

Report for: Corporate Committee – 30 July 2020

Title: Audit & Risk Service Update
Quarter 1 (Apr-Jun 2020)

Report authorised by: Assistant Director of Corporate Governance

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Ward(s) affected: N/A

**Report for Key/
Non-Key Decision: Information**

1. Describe the issue under consideration

- 1.1 This report details the work undertaken by the in-house Audit and Fraud Resources team for the quarter ending 30 June 2020. A combined report has been produced to update the Committee as during quarter one the team faced the unprecedented circumstances of all working remotely from the Council offices due to COVID-19. In addition, the resources usually working in partnership to deliver the internal audit plan were furloughed by Mazars.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the activities of the team during quarter one 2020/21.

4. Reasons for decision

- 4.1 The Corporate Committee is responsible for monitoring the effectiveness of the Council's Internal Audit Strategy; policies on Anti-Fraud and Corruption and receiving assurance with regard the Council's internal control environment and mechanisms for managing risk. In order to facilitate this, progress reports are provided on a quarterly basis for review and consideration by the Corporate Committee with regards Audit and Anti-Fraud efforts and at bi- annually updates on Risk Management are provided.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 The information in this report has been compiled from information held by Audit & Risk Management.

7. Contribution to strategic outcomes

- 7.1 The Audit & Risk team makes a significant contribution through its pro-active work in ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all key Priority areas.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

There are no direct financial implications arising from this report although the impact of Covid-19 on planned activity has been clearly highlighted throughout the report. The potential financial risks arising from this is prominent within the draft Annual Governance Statement, which is also being presented on this agenda.. The work completed by the Team is funded from within the Audit and Risk Management revenue budget. The maintenance of a strong proactive and reactive fraud investigation team is a key element of the Council's system of Governance.

8.2 Legal

The Council's Assistant Director of Corporate Governance has been consulted in the preparation of this report and has no comments.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

The Audit & Risk team is required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010 and this is built into the team's operational procedures. Ensuring that the Council has effective counter-fraud arrangements in place will assist the Council to use its available resources more effectively.

9. Local Government (Access to Information) Act 1985

Not applicable.

10. Performance Management Information

- 10.1 Although there are no national or Best Value Performance Indicators, local performance targets have been agreed for Audit and Risk Management, these are reported against in the sections below.

11. INTRODUCTION

- 11.1 This report covers the period from 01 April 2020 to 30 June 2020.
- 11.2 The Team's in-house resources have not been significantly impacted by COVID-19. Business continuity plans have been enacted and corporate guidance to instigate remote working implemented. The working practices of the team have been greatly affected, compared to business as usual activity, and although outcomes have been maintained these too vary, for example risk based systems audits have been put on hold to allow departments to focus on delivering services to residents. The work of the fraud team has also been impacted due to an inability to carry out physical visits, interview people as part of gathering evidence and cancellation of court dates; some fraud cases are therefore on hold. In June 2020 a service meeting to discuss safe working practices was held and some urgent visits have taken place, where risk is low and safety precautions can be applied. Risk assessments and new arrangements for interviews will be embedded to enable this activity to recommence, in line with public health advice, and according to GOV.UK more courts are being assessed as fit to open weekly now. Longer term plans to review procedures and consider conference call meetings are being assessed.
- 11.3 One member of the team has been redeployed to support emergency activities in the Borough and has been delivering food packages. The officer who works part-time in the anti-fraud team, seconded from Homes for Haringey, has had increased responsibilities supporting their COVID-19 response. We have experienced no sickness absence in the team, but one officer has required some special leave due to carer responsibilities.
- 11.4 The Management Team had daily calls initially, which have been reduced to twice monthly at the end of the quarter. Daily calls with teams have continued throughout the quarter to ensure health and wellbeing and to attempt to maximise our outcomes. Regular liaison with Mazars has also occurred throughout the period and their team is now supporting on preparation for progressing delivery of the audit plan.

