

Assurance End of Year Report 2020/21 incorporating Head of Assurance Opinion

1 Head of Assurance Annual Opinion

- 1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit (Head of Assurance) is required to provide an annual opinion to the Audit Committee, based upon and limited to the work performed by Internal Audit on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is achieved through an audit plan that is focused on key strategic and operational risk areas, agreed with senior management and approved by the Audit Committee. The Head of Assurance opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based audit work formulated around a selection of key systems and risks.
- 1.2 In line with best practice, Internal Audit prepares, in consultation with senior management, an annual risk based strategic plan. The audit plan is, if necessary, amended during the year to reflect changes within the Council's risk profile.
- 1.3 From the work undertaken during the 2020/21 year, **reasonable assurance** can be provided that there is generally a sound system of internal control across the Council. This opinion is broadly consistent with the 2019/20 view. However, it should be noted that the reasonable assurance opinion provided overall last year contained three areas of significant issues, as detailed below:
- Financial control areas such as payroll and purchase cards;
 - Controls over private sector leasing arrangements: and
 - Procurement, specifically a lack of contracts in place for a number of suppliers.
- 1.4 Purchase Cards and Private Sector Leasing arrangements have been followed up during 2019/20 and reasonable assurance can be provided on the controls operating in these areas.
- 1.5 The payroll audit recommendations will be followed up in the first Quarter of 2021/22, as the implementation of a new financial system (Fusion) has meant that testing has not been possible until this point.
- 1.6 The Procurement Service is undergoing a significant strategic review at the time of this report, so the Internal Audit Service will review the control environment again when this work is completed. Other audits throughout 2020/21 have included elements of procurement testing, so there has been a level of audit coverage throughout the year in this area.
- 1.7 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the Internal Audit risk based plan, that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

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- 1.8 It should be noted that the Council's response to the COVID 19 pandemic has meant that the approach and focus of internal audit work has been subject to change during the course of 2020/21. The Internal Audit service has adapted its work schedule to ensure that the key risks have been addressed and prioritised to provide sufficient coverage of the control environment.
- 1.9 The table below provides a summary of Audit Opinions issued in 2020/21. 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 Category	No Opinion	Substantial	Moderate	Limited	No Assurance
LBH Systems Audits	5	2	3	1	0
LBH Schools Audits	0	5	4	0	0
Total	5	7	7	1	0

- 1.6 The table below provides the definitions of the assurance levels provided by internal audit:

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 / No 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.

2 Outturn of 2019/2020 Internal Audit Plan

- 2.1 The Annual Audit Plan was approved by the Audit Committee in July 2020. The plan was developed using a thematic approach, in line with the Corporate Plan priorities for 2020/21, with time allocated under each theme to carry out risk identification and process mapping, where required. Members are reminded that the 2020/21 audit plan was presented as a flexible plan, subject to review through the year to ensure that emerging risks are covered. Adjustments to the plan are made to allow for changes in the risk and operational environment in which the Council operates. Where changes are made they are outlined in the table provided in section 9.
- 2.2 Due to the COVID emergency response, the priorities and risk profile of the Council changed significantly during 2020/21. Internal Audit adapted their work to provide assurance on the emergency response projects and changing risk environment. The COVID-19 pandemic was reflected in the plan presented to Audit Committee in July, with tasks added to the plan as emergency response projects were initiated across the council.
- 2.3 It should be noted that Internal Audit have been involved in providing assurance on the progress of a number of the key response projects, including the COVID 19 risk register. The service has also been included in the key emergency response boards, including Silver and Bronze groups and the Council's recovery group. Internal audit have also regularly liaised with key Officers involved in the pandemic response, such as within Business Continuity and Emergency Planning. As a result, Internal Audit have been able to provide assurance on the Council's emergency response throughout the course of the year.
- 2.4 School closures meant that all school audits were postponed until later in the year, with resources used during Quarter Two to adapt the programme to ensure we were able to carry out off-site audits where restrictions relating to the pandemic remained in place longer term. A member of the audit team was redeployed temporarily during Quarter One and Quarter Two to assist with the NHS shielding calls project. Work on supporting risk management and adapting the corporate risk register to reflect the pandemic also took priority during this time.
- 2.5 The table below details the results of the final reports issued / reviews completed since the last progress report presented to Members in February 2021:

