

Section 3

Appendix A

3. Quarter Four- Internal Audit Work

3.1 Audit Progress

- 3.1.1 The Annual Audit Plan, approved by the Audit Committee in May 2017, comprised 48 audit reviews. Adjustments were made throughout the year (see Table below); therefore the total number of audit reviews for 2017/18 is 46.
- 3.1.2 Current, cumulative progress toward delivery of the 2017/18 audit plan (including audits carried forward from 2016/17, but excluding School Health Checks) is summarised in the table below, with further detail provided in Appendix D. It should be noted that some of the work undertaken by internal audit does not result in an opinion being provided, such as advisory reviews and grant claims.

Audit Plan Status	Number of Audits / Tasks
Approved Audit Plan 2017/18	48
2016/17 Audit tasks brought forward to 2017/18	9
Audit tasks added to the Plan	7
Audit tasks cancelled	(6)
Audit tasks postponed/deferred to 2018/19	(12)
Audits completed	46
Final reports issued / completed	42
Draft reports issued	4
Total	46

3.2 Risk Based Systems and School Audits

- 3.2.1 The table below details the results of the final reports issued in quarter four.

Report	Assurance	Recommendations			
		High	Med	Low	Total
System Audits					
Troubled Families* (17/18 Claim 3)	Substantial	0	0	0	0
Housing Benefit – new claims or change in circumstance	Substantial	0	0	0	0
Private Sector Leasing – Liberty Housing	Moderate	1	4	0	5
Care Act 2014 – Safeguarding	Substantial	0	0	1	1
Project & Programme Governance	Limited	6	0	0	6
Accounts payable service payments teams in directorates	Substantial	0	3	2	5
Gifts and Hospitality	Substantial	0	4	2	6
No recourse to public funds (NRPF)	Limited	5	0	0	5
NNDR – Billing and Collection	Substantial	0	4	0	4

Report	Assurance	Recommendations			
		High	Med	Low	Total
oneSource System Audits					
Offsite storage Follow Up	Substantial	0	0	0	0
Enforcement Agents	Substantial	0	3	0	3
Security over data warehouse	Substantial	0	2	3	5
Debt Recovery	Substantial	0	3	0	3
Budget Monitoring	Substantial	0	0	0	0
System Audits Total		12	23	8	43
School Audits					
Branfil Primary	Substantial	0	2	0	2
Crownfield Juniors	Moderate	1	5	2	8
Engayne Primary	Substantial	0	1	1	2
Gidea Park	Substantial	0	4	0	4
Harold Court Primary	Moderate	0	7	1	8
Squirrels Heath Juniors	Moderate	0	6	4	10
Towers Juniors	Moderate	1	7	1	9
St Edwards Primary	Substantial	0	3	2	5
Parklands Juniors	Moderate	0	6	3	9
Elm Park Primary	Moderate	0	7	2	9
Schools Total		2	48	16	66
Q4 Audits Total		14	71	24	109

*A report is issued for each claim window but is classed as one task within the audit plan

Key to Assurance Levels	
Substantial Assurance	There is a robust framework of controls and appropriate actions are being taken to manage risks within the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
Moderate Assurance	Whilst there is basically a sound system of control within the areas reviewed, weaknesses were identified and therefore there is a need to enhance controls and/or their application and to improve the arrangements for managing risks.
Limited Assurance	There are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

3.2.2 During quarter four, 16 school health checks were completed.

3.3 Outstanding Audit Recommendations Update

3.3.1 Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review.

3.3.2 This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

3.3.3 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

High:	Fundamental control requirement needing implementation as soon as possible.
Medium:	Important control that should be implemented
Low:	Pertaining to best practice.

3.3.4 The table below summarises the number of recommendations arising from reports issued in quarter four. This table does not include schools, as these are set out below in section 3.4.

