

AUDIT AND RISK MANAGEMENT PANEL	DATE: 14 December 2021	ITEM NO. 5
REPORT TITLE: Internal Audit and Anti-Fraud – Performance Report April 2021 to September 2021	WARDS All	
CHIEF OFFICER Director of Finance	CABINET MEMBER Finance & Resources	
DECISION AND CLASSIFICATION Non-Key - information item	IS THIS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING Yes	

I. Decision Required

This report makes the following recommendations to the decision-maker:

- 1.1 Note Internal Audit and Anti-Fraud performance in relation to the delivery of the Royal Borough’s Internal Audit Plan and the prevention, detection and investigation of fraud, for the period April 2021 to September 2021.

2. Links to the Royal Greenwich High Level Objectives

- 2.1 This report relates to the Council’s agreed high-level objectives as follows:

- A Strong Vibrant and Well-run Borough because it demonstrates the action being taken by the council to investigate fraud and prevent and detect crime thereby ensuring that the Councils resources are protected

3 Purpose of Report and Executive Summary

- 3.1 Section 3 of the Accounts and Audit Regulations 2015 state that the “...*authority must ensure that it has a sound system of internal control.*” and Section 4 (4) (a) (ii) goes on to say that “*the financial control systems....must include measures to enable the prevention and detection of inaccuracies and fraud*”.

- 3.2 This report details the work undertaken by Internal Audit & Anti-Fraud as part of these statutory requirements, which facilitates the effective exercise of the Royal Borough's functions and the achievement of its aims and objectives.
- 3.3 The Royal Borough's Financial Procedures, "Financial Procedure I – Internal Audit, Fraud and Irregularity" sets out the role and responsibilities of Internal Audit & Anti-Fraud with regard to the provision of an internal audit service and the prevention, detection and investigation of fraud and corruption perpetrated against the Royal Borough both internally and externally. This report provides the Panel with details of the progress in respect of the 2021/22 Internal Audit Plan and the main achievements to date with regard to Fraud Investigations.

4 Introduction and Background

- 4.1 At the 29th June 2021 meeting, the Panel was presented with the detailed 2021/22 Internal Audit Plan. The covering report provided the methodology for determining the audit plan, an outline of resources and the scope of proposed audit coverage.
- 4.2 This report provides the Panel with details of the progress made against the Internal Audit Plan for the six month period to the end of September 2021.
- 4.3 In addition this report also provides the Panel with information regarding anti-fraud activity undertaken by Internal Audit & Anti-Fraud during the same period.

5 Internal Audit Plan 2021/22

- 5.1 A detailed analysis of the 2021/22 Internal Audit plan, showing individual auditable areas and resource apportionment and the progress achieved as at the end of September 2021 is shown at **Appendix A**. In summary:
- The 2021/22 Internal Audit plan included a total of 108 planned audit reviews for the Royal Borough of Greenwich. After six months, work had been completed or had commenced on 36 planned reviews (representing 33% of the original plan). Of this number, a total of 17 audit reviews had been finalised or reached a position where a draft audit report has been issued to the client (and a response is awaited);

- Included in the 2021/22 Audit Plan were 14 audit reviews carried over from the previous year (work in progress). At the end of September 2021, 8 of these reviews had been finalised or reached a position where a draft audit report had been issued to the client awaiting a response.
- In addition, 6 reviews from the 2020/21 plan were not fully completed by the end of March 2021. At the beginning of 2021/22 it was deemed that no time was required from the 2021/22 plan to complete the reviews because most were only awaiting management response;
- By the end of September 5 of the 6 reviews had been fully completed. The incomplete review related to Purchase of Property using Right to Buy income which had not been progressed because the auditor had been redeployed to assist in other key service areas.
- Following detailed inquiries by Internal Audit, one audit (GLL Contract) had been cancelled because the risks initially perceived by management no longer existed.
- Included in the 2021/22 Audit Plan were 16 separate reviews in respect of the Royal Borough's Material Systems (175 days in total). Several of these reviews will include the bi-annual testing of key controls to provide continuous assurance throughout the year;
- For those areas which are not subject to this approach, reviews will be largely undertaken in the 4th quarter in order that audit testing can focus on 2021/22 transactions;
- This approach may assist Grant Thornton in formulating their 2021/22 opinion on the level of internal control in key areas;
- The Internal Audit Plan included a total of 45 separate Royal Borough school audit reviews, 4 of which were follow up reviews to establish whether high priority recommendations had been implemented for key risk areas. At the end of September 2021, one audit had been cancelled because the school had converted to academy status and was therefore no longer subject to an audit review by the Royal Borough's Internal Audit service. 6 school audits had been completed or were at a draft report stage. Audit dates have been agreed with schools for the majority of the remaining planned school audits. These will be undertaken in quarters 3 and 4.