Report	Assurance	Recommendations			
		High	Med	Advisory	Total
System Audits					
Treasury Management	Substantial	0	0	1	1
Troubled Families	Substantial	0	0	0	0
Health and Safety	N/A	0	0	3	3
Temporary Accommodation	N/A	N/A	N/A	N/A	N/A
System Audits Total		0	0	0	1
School Audits					
Parklands Junior School	Moderate	0	3	3	6
Clockhouse Primary School	Substantial	0	1	4	5
Corbets Tey School	Substantial	0	1	1	2
Elm Park Primary School	Moderate	1	1	7	9
St Mary's Catholic Primary School	Moderate	1	3	9	13
St Peter's Catholic Primary School	Moderate	0	2	6	8
Squirrels Heath Junior School	Substantial	0	0	1	1
School Audits Total		2	11	31	44

3 Audit Recommendations Update

- 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.
- 3.2 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 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:	Advisories - Pertaining to best practice.

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3.4 The status of all recommendations raised during 2020/21 is outlined within the table below:

Systems Audits				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	0	0	4	4
Total Recommendations Raised during 2020/21	6	4	4	14

School Audits				
Number of Recommendations	High	Med	Advisory	Total
Recommendations raised since the last progress report	2	11	31	44
Total Recommendations Raised during 2020/21	2	17	38	57

3.5 The details of the high risk recommendations were provided to Members in each of the progress reports provided at the previous Audit Committee meetings. It can be confirmed that all high risk recommendations raised during 2020/21 that were due by 31st March 2021 have been implemented.

3.6 The table below provides details of all recommendations raised for systems audits during 2020/21:

Audit	Risk	Recommendation	Status as at 31/03/21
Purchase Card Compliance	Med	<p>Mandatory training / guidance should be provided to approving managers and cost centre managers to ensure that they understand their respective roles in the monitoring and control of purchase card spend, not only in achieving value for money, but also in the prevention and detection of fraud. Training / guidance should cover:</p> <ul style="list-style-type: none"> • The need to ensure stock being purchased is actually received; • Consideration as to whether the most appropriate procurement route is being used to achieve value for money; • Whether spend is in line with budget forecasts, particularly where the budget holder does not have visibility of purchase card spend; • What reports are available to approving managers and cost centre managers around purchase card activity within their area; • The link between purchase card activity and the budget monitoring process; and • Possible indicators of fraud. <p>It is suggested that as part of the production of training / guidance, that advice from the Fraud Team and Finance is obtained.</p>	Not yet due

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Contract Management - Housing	High	Immediate discussions with the contractor to check that (for work invoiced to date): jobs raised on openhousing were carried out as expected; that the rates charged on the invoices match the schedule of works in the contract and that these invoices have been paid; any additional payments made that appear to be duplicates, errors or, over and above the amounts in the schedule of work should be recouped from the contractor; and where supporting information cannot be identified for the jobs without job numbers, the Contractor must be asked to provide the supporting evidence.	Implemented
	High	Invoices received from the contractor should be reconciled to the openhousing system to ensure the requests for payment is valid. The following should be included as part of this process: <ul style="list-style-type: none"> - verification against the relevant open job orders in openhousing; - amounts charged matched to the schedule of rates in the contract; - that the job has been completed to the expected standard; and - once payment is made, this is recorded and the job is closed on the system. 	Implemented
Private Sector Leasing - Follow Up	High	A systematic check of existing PSLs should be carried out to ensure all key documents are in place, particularly those required to support that the property is safe for tenants to be placed in it. All documents should be stored on a suitable IT platform. Households deemed to be at risk due to living in properties that have significant faults and/or unavoidable hazards should be expected to be subject to a planned move.	Implemented
	High	Action should be taken to implement a process for the reporting, recording and recovery of rechargeable repair costs to tenants arising from the void process. Responsibilities in relation to this process should be clearly communicated to all appropriate Teams / Officers.	Not yet due
	Med	Similar to the current rules around four weeks rent arrears, a decision should be made as to what level of outstanding rechargeable repairs costs would prevent a tenant being awarded a secure / fixed term tenancy.	Implemented