System Audit recommendations	High	Med	Low	Total
No. of Recs raised in Q4	12	20	8	40
Outstanding Recs brought forward from previous quarters	2	9	1	11
Total	14	29	9	52
Recommendations due to be implemented by 31/05/18	2	10	1	13
Fully Implemented	2	10	1	13
Partially Implemented	0	0	0	0
Not Implemented	0	0	0	0

3.3.5 All recommendations that became due in quarter four have been followed up and have been implemented.

3.4 Outstanding School Audit Recommendations Update

3.4.1 The table below summarises the recommendations raised for school audits during quarter 4:

School Audit Recommendations	High	Medium	Low	Total
No. of Recs raised in Q4	2	48	16	66
Outstanding Recs brought forward from previous quarters	1	3	5	9
TOTAL	3	51	21	75
Recommendations due to be implemented by 31/05/18	2	5	2	9
Fully Implemented	2	3	0	5
Partially Implemented	0	0	0	0
Not Implemented	0	2	2	4

Appendix B

4. Limited Assurance Report Summaries

4.1 Project and Programme Governance

- 4.1.1 A number of large-scale / complex projects are planned / underway within Havering to regenerate the community and develop the economy of the Borough.
- 4.1.2 Clear and formal expectations in relation to Project / Programme Governance and Management have not been established by the Authority and, as a result, all projects / programmes are being managed within the skill set of the individual service.
- 4.1.3 Aspects of expected governance arrangements have been established corporately in the form of the Council's Constitution, which establishes the Executive Decision making process. However, this guidance sits alone and is not part of an overarching framework in relation to projects / programmes governance or management.
- 4.1.4 Advice and guidance from specialist departments that have a greater understanding of legislative and local expectations is available, but is ultimately reliant on the service to engage this support.
- 4.1.5 Limited support is available in relation to project governance arrangements. The Corporate Project Management Office (PMO) provides recommended advice in the Project and Programme Management Handbook, along with templates for key documents. However, users are not required to use these templates, or follow the advice set out in the Handbook. Project tolerances and exception reporting standards are not defined. Additionally, signposting to these documents is limited, and relies on staff seeking out this information or being signposted to it by another member of staff.
- 4.1.6 There are no formal requirements regarding project boards, including board composition and remit. Where there are boards in place for projects, the effectiveness of these cannot be determined without clearly defined standards and governance arrangements.
- 4.1.7 Work is underway centrally to develop a Project Governance Framework which will include collaborative working with various departments to ensure that Council and Legislative requirements are included.
- 4.1.8 The Council established a PMO in 2017. The team is relatively small, consisting of six members of staff, of which three are on fixed term contracts that expire between June and November 2018 and two are agency members of staff. The PMO Manager is seconded to the team until December 2018. Whilst the PMO are ideally placed to provide a source of monitoring, challenge and enforcement, the current mandate of the PMO is to provide advice and guidance only.
- 4.1.9 In addition to the support role, the PMO has implemented Execview, a project management software tool, used to identify, record and monitor various aspects of a project. At the time of this review approximately 330 programmes / projects from

across the Council, including oneSource, were recorded on Execview. The software allows documents to be uploaded in support of project details from initiation through to benefits realisation. The full functionality of this software is not currently being utilised. Whilst the software has been embedded as the business as usual process for project management across the Council, there is evidence to support that there are programmes / projects that have not been recorded on Execview

- 4.1.10 Discussions were held to understand how services such as Finance feed into the planning and delivery of projects / programmes. These discussions highlighted that there is no formal process to ensure specialist services are involved at key stages of the project / programme. With the exception of signing off Cabinet reports prior to submission, services are reliant on being engaged. Without specialist input, there is little opportunity to challenge key those aspects of the project, such as the financial arrangements, and to ensure all necessary elements of the project comply with both legislative and local requirements.
- 4.1.11 Outside of the existing processes, such as the Executive Decision making process, there is no consistent recording of any further decisions made. This lack of transparency impacts on the understanding of decisions made and can led to confusion, evidenced through discussions during this review as to the funding of existing projects. Given the length of time projects can span, a clear record of decisions made is necessary not only to ensure accountability, but for continuity and to avoid placing reliance on officers knowledge, which can be lost when changes to staff occur.
- 4.1.12 The Corporate Risk Register references failure of alternative service delivery models, but does not specify major projects or the joint ventures. There is potential for significant risks associated with major projects / programmes of work to materialise and impact on the Council as a whole, and whilst risks are monitored through Execview, there is no mechanism in place to feed these risks into the Council's Corporate Risk Register.
- 4.1.13 This audit makes six high priority recommendations that relate to the need for:
- A Programme / Project Governance Framework, that sets out the Councils requirements, dependent on the risk / financial impact of the project, from initiation through to completion to be developed and embedded across the Council. This framework should engage all relevant services to ensure it allows all aspects of projects to comply with the relevant legislative requirements;
 - The Programme / Project Governance Framework to set out requirements in relation to the setting up of project boards, including frequency of meetings, adequate composition of board members to ensure boards contain individuals with the required skill set and the need for meetings / decisions to be clearly minuted;
 - A decision with regard to the future direction of the PMO to be made. At the same time, it would be prudent to consider the existing mandate of the PMO and the potential transition from a "light touch" support position to a source of challenge and assurance;
 - In order to ensure all projects are centrally recorded, a clear message that Execview is the Councils "business as usual" system for project management to