12. INTERNAL AUDIT

- 12.1 The Council's Internal Audit resources in quarter 1 has been equivalent to 0.7 FTE. The Head and Deputy Head of Audit and Risk have responded to the changing needs of stakeholders during the period. Audit is being flexible and agile to support the work of service and responding to new and emerging risks.
- 12.2 The Head of Audit & Risk has worked with the Council's Director of Finance and Monitoring Officer to ensure that the governance framework remains robust and offering both general and specific risk advice to support Directors as they make decisions at pace in response to the crisis. Meetings regarding procurement compliance have increased in frequency to ensure that changed control environments are operating as intended. Meetings of the Statutory Functions Board have increased to weekly throughout quarter one to enable regular discussion about statutory responsibilities.

- 12.3 The Head and Deputy Head of Audit & Risk have also been involved with the two Emergency Grant projects the Council has delivered, in response to government policy, this has been in an advisory role supporting the project team to quantify risk and make informed decisions regarding process. This work will continue as post payment and post event assurances are required by senior leaders and government for the circa £50m the Council has paid out.
- 12.4 We have supported on the production of the Annual Governance Statement, contributing to the contents of the statement and working with Directors to ensure all issues were accurately identified, captured and action plans in place and that robust decisions were made with regards existing issues and whether they were closed or carried forward.
- 12.5 Two Troubled Families returns have been audited and assurances provided to the Department for Ministry of Housing, Communities and Local Government (MHCLG) that the information provided by the Troubled Families Team in pursuit of funding is correct.
- 12.6 Although no risk-based systems audits have been able to take place there has been work to review the internal audit service and partnership with Mazars. The development plan for 2020/21 has been brought forward and efforts to consider the approach with regards Schools, IT, General Audit and Follow Up has been reviewed. These activities although not originally planned to be completed during this period, will save us time later in the year. During June this work, with Management, has included refocusing the 2020/21 audit plan and, with Mazars, how the plan will be delivered in the remaining nine months of the financial year.

13. RISK MANAGEMENT

- 13.1 For 2020/21 a service objective was to strengthen risk management in the Council, again this planned work has been adjusted to provide input and support to management regarding the risk arising due to Covid-19 and also those that may increase over time. A Covid-19 risk register was created focussing on both internal and external risks. These were reported to Statutory Functions Board and will continue to be monitored throughout 2020/21 until all risks are closed or moved onto other business as usual risk registers.
- 13.3 As noted above the team have advised management to support risk management decisions in the two grants projects in quarter one. The first related to small businesses and Retail Hospitality and Leisure Businesses in the Borough the second was a discretionary scheme which in the main focused on businesses in shared workspaces who did not have their own Business rates rateable value. Fraud risks were inherently high in both projects and significant work by the project teams needed to be undertaken to manage this risk to within the Council's risk appetite.
- 13.4 Work has been done to review the risk registers held by the IT service, as COVID-19 has made the council even more reliant on its IT infrastructure and technologies than before. The Senior Information Risk Officers Risk Register as also been refreshed and reviewed at the Information Governance Forum and Corporate Board, following a data breach in quarter four 2019/20.

- 13.5 Work to support individual Directorates, Services and Priority Boards has slowed in the period as Management were focused on crisis management, and our risk management work has shifted to be more real time challenge and assurance gathering, however it is expected this planned activity will resume in quarter two. Departments have nevertheless been encouraged and supported to maintain and refresh key risks.

14. ANTI-FRAUD ACTIVITY

- 14.1 The team undertake a wide range of anti-fraud activity but have two work areas where annual performance targets are in place. One relating to Tenancy Fraud and the other Right to Buy Fraud. These targets have been consistently achieved in recent years. Financial values can be assigned to these outcomes based on the discounts not given and the estimated value of providing temporary accommodation to a family. The Audit Commission, when in existence, valued the recovery of a tenancy, which has previously been fraudulently occupied, at an annual value of £18,000, as noted above this related to average Temporary Accommodation (TA) costs. No new national indicators have been produced; therefore, although this value is considered low compared to potential TA costs if the property has been identified as sub-let for several years, Audit and Risk Management continue to use this figure of £18k per property for reporting purposes to provide an indication of the cost on the public purse of fraud activity.

