

Report for: Corporate Committee – 16 November 2021

Item number:

Title: Audit & Risk Service Update
Quarter 2 (July - September 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 September 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 two 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. 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 that no final reports were issued in the relevant quarter 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 July 2021 to 30 September 2021 and summarises the work of the Audit & Risk Service in relation to Audit, Risk and Fraud.
- 11.2 The in-house team has had one vacancy in quarter two. The team currently consists of a Head and Deputy Head of Audit & Risk, Six Fraud Investigators, the Assistant Investigator post is vacant. The operational delivery of the audit plan is undertaken by Mazars.

12. INTERNAL AUDIT

- 12.1 The team were still concluding the 2020/21 audit plan in quarter one so during quarter two the focus has shifted to the 2021/22 audit plan with planning and fieldwork activity well underway. 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. Senior Management have requested some changes to the 2021/22 audit plan because of emerging risks and issues in the council and these requests have been considered and the plan amended as required. Flexibility in the annual audit plan is essential to ensure the assurance needs, both statutory and those of the organisation are met. The changes are listed below for information. The teams focus for quarters three and four is to deliver this updated plan, with all reports that will inform the 2021/22 Head of Internal Audit Opinion finalised by April 2022. The Head of Audit & Risk is reviewing resource requirements to enable this; however, any changes will be contained within the services budgetary constraints. Any audits requested that can not be met by the current years resources can be commissioned by the service or will be considered as part of audit planning for 2022/23.

12.2 **Table 1 - Changes to Audit Plan (as at September 2021)**

Audit Title	Change	Audit Sponsor	Reason
Hospitality and Gifts	Advisory	Director of Customer Services, Transformation and Resources	Efficiency – The audit time will be used to advise on making the current arrangements more robust. Our planning has highlighted improvements are required.
Elective Home Education	Added	Director of Children's	Management request from the Director of Children's Services.

Audit Title	Change	Audit Sponsor	Reason
Early Help Care Plans	Removed	Director of Children's	Alternative assurance available following Joint Area SEND inspection July 21 (Ofsted and CQC). This area will be reviewed as part of the 2022/23 internal audit plan.
Mosaic	Added	Directors of Children's and Adults	Management request by Director of Adult's services following risks identified around access control and authorisation to new users.
Transition London Living Wage	Removed	Director of Adults	Risk level reduced following assurances from the service.
Appointeeships and Deputyships	Added	Director of Adults	Management request by Director of Adults Services.
Purchasing Cycle	Removed	Director of Environment and Neighbourhoods	Corporate review of operating model for procurement being considered by the service. Further audits planned once improvements have been made.
Management of Contract Register	Removed	Director of Environment and Neighbourhoods	Corporate review of operating model for procurement
Commercial Land and Property	Added	Director of Housing, Property and Regeneration	Management Request from Director of Housing, Regeneration and Planning.
Park View School	Added	Director of Children's	Brought forward from 2022/23 following a cyber fraud.

12.3 There have been no reports finalised at the end of quarter two, however those that have reached the draft stage, as well as work in progress is outlined in Appendix A of this report.

- 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 and implemented with other services.
- 12.5 Troubled Families returns have been audited and assurances provided to the Department for Levelling Up, Housing and Communities that the information provided by the Troubled Families Team in pursuit of funding is correct.
- 12.6 Follow up activity commenced in quarter two. A risk-based focus is deployed and updates with regards priority one recommendations are communicated to the statutory functions board. Internal audit will follow up the agreed priority 1 and priority 2 actions within 2020/21 audit reports as part of the 2021/22 audit plan, and where required, escalate to where there are concerns raised by follow up work. Future quarterly reports will provide an update on follow up activity.

13. RISK MANAGEMENT

- 13.1 In quarter two the Head and Deputy Head of Audit and Risk have been reviewing the council's strategy for Risk Management and updated Strategy and an action plan to embed it will be presented later this financial year following internal consultation.

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 2 - Local Performance measures – anti fraud activity

Performance Indicator	Q2	YTD	Financial Value	Annual Measure
Properties Recovered	7	12	216k	50
Right to Buys prevented	13	26	£2.75m	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. The Tenancy Management Team in Homes for Haringey has recently been restructured and due to leavers, there are several vacancies currently in the structure. The introduction of a new system has also slowed the investigations. The new structure will be populated in October 2021 and a plan of work has been agreed with the new Head of Service to ensure that new process and procedures are embedded to maximise outcomes from fraud work. There are also plans to do proactive tenancy fraud work including data matching in coming months. It is hoped that this will ensure out annual targets are achieved and try to shift the councils work on tenancy fraud to a more proactive and preventive approach.

14.5 The Fraud Team will continue to work with the newly restructured HfH team 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 3 - Tenancy Fraud Activity and Outcomes

Opening Caseload	190	
New Referrals received	53	
Total		243
Properties Recovered	7	
Case Closed – no fraud	6	
Total		(-) 13
Ongoing Investigations		230

14.7 Two Tenancy Fraud files are being prepared for prosecution and 118 of these cases (51%) 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 September 2021 there were 301 ongoing applications under investigation. During quarter two, 13 RTB applications were withdrawn or refused either following review by the fraud team and/or due to failing to complete money laundering processes. 63 new applications were received in this period for review, this continues to be higher than average and 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, two members of the team have continued to support the Business Grants administration project, undertaking where required on a risk basis pre-payment checks to ensure the risk of fraud and error is minimised. As noted earlier in this report the team are also completing post event assurance work to identify fraud and error for appropriate action.

14.12 No Recourse to Public Funds (NRPF)

In quarter two, eleven 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. At the end of quarter one we had three investigations in progress. Our work is completed on all three and they are with management for action.

One new employee related referral was received in quarter two however it was not accepted as an audit or fraud investigation as the allegations were conduct related and therefore a management investigation under the relevant human resources policy was most appropriate.

The Audit and Risk service work closely with officers from HR and the service area involved to ensure that the appropriate investigation, following a referral, 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. The one whistle-

blower case on-going at the end of quarter one has been concluded and is with management for action. No new referrals were made during quarter two.

14.15 **Prosecutions**

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