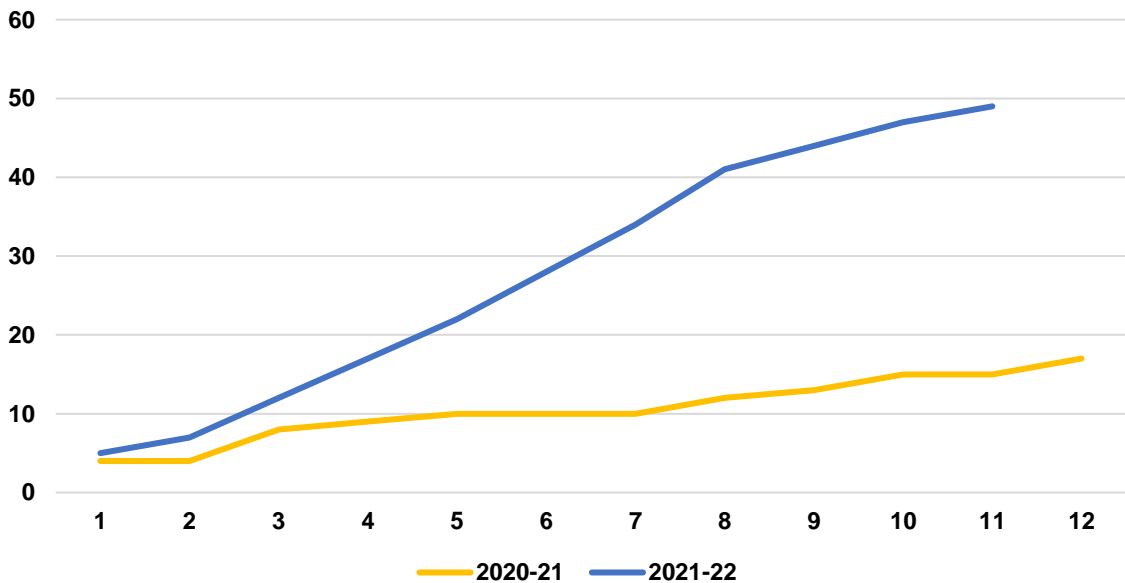


Notes

- (1) The value of tenancy recoveries is calculated annually, based on the duration of fraud in preceding years and the net average cost of placing a household in temporary accommodation. The valuation for the current year is £25,200
- (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.

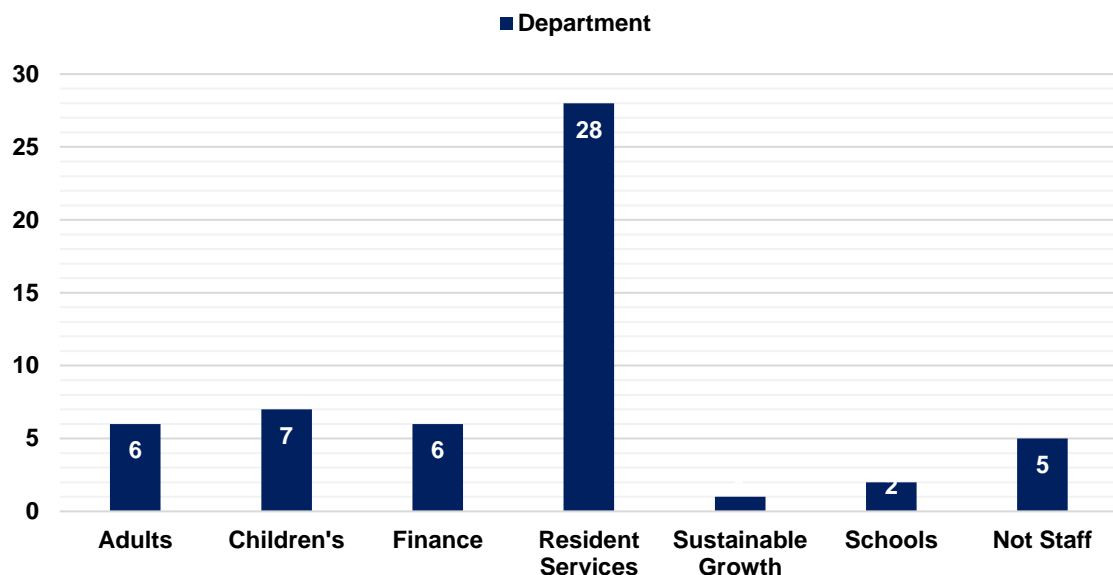
The tables below demonstrate progress with internal fraud investigations. The first shows internal fraud reports issued in the current year compared to the previous year. The number of reports submitted is higher in the current year than were submitted for the same period in the previous year, of which some of the increase is due to the investigations conducted of candidates who are offered roles and are found to have records on Cifas, in addition to pandemic restrictions being lifted.