14.2 Table 1 Local Performance Targets – anti fraud activity

Performance Indicator	Q1	YTD	Financial Value	Annual Target
Properties Recovered	3	3	£50+	50
Right to Buys prevented	25	25	£2m +	80

14.3 Tenancy Fraud – Council properties

- 14.4 The Fraud Team works with Homes for Haringey (HfH) to target and investigate housing and tenancy fraud, which forms part of HfH's responsibilities in the Management Agreement. HfH continue to fund a Tenancy Fraud Officer co-located within the Fraud Team.
- 14.5 The Fraud Team will continue to work with HfH to identify the most effective use of fraud prevention and detection resources across both organisations to enable a joined up approach to be taken, especially where cases of multiple fraud are identified e.g. both tenancy fraud and right to buy fraud. Covid-19 has obviously impacted on outcomes in comparing activity to the same period in 2019 we note that 68 referrals were received 2019: 14 referrals 2020. 11 properties were recovered in 2019 compared to the three noted above.

14.6 Table 2 Tenancy Fraud Activity and Outcomes

Opening Caseload	196	
New Referrals received	14	
Total		210
Properties Recovered	3	
Case Closed – no fraud	19	
Total		(-) 22
Ongoing Investigations		188

- 14.4 Of the 188 ongoing investigations; 1 file is being prepared for prosecution and 129 of these cases (69%) are with other teams for action. Properties will be included in the 'recovered' data when the keys are returned, and the property vacated.

14.5 Right-to-buy (RTB) applications

- 14.6 As at 30 June 2020 there were approximately 169 ongoing applications under investigation. Due to Covid-19 the applications received had reduced to 13 the figure was more than double in the same period last year. It is expected that applications in quarter two will be higher than usual as a result. The team reviews every RTB application to ensure that any property where potential tenancy, benefit or succession fraud is indicated can be investigated further. The numbers of tenants applying to purchase their properties under the Right to Buy legislation has been reducing and whilst the reasons are not known with certainty, two possibilities are perceived to be (i) as valuations continue to rise and (ii) growth in tenant awareness of Fraud Team investigations.

- 14.7 During Q1, 25 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. This performance is not significantly down on the same period in 2019 when the outcome was 30.

- 14.8 COVID-19 has prevented visits from taking place, based on risk other mechanisms of assurance have been deployed to ensure statutory timescales in the process are met. It is noted that for applications received in quarter one no visit will, for the same reasons, have been completed by the Homes for Haringey team. As visits resume this will be a risk factor in the teams decision making. Safe working practices for visits are being designed and will be implemented in July 2020.

14.9 Gas safety – execution of warrant visits

The Fraud Team accompany warrant officers on all executions of 'warrant of entry' visits where it is suspected that the named tenant is not in occupation. This activity has not been undertaken in quarter one and we are in liaison with Homes for Haringey as to when it will recommence.

14.10 Pro-active counter-fraud projects

During 2020/21, the Fraud Team will continue with a number of pro-active counter-fraud projects in areas that have been identified as a high fraud risk. Progress reports on this work will be reported to the Corporate Committee during the year; the findings and outcomes are all shared with service managers as the projects are delivered. In Q1 the proactive efforts have been focused on the two grants projects and reviewing any complex cases to assist management in making robust decisions that are compliant with the guidance and approved scheme.

14.11 No Recourse to Public Funds (NRPF)

As at 30 June, 22 referrals have been received and responded to by the Fraud Team in this financial year. This compares to six in the same period in 2019/20. The role of the Fraud Team is to provide a financial status position for the NRPF team to include in their overall Children and Family Assessment. The average cost of NRPF support per family (accommodation and subsistence for a two-child household) is around £20,000 pa.

14.12 Internal employee investigations

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees. Four (4) employee investigations were in progress at the start of quarter 1, three new referrals were received by the team during the period and of these two new cases were accepted.

Of the six (6) investigations, five of which relate to permanent employees and one an interim employee, two were concluded with both subject to a formal disciplinary procedure. Four cases continued through into quarter 2.

The Fraud Team work closely with officers from HR and the service area involved to ensure that the investigation is completed as quickly as possible.

14.13 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Three referrals were made in Quarter 1.

14.14 Prosecutions

As at 30 June 2020 one Tenancy Fraud cases have been prepared and are with Legal Services for a Court application. One further prosecution is in progress for Homes for Haringey.