- At the end of September 2021 Internal Audit had not provided any formal advice or consultancy briefs;
- The Internal Audit Plan also included a block of dedicated audit time for “Recommendation Tracking” (15 days). This time is used for seeking management assurance that previously agreed audit recommendations from both the current and previous audit year, have been satisfactorily implemented and for conducting any further “follow up” work that may be required in order to confirm / corroborate implementation.

5.2 Internal Audit Reviews – Reduced Levels of Assurance

Members of the Panel have previously requested further information in respect of those internal audit reviews where the audit opinion provides a level of limited or no assurance.

5.3 Internal Audit’s use of the term Limited Assurance is defined as follows;

‘The audit review found weaknesses in the design and/or application of controls some of which are considered key and could put at risk the delivery of the objectives of the system, function or process. Management will need to take prompt action to implement high and medium priority recommendations to ensure a satisfactory level of control’.

5.4 Where Internal Audit identifies a control issue, this is highlighted in the audit findings, together with recommendations to assist in improving the level of control. All Internal Audit recommendations are summarised and entered into an Action Plan. When agreement has been reached with Management on the audit findings and the action to be taken, a Final Audit report is produced containing the ‘Agreed Management Action Plan’.

5.5 Internal Audit continues to monitor progress made by management with the implementation of the Agreed Management Action Plan and the Auditor will revisit the area at an appropriate time to conduct a follow-up to review the appropriate evidence and ensure that the agreed management action has been implemented.

5.6 During the first six months of 2021/22 there has been one finalised report issued where auditors formed an opinion of limited assurance in respect of planned audits contained in the 2020/21 or 2021/22 Internal Audit plans.

Tied Accommodation – Follow Up

- 5.7 Internal Audit carried out a review of Tied Accommodation in October 2016 which concluded a Limited Review Assurance Level. The report raised concerns about the status of some of the employees in Tied Accommodation and the application of emoluments. Eight high priority recommendations were agreed for implementation.
- 5.8 In January 2020 a follow-up review was carried out to establish the status of the recommendations. The review concluded that the recommendations had not been implemented. It should be noted that responsibility for implementation transferred from Human Resources to Financial Processing in July 2019.
- 5.9 The Assistant Director, (Financial Processing and Systems) now has responsibility for the implementation of the agreed recommendations plus four additional recommendations that were made at the time of the follow-up in January 2020.
- 5.10 A further follow up was undertaken in July 2021 and showed that there had been good progress towards implementation. The Assistant Director, (Financial Processing and Systems) has compiled a report proposing options to deal with the agreed recommendations. The Director of Finance has been asked to comment on the draft report which has been prepared for agreement by Cabinet.
- 5.11 Internal Audit will continue to monitor the situation until satisfactory progress has been achieved.
- 5.12 Performance Indicators
As reported to Members in June 2019 Internal Audit management decided to introduce three additional performance indicators to assist gauge and assure the quality of internal audit work being produced by the section.

Table I - Internal Audit Performance Indicators

Performance Indicator Description	Target Performance	Performance Achieved	RAG Status
Percentage of IA Plan delivered to draft report stage by 31 March	90%	Reported Annually	
Percentage of draft reports issued as a final report within 5 working day of client response	75%	79%	
Productivity level*	80%	63%	
Percentage spent on audit work	75%	57%	
Client Satisfaction Rating	4 or above	4.8	
IA work is fully compliant with the PSIAS and IIA Code of Ethics	100%	Reported Annually	

* Internal Audit measures time productivity by monitoring the level of staff time expended on audit reviews and service/corporate responsibilities as a percentage of the total resource time available.

- 5.13 During the period April to September 2021 a total of 80 days of audit resource has been redeployed to assist at other services areas, such as Registrars, Test & Trace Payments and NHS redeployment. This has impacted significantly on the internal audit productivity level. In addition, an auditor has been absent due to sickness. In addition, a higher proportion of annual leave has been taken over the summer period.
- 5.14 Since June 2019 performance reports to the Panel also include information relating to the progress of the implementation of internal audit recommendations.

Table 2 – Recommendation Implementation / Tracking

Recommendation Description	April – September 2021
Number of High priority IA recommendations where positive management action is proposed	25
Number of Medium priority IA recommendations where positive management action is proposed	62
Number of High priority IA recommendations where management action has been taken within the agreed timescales	69 of 93
Number of Medium priority IA recommendations where management action has been taken within the agreed timescales	63 of 166

In cases where recommendations remain outstanding additional time has been allowed and further follow up will be undertaken in due course. Should the full implementation not have been achieved at that point, a dedicated follow up report with revised assurance level will be issued to management.