be issued. Implementation of this should be supported by adequate communication to staff and signposting to Execview;

- All key business areas, such as Finance, Procurement and Democratic Services to feed into a project should be established. This process should provide a robust mechanism for ensuring proposed financial arrangements to fund the project are appropriate prior to submission to Cabinet and that the project considers requirements in relation to key areas such as the Executive Decision making process and procurement; and
- The risks associated with projects to be identified as part of the business case approval process and monitored through the project board process. Significant risks should be escalated for consideration in the Council's Corporate Risk Register.

4.1.14 Management agreed to implement all of the recommendations raised in this report and action is underway to address the issues identified.

4.2 No Recourse to Public Funds (NRPF)

4.2.1 The NRPF Network, Practical Guidance for Local Authorities states that Local authorities have a duty to safeguard and promote the welfare of children in need within their jurisdiction. The Council has a duty where a need for support has been identified and verified, including families not entitled to access public funds because of their immigration status.

4.2.2 Prior to October 2016 these cases were managed by a dedicated NRPF Team. When this team was disbanded, responsibility for gathering information on the number of families supported had not been assigned. The Business Support Team, within Children's Services, has now been tasked with collating this information.

4.2.3 This review has established that there is no clear process in place for managing NRPF cases within the Council. Policies or procedures in regards to NRPF could not be located during the audit.

4.2.4 For 2017/18 a budget of £260k for NRPF was set up under the Section 17 Cost Centre. As at the end of March 2018, £170k had been spent on NRPF support

4.2.5 Based on the information provided by the Business Support Team, as of April 2018 Havering Council was supporting 15 families (32 children) under the NRPF criteria. However, a report run from CCM, in May 2018, of all open and closed cases with a case status of NRPF identified one case.

4.2.6 Without clear records there is a risk that cases are being supported by departments, such as Children in Need, under Section 17 of the Children's Act 1980, but are not visible as an NRPF case. The impact is the risk that cases are not being consistently assessed and that families are receiving support they are not entitled to or are no longer eligible for.

4.2.7 There is also a risk that the cost of supporting these cases is being integrated within the departmental core budgets, resulting in unnecessary budget pressures. The lack of transparency in regards to NRPF cases may result in the drivers of budget pressures being unknown.

- 4.2.8 Benchmarking would allow the borough to assess the potential number of NRPF cases it could be expected to support, however no benchmarking has been undertaken. Data easily available to Internal Audit through the oneSource partnership found that as at April 2018 the London Borough of Newham was supporting 94 families under NRPF whilst the London Borough of Bexley was supporting 80 families. These figures would indicate that Havering is providing support to a relatively low number of families under NRPF.
- 4.2.9 The lack of processes, procedures and controls regarding NRPF, coupled with the results of testing undertaken and the difficulties experienced during the audit is sufficient to indicate that the data supplied in regards to NRPF cases is unreliable.
- 4.2.10 Discussions have failed to identify whether the Council has a statutory obligation to submit annual data returns regarding NRPF cases. The lack of controls in place to manage and monitor NRPF cases would impact on the accuracy of data gathered for reporting purposes.
- 4.2.11 Ultimately a lack of control within NRPF, increases the risk of fraudulent claimants and the potential for financial loss to the Borough, as experienced by other Local Authorities.
- 4.2.12 This audit makes five high priority recommendations that relate to the need for:
- The process for assessing, recording and managing NRPF cases to be established and documented. This process should clearly define responsibilities regarding ownership and oversight of NRPF. Documented policies and procedures should be produced to support the process and staff training should be provided where necessary;
 - A data cleansing exercise to be undertaken to ensure that all NRPF cases are correctly recorded as such within existing systems, including the use of NRPF as a case status within the CCM system;
 - A review to be undertaken on existing NRPF cases, to determine where expenditure is being coded, to ensure that costs are being correctly coded to NRPF and not consumed within existing service budgets;
 - All existing NRPF cases to be assessed to ensure that they are still eligible for support; and
 - Action to be taken to establish whether the Council has any statutory obligations in regards to NRPF, such as the submission of periodic data returns. Responsibility for meeting any obligations identified should be clearly assigned.
- 4.2.13 Management agreed all recommendations raised in this report and action is underway to address the issues identified.

