

Report for: Corporate Committee – 9 September 2021

Title: Audit & Risk Service Update
Quarter 1 (April - June 2021)

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 undertaken by the in-house Audit and Risk team as well as our outsourced partner Mazars, for the quarter ending 30 June 2021.

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 of 2021/22.

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.

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 April 2021 to 30 June 2021 and summarises the work of the Audit & Risk Service in relation to Audit, Risk and Fraud.

11.2 The in-house team has been fully resourced in quarter one. The team consists of a Head and Deputy Head of Audit, Six Fraud Investigators, and an Assistant Investigator. The operational delivery of the audit plan is undertaken by Mazars.

12. **INTERNAL AUDIT**

12.1 The audit planning work for the 2021/22 audit plan is proceeding well and commenced in quarter one, Appendix 1 also outlines the audits carried out and as at the end of June. The Head and Deputy Head of Audit and Risk continue to support the efficient delivery of added value work and continue 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. During quarter one a number of requests for additional audit and assurance work have been received and will be considered against the approved audit plan, ensuring that resources continue to be prioritised to where they are of most value.

- 12.2 Due to the Covid related delays in starting last year's audit plan, a number of reports were finalised after the end of the last financial year. These were all reported in the annual internal audit report presented to Committee in July 2021, including the period up to June 2021, and are included here as part of the routine quarterly reporting.
- 12.3 The reports finalised and those that reached the draft stage, as well as work in progress is outlined in Appendix 1 of this report. In summary, four final reports were assigned "**Substantial**" assurance, six "**Adequate**" assurance and five "**Limited**" assurance. No audit area was assigned Nil assurance. The audit areas assigned Limited assurance were Health and Safety, Brokerage (Adults and Children's Services), IT Disaster Recovery, and Safeguarding. In addition, some advisory work was undertaken with regards both early years and CCTV, this work has led to further work by in house resources, but this was not concluded by the end of quarter one. One school received limited assurance, and this will be followed up formally in quarter two of 2021/22. Three other schools received adequate assurance and progress to implement their recommendations will also be part of the general follow up activity included in the 2021/22 audit plan.
- 12.4 The Deputy Head of Audit & Risk has continued to be involved with the Business Grant projects. Two investigators supported this project throughout 2020/21 and continue to do so, however focus is now on the post event assurance work required by central government and investigations of fraud and error. The Business Grant project has presented significant opportunities for the council to work more efficiently with businesses in the borough, these are being explored with other services.
- 12.5 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 Internal audit will follow up the agreed actions within audit reports as part of the 2021/22 audit plan, and where required, escalate to where there are concerns raised by follow up work.

13. RISK MANAGEMENT

- 13.1 In quarter one the Head and Deputy Head of Audit and Risk have requested the latest risk registers to assist Mazars in audit planning. Input is requested routinely to advise on many risk management issues however our planned work in this area, from a corporate perspective has been hindered by the other pressures on the team.

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 measures – anti fraud activity**

Performance Indicator	Q1	YTD	Financial Value	Annual Measure
Properties Recovered	5	5	£90k	50
Right to Buys prevented	13	13	£1.4m+	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.

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

Opening Caseload	187	
New Referrals received	40	
Total		227
Properties Recovered	5	
Case Closed – no fraud	32	
Total		(-) 37
Ongoing Investigations		190

14.7 Two Tenancy Fraud files are being prepared for prosecution and 126 of these cases (66%) 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 30th June 2021 there were 264 ongoing applications under investigation. During quarter one, 13 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. 89 new applications were received in this period for review, this is due to the backlog of valuation work by surveyors being cleared in recent months since covid restrictions were lifted.

14.10 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 have recommenced attending the gas safety visits, following a COVID-19 risk assessment.

14.11 Pro-active counter-fraud projects

In quarter one, 2 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 and completing post event assurance work to identify fraud and error for appropriate action.

14.12 No Recourse to Public Funds (NRPF)

In quarter one, 9 referrals have been received and responded to by the Fraud Team. 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.

14.13 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 one. There was one new employee related investigation received in quarter one.

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.

14.14 Whistleblowing Referrals

The Head of Audit and Risk Management maintains the central record of referrals made using the Council's Whistleblowing Policy. One new referral was made during quarter one, work on this is on-going.

14.15 Prosecutions

As at 30 June two suspected tenancy fraud investigations had been advanced for prosecution.