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Private Sector Leasing – Follow Up	High	<p>A review should be undertaken of the current PSL Scheme including the Rent Guarantee Scheme and cashless bond arrangements. This should include:</p> <ul style="list-style-type: none"> • The value of the cashless bond • What term the bond exists • When and how the bond can be redeemed • When rent payments to landlords will be begin; • When rent payments will cease, including any ongoing payments of rent after the property has been handed back; • Circumstances whereby the Council would be entitled to stop rental payments e.g. in the event that the Councils ability to use the property is delayed by the owner or a suitable tenant cannot be identified; and • The payment of financial incentives and compensations payments. <p>Expectations arising from this review should in clearly outlined in documented procedures and any associated PSL literature available to current and prospective landlords.</p>	Implemented
	High	<p>The service should work with Legal Services to review the wording of the lease agreement with the property owner to ensure the Council does not assume liabilities that should rest with the landlord and to reduce the Council’s risk of exposure.</p> <p>Advice should be sought at this time to establish how / when the Council would be in a position to replace the leases for the existing portfolio.</p>	Implemented
Business Continuity & Emergency Planning	Med	<p>Documented guidance should be produced detailing the expectation of managers in relation to BCP. This should include: the requirement to hold a hard copy BCP; guidance on completing the BCP; responsibility for checking third party contractors’ BCPs and where additional support can be obtained if necessary.</p>	Implemented
	Med	<p>As part of the Council’s Covid-19 response work, and any associated lessons learnt exercises, consideration should again be given to the development of local risk registers. The decision about the need for such local registers should be informed from the feedback on how the existing risk register structure coped during the pandemic. It should then be considered as to whether the existence of local registers may have been useful. Any local risk registers should follow the same principles as for the CRR (in terms of scoring and presentation) but include lower level risks, specific to each service, but which do not score highly enough in isolation to be included on the CRR. If implemented, local risk registers should then be regularly reviewed to ensure that any changes in risk score are identified and escalated as necessary.</p>	Implemented

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Treasury Management	Adv	It is advised that the authorised signatory list is included in the Treasury Management Procedures document, to enable all officers involved in the Treasury Management process to be fully informed.	N/A
Health and Safety	Adv	Where H&S policies have not been updated, or cannot be located, remedial action should be taken and these updated policies made available to staff.	N/A
	Adv	Once the Fusion system is able to establish links to the new H&S e-learning platform, this should be used to monitor compliance with training requirements. Regular reporting should take place, with any non-compliance escalated to CMT. In addition, a Training Needs Analysis should be conducted, to ensure that staff training requirements are adequately mapped out against their roles.	N/A
	Adv	A central log of Risk Assessments should be developed to allow the Corporate H&S Team to more effectively monitor compliance. Compliance should then be discussed at the Corporate H&S Management Board meetings with non-compliance monitored and escalated to CMT if necessary.	N/A