Appendix C

5. Quarter Four - Counter Fraud Audit Work

5.1 Proactive Counter Fraud Investigations

5.1.1 Proactive work undertaken during quarter three is shown below:

Description	Risks	Quarter 4 Status
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Ten requests for advice were received during the quarter.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. Two requests for advice were received during the quarter.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. Four referrals were received during the quarter.	Ongoing

5.2 Reactive Investigation Cases

5.2.1 During quarter four one referral was received which is currently being investigated.

5.3 Tenancy Fraud Project

5.3.1 The tables below show the work undertaken on the Tenancy Fraud Project during quarter four.

Housing Investigations						
Month	Tenancy Audit Visits	Tenancy Audits (Checks completed)	PSL Tenancy Audit Visits	PSL Tenancy Audit (Checks completed)	Referrals from Audit to Fraud	NFA'D
Jan	345	86	111	23	7	79
Feb	485	154	104	22	6	148
Mar	282	59	68	13	9	50
YTD	5,897	1,782	2,973	535	86	1,696

Internal Audit					
Month	Cases Under Investigation (open cases)	Closed	Total Properties Recovered	Cases referred for HB Fraud	RTB cancelled through audits
Jan	87	5	4	2	2
Feb	81	3	4	1	2
Mar	82	8	2	1	1
YTD		91	31	15	23

5.3.2 The total net savings (minus project costs) for the project from October 2015 to March 2018 is £6.62m. The breakdown for each year is below.

- April 2017 to March 2018 - £2.61m
- April 2016 to March 2017 - £2.54m
- October 2015 to March 2016 - £1.47m

5.3.3 Outcomes for the quarter include the following:

- Ten properties were recovered with a nominal value of £180,000;
- Five Right to Buy applications were withdrawn with a notional value of £434,949; and
- Two Homelessness Duty Refusals totalling £36,000 (Based on an estimated cost of £18,000 for the Council paying for homelessness subject to secure a homelessness duty).

