

**Report for:** Corporate Committee – 15 July 2021

**Title:** Audit & Risk Service Update  
Quarter 4 (Jan – March 2021)

**Report authorised by:** Director of Finance

**Lead Officer:** Minesh Jani, Head of Audit and Risk Management  
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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 team as well as our outsourced partner Mazars, for the quarter ending 31 March 2021. A combined report has been produced to update the Committee. During quarter four, the team continue to face the unprecedented circumstances arising from working remotely due to Covid-19.

**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 four of 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.

**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 Head of Legal & Governance (Monitoring Officer)**

### **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.

Members' attention is particularly drawn to paragraphs 12.6 to 12.11 which summarise the key findings and recommendations in the three limited assurance system reports relating to contracts and procurement. A strong and efficient procurement framework with robust compliance monitoring and effective contract management are essential to ensuring the Council achieves value for money for its residents and the public purse.

### **8.2 Legal**

The Council's Head of Legal and Governance has been consulted in the preparation of this report, and in noting the plans in place to deal with the areas of concern highlighted in the report advises that there are no direct legal implications arising out of the report.

### **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 against in the sections below.

## **11. INTRODUCTION**

- 11.1 This report covers the period from 1 January 2021 to 31 March 2021 and summarises the work of the in-house team.
- 11.2 The Team's in-house resources have not been significantly impacted in terms of the level of resource available by COVID-19 in quarter four however there was significant impact in how the team carries out its work. Business continuity plans were enacted in March 2020 and the working practises of the team have been adapted to enable the team to continue to fulfil its role. To allow the team to practice safe working whilst identifying new ways of working, the team carried out risk assessments which predominately sought to reduce the need for face-to-face contact as much as possible.
- 11.3 Although resources have been stable during the period the demand on the services remains very high. In addition to the usual planned and unplanned fraud work, the team supported services in the administration of business grant projects, which continues to be a priority area of resource allocation. In this regard, the work of the anti-fraud team was to carry out checks before any payment was made to prevent fraud and / or error.

## **12. INTERNAL AUDIT**

- 12.1 Due to the delays in starting the audit plan as previously reported, there has been a high level of work in progress during quarter four. The new team from Mazars is fully embedded and eight assignments have been finalised between the February meeting and the middle of May. Information is included in Appendix A. The Head and Deputy Head of Audit and Risk continue to support the efficient delivery of added value work and continues to support the work of services and responding to new and emerging risks by providing advice, guidance or undertaking focused audit assignments to provide assurances. The focus post May has been to conclude all 2020/21 audits in time for the publication of the annual report and Head of Internal Audit Opinion.
- 12.2 The Head of Audit & Risk has continued to work with the Council's Director of Finance and the Monitoring Officer to ensure that the governance framework remains robust and offering both general and specific risk advice to support Directors.
- 12.3 The Deputy Head of Audit & Risk has continued to be involved with the Emergency Business Grant projects the Council has delivered, in quarter four new grant allocations have been made for distribution. Our role in the period January to March has been to continue in an advisory capacity and to undertake pre-payment checks to prevent fraud and /or error.
- 12.4 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.

- 12.5 The reports finalised and those that reached the draft stage, as well as work in progress is outlined in Appendix 1 of this report. Three limited assurance system reports have been issued relating to Letting of Contracts, Contract Management and Contract Waivers. Four final reports with adequate or above assurance have been issued and work completed to follow up the change management audit from 2019/20 has also been concluded. Seven schools reports were finalised, all reporting an improved level of assurance. One school received limited assurance, and this will be followed up formally in quarter two of 2021/22.
- 12.6 Contract Management – Limited Assurance  
This audit along with the others, outlined below, related to contracts and procurement in the 2020/21 audit plan were discussed with management. It has been agreed that consideration will be given to the council's approach to contract management and procurement, as part of the existing Enterprise Resource Planning (ERP) project, and this will mitigate some of the risks identified and the audit recommendations and the underlying findings and risks will be part of the scope of this work. The Head of Audit and Risk Management is sited on this work, and we will formally follow up in quarter two 2021/22.
- 12.7 The audit raised two priority 1 and four priority 2 recommendations. The recommendation sought to address the lack of consistency in the management of contracts across the council, through enhanced use of technology, oversight from strategic procurement and training for contract managers.
- 12.8 Letting of Contracts – Limited Assurance  
The Council has approved rules and procedures to govern its procurement activities which are driven by good practice and relevant legislation. The strategic procurement team lead procurements over £160k with management in service departments being responsible for lower value procurements.
- 12.9 The audit raised one priority 1 and five priority 2 recommendations. The recommendations sought to address a lack of a robust central record relating to contracts; better awareness and training for management; more robust vetting of suppliers; better use of technology and more oversight corporately of compliance with contract procedures rules and procedures.
- 12.10 Contract Waivers – Limited Assurance  
Although the need to waive the contract standing orders is acknowledged within the Council's approved rules and procedures and is often necessary to deal with urgent procurement activities responding to the needs of the residents, it is important to ensure this process is not used when alternative procurement routes are available to achieve the outcomes.
- 12.11 The audit raised three priority 1 and two priority 2 recommendations. These related to enhancing understanding of the requirements of the Contract Standing Orders (CSOs), ensuring central records are available to enable monitoring of compliance corporately.
- 12.12 Summaries of all audit outcomes are shared with Corporate Committee Members. The team will follow up the agreed actions within audit reports as