6. Anti-Fraud Performance

Housing Benefit Fraud

- 6.1 During the first six months of 2021/22 Internal Audit received 37 referrals relating to allegations of Housing Benefit / Council Tax Benefit Fraud. Of these referrals 29 related to benefit customers residing in Council Tenancies and 8 related to customers residing in privately rented accommodation.
- 6.2 Of the 37 referrals received, 32 were referred to the Department for Works and Pension’s Single Fraud Investigation Service for investigation.
- 6.3 Included in this total are 19 referrals received via members of the public alleging housing benefit fraud. 13 were received by telephone using the confidential fraud hotline, 3 were received via the Royal Borough website and 3 were received by letters or via the Internal Audit generic email address fraud@royalgreenwich.gov.uk. 15 of these referrals related to Council Tenancies, 4 to privately rented accommodation.
- 6.4 In each of the 19 referrals received by Internal Audit from the public in all instances the individual chose not to provide their name or address.

6.5 The Royal Borough is no longer able to issue sanctions in respect of housing benefit. The DWP have determined that cautions are no longer to be issued in respect of benefit fraud. However, they will consider issuing 'Administrative Penalties' and where appropriate will contact the Advice & Benefits Service to establish whether the Royal Borough wants the amount of housing benefit overpaid included in the calculation of the administrative penalty. The Advice & Benefits Service has not received any requests for inclusion of housing benefit overpayments from the DWP during the first three months of 2021/22.

Tenancy and Sub-Letting

- 6.6 During the first six months of 2021/22 Internal Audit & Anti-Fraud received 13 allegations of tenancy and housing related fraud. As a result of these investigations and additional proactive activity into illegal occupation and sub-letting of Council tenancies, 5 properties have been recovered during this period. A further 4 Registered Social Landlord (RSL) properties have also been recovered during this period.
- 6.7 There remains no universally recognised financial value on the recovery of a Council tenancy. However, previously the Audit Commission viewed housing tenancy fraud as the loss of a valuable council asset from public use, incurring further social housing costs to public sector organisations and that these should be reflected within the fraud loss calculation. As part of the reporting process for the National Fraud Initiative, the Audit Commission had in the past allocated tenancy fraud cases with a notional value of £75,000.
- 6.8 The Audit Commission's notional value was based on estimates covering a three-year period and included estimated costs to Local Authorities in respect of temporary accommodation charges, housing benefit payments and the cost of building new homes.
- 6.9 In the National Fraud Initiative Report 2016 produced by the Cabinet Office the estimated outcome in respect of tenancy fraud cases has increased from £75,000 to £93,000.
- 6.10 The basis of this revised calculation is provided as follows:

'£93,000 per property recovered based on average four year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies'

- 6.11 Using the Cabinet Office estimate of £93,000, the work of Internal Audit, Housing Services and Legal Services in the first six months of 2021/22 has successfully secured the recovery of council tenancies with a combined total value of £465k in respect of the 5 recovered properties.
- 6.12 One of the Internal Audit & Anti-Fraud Managers is accredited as a Financial Investigator by the National Crime Agency to investigate matters under the Proceeds of Crime Act 2002. In appropriate cases this enables Internal Audit to apply to the Courts for restraint orders and to secure capital and assets which can in turn be used to recompense the Royal Borough for its financial loss.
- 6.13 However, during the first six months of 2021/22 there have been no housing investigations requiring the involvement of the Financial Investigator.
- 6.14 Following the recommencement of Court proceedings, on 7th May 2021 at Woolwich Crown Court a tenant pleaded guilty to having sublet a two-bedroom Council property in Charlton from 2012 to 2020. The tenant was found to be living at their privately-owned property in Eltham. They had made no rental profit from the subletting. As a result of the Royal Borough being deprived the use of its property for 8 years, financial losses in excess of £85,000 were claimed against the tenant however the Court heard that they had no means to repay the debt. The tenant was sentenced to a 12-month Community Order and to work 240 hours unpaid in the community. Legal costs of £1,200 were awarded to the Council.
- 6.15 During the 3-month period Internal Audit & Anti-Fraud successfully stopped one Right to Buy in respect of a two-bedroom property from proceeding after it was identified that the tenancy had been obtained by having provided false information. The investigation resulted in a discount of £112,300 not being granted and the property was returned to the Council.