Appendix D: End of year status of 2017/18 Audit Plan

	AUDIT TITLE	STATUS	OPINION
PRIOR YEAR AUDITS	One Oracle	COMPLETE	MODERATE
	Contract Monitoring – Environment	COMPLETE	SUBSTANTIAL
	Declarations of Interest	COMPLETE	MODERATE
	Disaster Recovery Follow Up	COMPLETE	SUBSTANTIAL
	Grants to Voluntary Organisations	COMPLETE	SUBSTANTIAL
	Change Management	COMPLETE	SUBSTANTIAL
	BACS Transmission	COMPLETE	SUBSTANTIAL
	Children's Commissioning	COMPLETE	SUBSTANTIAL
	One Oracle Interfaces	COMPLETE	SUBSTANTIAL
LBH SYSTEM AUDITS	Fairkytes	COMPLETE	SUBSTANTIAL
	Troubled Families Programme (Sept' Oct' & March Claim)	COMPLETE	SUBSTANTIAL
	Client Finance deputyship and appointeeship	COMPLETE	SUBSTANTIAL
	Homelessness - Housing Tenancy Arrangements	COMPLETE	SUBSTANTIAL
	Land of the Fanns – Initial Grant Arrangements Review (Additional Task)	COMPLETE	N/A - GRANT
	Mayor's Appeal Fund – Annual Grant Review (Additional Task)	COMPLETE	N/A - GRANT
	Housing Benefit - new claims or change in circumstances	COMPLETE	SUBSTANTIAL
	NNDR – Billing and Collection (Additional Task)	COMPLETE	SUBSTANTIAL
	Accounts payable service payments teams in directorates	COMPLETE	SUBSTANTIAL
	Gifts and Hospitality (Corporate Culture)	COMPLETE	SUBSTANTIAL
	Offsite Storage Follow up (Additional Task)	COMPLETE	SUBSTANTIAL
	No Recourse to Public Funds (NRPF)	COMPLETE	LIMITED
	Private Sector Leasing - Liberty Housing	COMPLETE	MODERATE
	Care Act 2014 – Safeguarding	COMPLETE	SUBSTANTIAL
	Project and Programme Governance Review (previously called Alternative Delivery Models)	COMPLETE	LIMITED
	Procurement including compliance with public contract regulations 2015	COMPLETE	N/A - ADVISORY
	Information Governance/ Data Protection - GDPR	COMPLETE	N/A - ADVISORY
	Off-Payroll Engagement (IR35)	COMPLETE	N/A - ADVISORY
ONESOURCE	Enforcement Agents	COMPLETE	SUBSTANTIAL
	Debt recovery	COMPLETE	SUBSTANTIAL
	Cyber Security	COMPLETE	TBC
	Security over data warehouse	COMPLETE	SUBSTANTIAL
	Budget Monitoring/ Savings Programme	COMPLETE	SUBSTANTIAL

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SCHOOLS	St Alban's RC Primary	COMPLETE	SUBSTANTIAL
	St Mary's RC Primary	COMPLETE	MODERATE
	Crownfield Infants	COMPLETE	MODERATE
	Squirrels Heath Infants	COMPLETE	MODERATE
	Parklands Junior (Additional Task)	COMPLETE	MODERATE
	St Edwards Primary (Additional Task)	COMPLETE	SUBSTANTIAL
	Gidea Park	COMPLETE	SUBSTANTIAL
	Towers Junior	COMPLETE	MODERATE
	Squirrels Heath Junior	COMPLETE	MODERATE
	Harold Court Primary	COMPLETE	MODERATE
	Branfil Primary	COMPLETE	SUBSTANTIAL
	Crownfield Juniors	COMPLETE	MODERATE
	Engayne Primary	COMPLETE	SUBSTANTIAL
	Elm Park Primary (Additional Task)	COMPLETE	MODERATE
	Health Checks (21)	COMPLETE	X21 FINAL REPORTS ISSUED

Status of 2017/18 Audit Plan – Audits moved or cancelled

	AUDIT TITLE	STATUS
LBH SYSTEM AUDITS	Reablement Services	MOVE TO 18/19 – service request
	Care Packages	MOVE TO 18/19 – service request
	Health and Social Care Integration - Hospital Discharges	MOVE TO 18/19 – service request
	Compliance with new Report Approval Processes	MOVE TO 18/19 – New process not yet implemented.
	Children's disability service	MOVE TO 18/19 – Terms of Reference issued April 2018
	Contract Management: Checking of contractor works	MOVE TO 18/19 – agreement with service to link in with other work
	Housing and Planning Act 2016	DEFERRED – now included in 18/19 plan
SCHOOLS	Scargill Infant (replaced by Parklands Junior)	CANCELLED – converted to Academy September 2017
	Whybridge Junior (replaced by St Edwards Primary)	CANCELLED – converted to Academy September 2017
ONESOURCE	1Oracle follow up	CANCELLED – previous audit was not limited.
	Serious and Organised Crime	CANCELLED - proactive workload in 17/18
	Northgate (Revs and Bens) Application Review	CANCELLED – LB Newham only
	Paris Applications	MOVE to 18/19 – to be included within transactional service review
	Establishment Controls	CANCELLED – following risk assessment
	Pension fund governance	MOVE TO 18/19 – service request
	NNDR - debt recovery & write offs (Replaced by NNDR – Billing & Collection)	MOVE TO 18/19 – service request
	Staff Vetting	DEFERRED – now included in 18/19 plan
	Treasury Management	MOVE TO 18/19 – service request