part of the 2021/22 audit plan, and where required, escalated to address the internal control weaknesses.

### **13. RISK MANAGEMENT**

13.1 In quarter four the Head and Deputy Head of Audit and Risk continue to work with management teams, attending management team meetings to review and challenge their risk registers, this activity has driven the production of the 2021/22 audit plan, which is a key task for quarter four each year.

### **14. ANTI-FRAUD ACTIVITY**

14.1 The team undertakes a wide range of anti-fraud activity and have two performance indicators to monitor its work relating to tenancy fraud and the other right to buy fraud. These targets have been consistently achieved in recent years. Financial values are 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**

<b>Performance Indicator</b>	<b>Q4</b>	<b>YTD</b>	<b>Financial Value</b>	<b>Annual Target</b>
Properties Recovered	<b>5</b>	<b>21</b>	<b>£378k+</b>	<b>50</b>
Right to Buys prevented	<b>16</b>	<b>69</b>	<b>£7.5m+</b>	<b>80</b>

#### **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 2020 we note that only 111 referrals were received, 36 of these in quarter four, compared to 204 in 2019/20.

#### 14.6 Table 2 Tenancy Fraud Activity and Outcomes

Opening Caseload	202	
New Referrals received	36	
Total		<b>238</b>
Properties Recovered	5	
Case Closed – no fraud	46	
Total		<b>(-) 51</b>
Ongoing Investigations		<b>187</b>

14.7 Two Tenancy Fraud files are being prepared for prosecution and 77 of these cases (41%) are with other teams for action. Properties will be included in the 'recovered' data when the keys are returned, and the property vacated.

#### 14.8 Right-to-buy (RTB) applications

14.9 As at 31 March 2021 there were 226 ongoing applications under investigation. During quarter four, 16 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. Year-end outcomes against target totalled 69.

14.10 Covid-19 and the restrictions during quarter four continue to impact on the timeline in many processes mainly due to the restrictions around visits as it is noted that for applications received in 2020, no visit took place by the Homes for Haringey team. With restrictions so high currently the fraud team are unable to carry out visits, however additional desk-based checks are being completed to mitigate the increased risk.

#### 14.11 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. The fraud team did not attend the gas safety visits, following a COVID-19 risk assessment. Consequently, no referrals were received from the gas safety activity in quarter 4 though it is envisaged the team will restart their visits from 2020/21.

#### 14.12 Pro-active counter-fraud projects

In quarter four two members of the team have continued to support the Business Grants administration project, undertaking pre-payment checks to ensure risk of fraud and error is minimised. The outcomes of the team's work in this area will be included in the annual report. Having circa a third of our resources dedicated to this project throughout the year has had an impact on

other targets and priorities, particularly our pro-active work such as the National Fraud Initiative and tenancy investigations.

**14.13 No Recourse to Public Funds (NRPF)**

As at 31 March, 53 referrals have been received and responded to by the Fraud Team in this financial year. Ten were received in quarter four. 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.

**14.14 Internal employee investigations**

In accordance with the Council's Constitution, the in-house Fraud Team investigates all allegations of financial irregularity against employees.

There were two employee investigations in progress at the start of quarter 4, one has been closed the other remains ongoing. There was one new employee related investigation received in quarter four.

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.

**14.15 Whistleblowing Referrals**

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. Two new referrals were made during quarter four. Of these one was retained for audit investigation; one was closed immediately as had been investigated before.

**14.16 Prosecutions**

As at 31 March 2021 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.