Emergency Accommodation Costs

- 6.16 Internal Audit continues to seek to recover financial losses in its criminal and civil tenancy investigations. Losses are calculated in respect of the cost to the Royal Borough of having to provide emergency / temporary accommodation as required to others in genuine need of housing due to having been deprived the use of its own properties as a result of sublet / falsely obtained tenancies.
- 6.17 Internal Audit believes this is an innovative approach and will continue to work with colleagues in Housing and Legal Services to pursue cases in this

manner where there are assets available to secure the recovery of financial losses.

- 6.18 During the period Internal Audit has reached agreements (either via the Court or by civil agreement) to secure the repayment of financial losses relating to emergency / temporary accommodation totalling £10,000. Instalments are currently underway and to date over £5,000 has been repaid to the Royal Borough.

Registered Social Landlords

- 6.19 Working in partnership with a number of Housing Associations, Internal Audit has taken the lead on several subletting investigations and in the first six months of 2021/22 this has resulted in the recovery of 3 RSL properties.
- 6.20 Given the Royal Borough holds nomination rights with each of the RSLs concerned the return of the properties has allowed other households / individuals on the Royal Borough waiting list to receive accommodation.
- 6.21 Internal Audit is continuing to engage with Housing Associations with property ownership located within the Royal Borough of Greenwich and offers its skills and expertise to combat tenancy fraud and to prosecute offenders.

Unauthorised Occupation Team (Housing and Safer Communities)

- 6.22 During the same period the work of the Unauthorised Occupation Team has resulted in Tenancy Services recovering 7 properties. This is in addition to the 5 tenancies recovered by way of Internal Audit investigations. A total of 12 recovered council tenancies represents a combined value of £1.116m.

Blue Badge Fraud

- 6.23 During the period Internal Audit has investigated the misuse of 4 Blue Badges. There was no fraud established with one case and in two instances it was felt that a warning letter was appropriate. The letter reminds the individual of the conditions of usage of the Blue Badge and advises they would be prosecuted should they be found to be misusing a Blue Badge again in the future.
- 6.24 The fourth case was prosecuted at Bromley Magistrates Court on 19th October 2021. The individual was found guilty of misusing a cancelled Blue Badge to park their vehicle in a controlled parking zone in Anglesea Road, Woolwich.

6.25 The individual was charged with two offences under section 6 of the Fraud Act 2006 and 117 (1) of the Road Traffic Regulation Act 1984 and they pleaded not guilty. However, the Magistrate found them guilty of both offences and they were ordered to pay a total fine of £2,164 within 28 days.

Business Grant Covid-19 Fraud

6.26 Anti-Fraud colleagues have been working with colleagues in the Business Rates Team and Business Engagement Teams undertaking due diligence checks and pre /post payment assurance in relation to the delivery of the support grants to local businesses.

6.27 During this time there have been a number of fraud investigations predominantly relating to the £10,000 Small Business Grant Fund.

6.28 Utilising powers under the Proceeds of Crime Act 2002 the Financial Investigator located within Internal Audit & Anti-Fraud has sought Production Orders at Crown Court to obtain information and bank statements for the accounts into which the grant monies were paid.

6.29 The Financial Investigator has also sought Restraint Orders on a number of bank accounts so that the funds in the accounts could be frozen until the investigation is completed.

6.30 The National Fraud Initiative completed its first data matching exercise using data provided by all local authorities in respect of the initial tranche of Covid-19 business support grants awarded by local authorities on behalf of the government.

6.31 As a result a total of 6 investigations have been raised during this period and are currently being investigated.

6.32 Subsequently, the Cabinet Office has run a further matching exercise, again matching grant payment data from all local authorities from the first three Covid-19 grant schemes. This has generated an additional 17 matches that require examination by Internal Audit & Anti-Fraud.

6.33 Early indications are that in almost every case the grants awarded by the Royal Borough have been awarded correctly and there is no financial loss within the grant schemes. However, a small number of matches have identified properties occupied elsewhere by the same individual / business that may potentially impact on their eligibility to 'Small Business Rate Relief' either within the Royal Borough or in the matched local authority area.

6.34 Members will be provided with a more detailed update on the exercise at a subsequent panel meeting once all Internal Audit enquires have been completed.

Corporate Related Fraud

6.35 Internal Audit has raised investigations into 16 corporate related matters, i.e. non benefit, non-council tenancy fraud. These investigations covered areas detailed in the table overleaf:

Allegation Type	Volume	Directorate
Covid-19 Business Support Grants	6	Finance
Blue Badge Misuse	4	Regeneration, Enterprise & Skills
Council Tax Exemptions	2	Finance
Direct Payments	2	Health & Adult Services
Secondary Employment	1	Housing & Safer Communities
	15	

6.36 From the total of 15 investigations, one involved an allegation implicating a Royal Borough or Agency employee. The investigation related to the failure to declare secondary employment.