Internal Fraud Reports

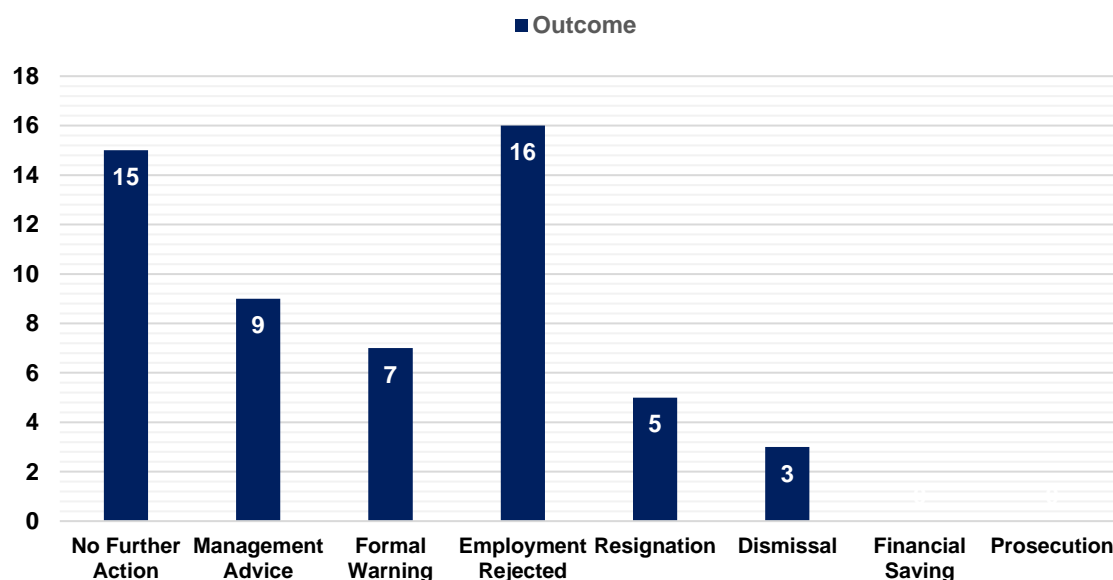


The following tables show internal fraud closures for the current year by department and by outcome. We would expect more outcomes for Resident Services as it by far the largest service.

Internal Fraud Closures by Department 2021-22



Internal Fraud Closures by Outcome 2021-22



4.2 National Fraud Initiative (NFI)

Counter Fraud have overseen the 2021 National Fraud Initiative (NFI) data-matching process; Lambeth received the data at the end of January 2021, and to date officers have carried out the checks detailed below. Although Counter Fraud oversee NFI, a vast majority of work to review data matches identified is carried out by officers from across the council. Counter Fraud has limited involvement in reviewing most matches unless fraud is identified or suspected.

Total Matches	12,970	Processed	4,063	High Risk	4,379
Investigating	81	Recovering	£280,132	Overall Savings	£683,562

The savings detailed above come from 47 matches, all of which have been identified as errors. These are primarily from student grant matches where correct details were not recorded on Housing Benefit claims, with others from Council Tax matches.

4.3 NFI Fraud Hub

Lambeth have recently joined the NFI Fraud Hub. This is seen primarily as a preventative measure with regular data uploads for high-risk areas such as tenancy, Payroll and Pensions. Most London boroughs have committed to join the Hub in the coming months with agreed data uploads to identify fraud or undeclared changes in circumstances. Early identification of concerns will prevent losses to the Council which, without Hub access, may not be identified until the next scheduled NFI two-yearly exercise.