Schools Programme

- 4.1 There are currently 44 borough maintained schools within Havering. Of these, 40 schools will have received a triennial audit between the financial years 2018/19 – 2020/21. The remaining four maintained schools were assessed on the assurance given at their last triennial audit and considered to be low risk; therefore a triennial audit was not delivered as part of the three year rolling programme. These schools have received at least one health check since their last triennial visit, and are scheduled to be reviewed as part of the 2021/22 audit plan.
- 4.2 In addition to assessing the implementation of recommendations raised following the previous audit, the Health Check also reviews the perceived high risk areas, including those common themes noted in paragraph 4.4 below.
- 4.3 Assurance opinions are given for each school report. Currently, eight schools out of the 20 schools due in 2020/21 have received their Triennial audit, a further seven are underway with the remaining three audits moved to the 2021/22 plan. Of the nine schools who have received a triennial audit in 2020/21, five received Substantial Assurance, and four received Moderate Assurance.
- 4.4 Recommendations raised during the 2020/21 audits produced some common themes found across multiple schools:
- Orders should be raised on the finance system before the invoice is received;
 - Supplier invoices should be paid within the required 30 day payment period; and
 - Residential School trips: Schools should produce an end of trip profit and loss statement which should be presented to Governors for information purposes.
- 4.5 During 2020/21, the service was due to deliver nine Health Checks, generating total revenue in year of £8,262. Due to COVID 19, and the resulting closure of all schools, the Health Checks have been delayed, with priority given to the delivery of the Triennial Audits.
- 4.6 The Schools Financial Value Standard (SFVS) is designed to assist schools in managing their finances and to give assurance that they have secure financial management in place. As Governing bodies have formal responsibility for the financial management of their schools, the standard is aimed primarily at governors. The SFVS returns are used to inform the risk based internal audit programme. All schools within Havering completed and submitted their copies of the SFVS to the LA within the agreed timescales.

5 Counter Fraud

- 5.1 **Corporate Fraud** - The Council has a zero tolerance approach to fraud and the work of the Fraud Team supports this priority. The team offers both a criminal, proactive and reactive support service. The team have looked into 14 cases this financial year, including current investigations into allegations of theft, falsifying timesheets and procurement fraud.
- 5.2 **Housing Fraud** - The Council take a zero tolerance approach to tenancy fraud and have 57 open investigations. The team will investigate all allegations of tenancy fraud and take action where we have sufficient evidence that fraud has taken place. This action can include a criminal prosecution and/or a claim for possession of the property through civil courts; we will always look to make a claim for any legal costs occurred as well as any relevant compensation due. It should be noted that the ability to investigate housing fraud has been severely impacted by the lockdowns throughout the year, with visiting of properties not being possible for a significant proportion of the year.
- 5.3 The team check on average 15 RTB applications per month to ensure that the Council are not losing stock fraudulently. Referrals both internally and externally have decreased; to counter this we plan to carry out internal awareness sessions and external marketing campaigns.
- 5.4 Proactive Counter Fraud Investigations

Proactive work undertaken during 01/01/2021 to 31/03/2021 is shown below:

Description	Risks	Status
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance. Two requests for advice were received.	Ongoing
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc. One request for advice were received.	Ongoing
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately. No referrals were received.	Ongoing
FOI Requests	To undertake all Freedom of Information (FOI) Requests. One request was received.	Ongoing
National Fraud Initiative Data Upload	To co-ordinate the data upload for the 2020/21 NFI. All data has been uploaded in accordance with the NFI Specification. Matching has now been completed and the results are now available for reviewing. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years.	Ongoing

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5.5 Reactive Investigation Cases

Three referrals were brought forward from the previous year and 16 cases were received during the year. Of the 19 cases:

- One case was passed to Legal;
- Four cases were passed to Management / HR for Investigation;
- One case resulted in the employee's assignment not being renewed;
- Five cases resulted in a disciplinary investigation;
- Five cases have been investigated where there was no case to answer; and
- Three are still under investigation.

5.6 Housing Cases

The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

Description	2019/20	2020/21 (to date)
Number of referrals	25	57
Properties recovered	4	2
Notional Saving	£72,000	£36,000
RTB checked	208	178
RTB stopped	1	4
Notional Saving	£108,000	£449,200
Total Notional Saving	£180,000	£485,200

6 Risk Management Arrangements

- 6.1 The strategic risks to the achievement of the Authority's objectives are captured within a corporate risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Significant work has been underway during 2020/21 to review the risks facing the Council. The Governance and Assurance Board has overseen this process to ensure that the corporate risk register reflects the risks facing the Council. During 2020/21 Internal Audit have taken a lead on engaging with Directors and offering workshops to assist in establishing Directorate and Service risks.
- 6.2 It should be noted that the number of risks the Council is facing have increased, and in some cases escalated as a result of COVID-19. The Corporate Risk Register has been reviewed and approved by SLT via the Silver/Bronze groups established to manage the COVID-19 response. The Corporate Risk Register is also presently to Audit Committee every six months.
- 6.3 The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures, and will be approved by the Audit Committee biannually.

