

Report for: Corporate Committee – 17th March 2021

Title: Audit & Risk Service Update

Report authorised by: Director of Finance

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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 reported by the in-house Audit resources, as well as our outsourced partner Mazars, since the end of quarter 3, which was reported in February. Information regarding the National Fraud Initiative which has recently commenced is also included.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 The Corporate Committee is recommended to note the activities of the team.

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.

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 and Deputy Monitoring Officer

8.1 Finance and Procurement

There are no direct financial implications arising from this report. 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 Head of Legal and Governance (interim) 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 Local performance targets have been agreed for Audit and Risk Management, these are reported quarterly so none are included within this report.

11. INTRODUCTION

- 11.1 This report is an interim report so covers the work reported since the quarter three report was presented to committee. It also contains some information on the National Fraud Initiative (NFI) as requested in the February meeting of the committee.

12. INTERNAL AUDIT

- 12.1 Due to our inability to undertake risk-based system audits at the start of the financial year there is a greater number of audits in progress than would usually be scheduled for quarter four. Management and the team are working together to ensure efficient delivery of the remaining audits which will inform the council's Head of Internal Audit Opinion for 2020/21.
- 12.2 Appendix 1 provides an interim update from Mazars and informs that since our last report in February 2021, two further risk-based system audit reports have been finalised and a further two schools have also received final reports. Six system audit reports and one school report are in draft, these reports will be finalised once management responses have been received. These will be included in this report and will be reported at the Corporate Committee's meeting in July 2021. A number of other audits are at various stages of completion and all remaining audits are scheduled to commence before the end of the financial year. All finalised audits received an adequate level of assurance.
- 12.3 In addition to the planned audit work, internal audit reviewed the opportunity to acquire Alexandra House, the findings of this audit are set out below.
- 12.4 Opportunity to Acquire Alexandra House
Mazars were commissioned to investigate and report to the Head of Audit and Risk on the process by which a decision was taken not to purchase Alexandra House, Wood Green, London N22 7TY. The purpose of this investigation was to examine the governance arrangements in place for considering the opportunity to purchase Alexandra House and whether Council policies and procedures were followed. As part of this investigation, internal audit examined reports and documents presented at the Corporate Property Board and the Strategic Property Board, minutes of actions and decisions and used the information obtained by the Assistant Director – Capital Projects and Property (Interim). The investigation did not consider or give a view on whether Alexandra House should have been acquired or comment on its fair value. In May 2019, the owners of Alexandra House were informed the Council was not interested in purchasing Alexandra House. It was noted neither the Chief Executive nor the Leader were made aware of this decision through any of the Council's Boards.
- 12.5 From the review, it was noted the options considered to acquire Alexandra House were, the acquisition would help deliver MTFS savings and, the acquisition may support the accommodation strategy. In considering these options, officers appear to be of the view the Council would continue to lease Alexandra House from the new owner if it did not acquire the building.

12.6 The audit concluded the governance arrangement to manage the acquisition of a significant property asset such as Alexandra House was weak. This led to an ad hoc and largely informal process being adopted and a failure to raise the matter at appropriate fora and with appropriate officers and members at the right time and in the correct way. It was noted there was also a lack of documented evidence as to who was involved and what decisions were taken. No evidence was available that all options had been considered and presented within an established framework with a fully thought out business case.

12.7 The investigation highlighted the following issues: -

- Lack of documented governance framework leading to decisions being taken at an inappropriate level and a failure to consider all possible options as part of comprehensive business case to consider the opportunity presented by acquiring Alexandra House;
- No obvious forum for consideration of such matters in terms of reference;
- Lack of formal reporting of options leading to formal decisions on progress;
- Lack of clear delegation to determine who was the decision owner; and
- Failure to formally record decisions and discussions.

12.8 Officers highlighted improvements for dealing with property acquisition, including:

- Acquisitions and disposals policy agreed by Cabinet as part of the Asset Management Plan February 2020 with an update scheduled for February 2021 including transparency about principles and tests applied to any acquisition proposal.
- Review of Governance has taken place with principles of a corporate property approach agreed at Statutory Functions Board.
- Changes to the senior reporting arrangements which cover acquisitions (Capital Board) to be considered by Corporate Board 28/1/2021.
- Improved formalised communications with Cabinet Lead Member and Leader about property matters through Property 1-1 and Strategic Property Board, including possible acquisitions including those which are not recommended, with appropriate officer clearance in place and minuted.
- Development tracker held in SPU as a central register of all possible or agreed acquisitions in one place; and
- Officer procedures for acquisitions and disposals proposals have been reviewed and improved.

12.9 Internal Audit will review the arrangements as part of its internal audit plan for 2021/22.

13. National Fraud Initiative

13.1 The National Fraud Initiative is run by the Cabinet Office and compares data sets for the purpose of identifying fraud. The data is either provided directly by the Council, from our own systems, or by other bodies for example (Department of Work and Pensions). The NFI runs every two years, however some data sets have to be provided annually.

13.2 Examples of data sets for 2020/21 match include:

- pensions
- payroll
- trade creditors' payment history and trade creditors' standing data
- housing (current tenants) and right to buy
- housing waiting lists
- housing benefits (provided by the DWP)
- council tax reduction scheme
- council tax (required annually)
- electoral register (required annually)
- students eligible for a loan (provided by the SLC)
- private supported care home residents
- transport passes and permits (including residents' parking, blue badges and concessionary travel)
- personal budget (direct payments).

13.3 For 2020/21 new matches relating to business grants have been included as mandatory however these are running on a separate timetable to the main matches, which has recently been received for review and investigation.

13.4 The Council has received over 14,000 matches as a result of the main matching process and the Audit and Risk team are working with services to develop a risk-based approach to the NFI exercise. Updates on progress as well as outcomes will be provided to Senior Management and Members during 2021.