There will also be fraud identified as part of the exercise, but this is likely to be secondary to the prevention of losses. Once we are familiar with the Hub, and have other boroughs data uploaded, there will be the opportunity to extend the scope to other data that are included in NFI.

Another benefit of membership is that the two-yearly exercise will see fewer matches as these will have been dealt with as part of the Hub.

4.4 Recent Prosecution

MY, 57, formerly of Clive House, Union Grove, SW8, has been convicted of three offences in relation to subletting a Lambeth tenancy.

Counter Fraud received anonymous information in June 2017 that MY's former partner, who was the tenant of the property, had returned to Chile and that MY had taken control of and made profits from subletting the property.

Investigators discovered that the property had been sublet from 2014, with rooms being rented out separately. MY was not resident in the property throughout the period the tenancy was sublet. Furthermore, MY submitted an application to purchase the property under the Right to Buy scheme, which is not permitted unless the applicant is resident at the property. The property was recovered on 4th September 2019 at Wandsworth County Court.

After a trial at Inner London Crown Court, which had been delayed due to the pandemic, the jury found MY guilty on 10 January 2022 of three offences under the Fraud Act. On 23 February 2022, MY was sentenced to 18 months in custody, suspended for 18 months, with an additional requirement to carry out 40 hours of rehabilitation activity. Proceeds of Crime Act proceedings are now in place to recover the unlawful profits that MY obtained from subletting.

4.5 Croydon Council Anti-Fraud Team

The Counter Fraud Manager was approached by colleagues from Croydon in early January 2022 requesting support managing their Anti-Fraud team. The Croydon team had lost their Head of Anti-Fraud and team leader in recent months, leaving six investigators and one intelligence officer without experienced or qualified management cover.

Lambeth reached agreement with Croydon to provide four days management cover per week (0.8 FTE), which will be provided by the Counter Fraud Manager and two senior investigators from the Lambeth team on a rota basis. This arrangement commenced on 24 January and will continue until the end of June 2022 in the first instance. The agreement will allow time for Croydon to put in place new management arrangements for their team and can be facilitated without detriment to the work programme of Counter Fraud.

Croydon will cover all relevant staffing costs as part of this arrangement for the days that management cover is provided.

This will provide a good opportunity to ensure that colleagues in Croydon have adequate support and may identify better ways of working for both teams, which may enhance performance and outputs across each service.

Annex A Follow Up: Status of outstanding management actions

Table 1 below outlines actions closed since our last report, across 6 internal audit reports and some actions with revised action dates that are 'Not yet Due'

See Note 1 for further commentary on some actions with multiple revision dates.

#	FY	Review Title	Assurance Rating	Number of agreed high risk actions	Status of Implementation			
					Closed in prior periods	Closed in this period	In Progress (Overdue)	In Progress (Not yet Due)
1	19/20	Young Carers	Limited Assurance	3	2	1	-	-
2	19/20	IT Applications Review - Northgate Application Review	Limited Assurance	3	-	-	-	3 (31/03/22)
3	19/20	Traded Services for Schools	Reasonable Assurance	1			-	1 (31/03/22)
4	20/21	Key Financial Processes	Limited	2	1	-	-	1 (31/03/22)
5	20/21	Disrepairs	Limited	2	-	-	-	2 (30/04/22)
6	21/22	St Andrews CE Primary	Limited Assurance	2				2 30/11/2021
Total				13	3	1	-	9

Note 1.

5. 2021 : Disrepairs (Limited Assurance) – 2/2 high risk actions are still open listed below:

- Improvements to existing policies and procedures
- Non-compliance with process

There has been operational challenges with key staff being off work which has impacted on the implementation of the actions. The Housing Disrepair Project Report was taken to Housing Scrutiny Sub-Committee in November 2021 outlining the project plan and 16 identified actions for the improvement of the disrepair process and in particular focussed on prevention of disrepair claims. Internal audit are in the process of obtaining evidence to validate progress against the actions and will report the updated status at the next Corporate committee.

Original action date: 30 August 2021. **Revised action date:** 30th April 2022. These action dates have been revised three times since they fell due and management progress reported in previous Corporate committee papers.