7 Governance Arrangements

- 7.1 There is an established officer Governance and Assurance Board at LB Havering, which the Head of Assurance attends. The work of Internal Audit informs this group and issues brought to the group and identified in the Annual Governance Statement (AGS), inform the annual audit plan. Governance arrangements are routinely considered as part of all internal audit reviews.

8 Audit Committee

- 8.1 The Audit Committee has had a pivotal role in ensuring the risk management, governance and internal control environment is adequately robust.

9 Audit work undertaken during 2020/21

Audit Title	Status as at end 2020/21	Opinion	Comments
LBH Systems Audits			
Purchase Cards (compliance work)	Completed	Moderate	
Private Sector Leasing Follow Up	Completed	Moderate	
Management of NHS Shield Data (COVID-19 response)	Completed	N/A	
Management of food distribution to vulnerable individuals (COVID-19 response)	Completed	N/A	
Fusion - Oracle upgrade	Completed	N/A	
ICT Inventory (Laptop Security) – Smarter Working Project	Completed	Moderate	
Contract Management - Housing	Completed	Limited	
Troubled Families (Additional Task)	Completed	Substantial	
Treasury Management	Final Report	Substantial	
Health & Safety	Completed	N/A	
Temporary Accommodation (Additional task)	Final Report	N/A	
Reablement	Draft Report		
Payroll (compliance work)	Underway	Since work on these audits was still underway at the end of March, these will be added to the 2021/22 plan with a view to complete in April 2021.	
Social Care Transitions	Underway		
Business Continuity and Emergency Planning	Underway		
Housing Voids	Underway		
Responsive Repairs	Paused	This work has been paused due to contract renewal and focusing resources on voids work.	
Planning	Moved to 21/22	Moved due to resource reallocation as a result of other emerging risks.	
Parking	Moved to 21/22		
Procurement	Moved to 21/22	Moved due to ongoing strategic review of procurement.	
SEND - transport	Moved to 21/22	Moved due to pressures on services due to pandemic response.	
Post implementation review of Liquid Logic	Moved to 21/22		
Safeguarding Adults	Moved to 21/22		
Direct Payments	Moved to 21/22		
Housing Compliance	External review commissioned by the Housing Service of the Compliance Programme (April 2021). Internal Audit will take assurance form this work when completed		
Outbreak management plan and infection control	Audit removed from plan with agreement of S151. Assurances can be taken from arrangements in place to monitor and manage the pandemic.		
Leaving Care	Removed following discussion with Director and assurances on this area provided by external reviews (including ongoing stocktake work, University of		

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	Bedfordshire research outcomes and subsequent improvement programme).
Licensing Schemes	Removed following risk discussion with Director.

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LBH Schools			
Harold Court Primary	Completed	Substantial	
La Salette Primary	Completed	Substantial	
Parklands Junior	Completed	Moderate	
St Marys Catholic Primary	Completed	Moderate	
Corbets Tey School	Completed	Substantial	
St Peters Catholic Primary	Completed	Moderate	
Clockhouse Primary	Completed	Substantial	
Squirrels Heath Juniors	Completed	Substantial	
Elm Park Primary	Completed	Moderate	
Rainham Village Primary	Underway	Since work on these audits was still underway at the end of March, these will be added to the 2021/22 plan with a view to complete by May 2021.	
Squirrels Heath Infants	Underway		
St Edwards CofE Primary	Underway		
Crownfield Juniors	Underway		
The Towers Federation (2 schools)	Underway		
Harold Wood Primary	Underway		
Ardleigh Green Learning Federation (2 schools)	Move to 21/22	Onsite request by school	
Crowlands Primary	Move to 21/22		
Crownfield Infants	Move to 21/22		
Health Checks (9)	Due to prioritisation of resources for school triennial audits and the system audits, health checks have not been completed in 2020/21 and will be moved to 2021/22		