6.37 During the period there has been one successful prosecution involving a member of staff. The employee was dismissed prior to prosecution and is no longer employed by the Royal Borough.

6.38 On 25 August 2021 at Bromley Magistrates Court the former employee of the Royal Borough was sentenced to 12 months imprisonment suspended for 24 months for having defrauded a vulnerable Greenwich resident of £3,241 whilst in her care during the period July 2019 to February 2020.

6.39 The Court heard how the former Care Worker had used the vulnerable resident's bank card and had purchased flights to the USA and Tenerife, jewellery, hairdressers, clothing and had made payments to another local authority for the removal of garden waste from her own property.

6.40 In total the Care Worker had undertaken 94 transactions using the bank card. None of which had been authorised by the Greenwich resident.

6.41 The case had been referred to Internal Audit by a member of staff from charity Mencap who had identified unusual activity on the resident's bank statements.

- 6.42 The charity confirmed the ex-member of staff had been provided with the resident's bank card and PIN number so that items of furniture could be purchased and delivered to the resident's home address. It became evident that following the purchase of the furniture, the Care Worker then began to use the bank card regularly for their own personal benefit.
- 6.43 After collating sufficient evidence Internal Audit and officers from the Metropolitan Police visited the ex-employee's home address where they were duly arrested. A search of the premises located amongst other things the jewellery that had been purchased using the Greenwich resident's bank card.
- 6.44 On 28 July 2021 the former Care Worker attended Bromley Magistrates Court and pleaded guilty to the 3 charges. (2 Fraud Act offences and 1 Theft Act offence).
- 6.45 In addition to being given a suspended sentence the former Care Worker was ordered to pay costs of £760 and compensation of £3,241 to the Greenwich resident.

7. Anti-Fraud Management

Performance Monitoring

- 7.1 In addition to reporting to the Audit & Risk Management Panel Internal Audit has continued to provide regular monitoring reports to both Community Services (Housing) Management in the Royal Borough and the Client Monitoring Officer (Head of Internal Audit) in Bromley outlining throughput and results.

Partnership with the London Borough of Bromley

- 7.2 Internal Audit has continued to work in partnership with the neighbouring borough of Bromley for the provision of a fraud investigation service.
- 7.3 A service specification is in place that is monitored monthly and reviewed on a regular basis. Bromley provide the Royal Borough with secure remote access to Bromley computer systems and databases.
- 7.4 Investigations continue on behalf of Bromley in relation to the National Fraud Initiative output in relation to the Covid-19 business support grants.

8. Available Option

8.1 This report provides the Panel with details of the performance of Internal Audit & Anti-Fraud in respect of the annual Internal Audit plan for the financial year 2021/22 and anti-fraud activities undertaken by Internal Audit & Anti-Fraud during the period April 2021 to September 2021 inclusive. As this is an information report there is only one option which is to note the information provided

9. Preferred Option

9.1 Not applicable

10. Reasons for Recommendations

10.1 Not applicable

11. Consultation Results

11.1 No consultation is required and none has been undertaken

12. Cross Cutting Issues and Implications

Issue	Implications	Sign-off
Legal including Human Rights Act	No decisions are required of the Panel as such the report raises no legal issues.	Azuka Onuorah Head of Legal Services 3 December 2021
Finance and other resources including procurement implications	This report has been prepared by the Director of Finance and has no other financial implications.	Michael Bate Assistant Director of Corporate Finance 30 November 2021
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users Further, given the nature of the report it has a remote or low relevance to the Council's Equity and Equality Charter	Brendan Costello Assistant Director of Finance 30 November 2021

	and the Council's Equality Objectives 2020-2024.	
Climate change	The decisions recommended through this paper have a remote or low relevance to the substance of the Greenwich Carbon Neutral Plan as agreed by Cabinet on 18 November 2020.	Brendan Costello Assistant Director of Finance 30 November 2021

Background Papers

None

Report Author: Jess Fyhr,
Internal Audit & Anti-Fraud Manager
020 8921 6965
jess.fyhr@royalgreenwich.gov.uk

Report Author: Nigel Brown,
Internal Audit & Anti-Fraud Manager
020 8921 5314
nigel.brown@royalgreenwich.gov.uk

Reporting to: Brendan Costello
Assistant Director of Finance (Governance & Audit)
0208 921 5239
Email: brendan.costello@royalgreenwich.gov.uk

Chief Officer: Damon Cook
Director of Finance
0208 921 3508
Email: damon.cook@royalgreenwich.gov.uk