

## **AUDIT COMMITTEE**

### **19 10 2022**

<b>Subject Heading:</b>	Assurance Progress Report
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<b>Policy context:</b>	To inform the Committee of progress on the assurance work during the first half of 2022/23.
<b>Financial summary:</b>	There are no financial implications arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

### **The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

### **SUMMARY**

This report advises the Committee on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1<sup>st</sup> April to 30<sup>th</sup> September 2022. This report is presented in three sections:

Section 1: Introduction

Section 2. Executive Summary of work undertaken during the first half of 2022/23

Section 3. Limited Assurance Report Summaries and Recommendations

Section 4. Status of Internal Audit Plan 2022/23

Section 5. Counter Fraud Audit Work

Appendices: Provide supporting detail for Member's information

## **RECOMMENDATIONS**

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

## **REPORT DETAIL**

### **Section 1: Introduction, Issues and Assurance Opinion**

#### **1.1 Introduction**

- 1.1.1 The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) and other guidance.
- 1.1.2 Audit committees are a key source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. Whilst the Council's Section 151 Officer has overarching responsibility for discharging the requirement for sound financial management, to be truly effective, an effective audit committee to provide support and challenge on the governance arrangements the Council has in place.
- 1.1.3 The Audit Committees provide essential support for the approval of the Annual Governance Statement (AGS) and for ensuring that good governance is embedded throughout the authority's day-to-day activities. Havering Council's Audit Committee receives regular reports regarding the progress of the action plan to address governance issues identified in the Annual Governance Statement.
- 1.1.3 Internal audit is a key component of corporate governance within the Council. An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

- 1.1.4 The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.
- 1.1.5 The Annual Audit Plan was presented to Audit Committee in July 2022. The plan was developed in line with the four priorities outlined in The Havering Plan, with time allocated under each theme to carry out risk identification and process mapping, where required. Members are reminded that the 2022/23 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. The status of the current 2022/23 Internal Audit Plan can be found in Section 4 of this report.
- 1.1.6 This report brings together all aspects of internal audit and counter fraud work undertaken during the period from 1<sup>st</sup> April to 30<sup>th</sup> September 2022, in support of the Audit Committee's role.
- 1.1.7 The report supports the Head of Assurance's ongoing assurance opinion on the internal control environment and highlights key outcomes from internal audit and counter fraud work and provides information on wider issues of interest to the Council's Audit Committee. The Appendices provide specific detail of outputs for the Committee's information.

## **Section 2. Executive Summary of work undertaken during the first half of 2022/23**

### **2.1 Internal Audit**

- 2.1.1 Current, cumulative progress toward delivery of the 2022/23 audit plan, as at the end of September 2022, is summarised in the table below, with further detail provided in Section 2.1.3 below. 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.

<b>Audit Plan Status</b>	<b>Number of Audits / Tasks</b>
Final reports issued / Reviews Completed	11
Draft reports issued	5
Underway	11

2.1.2 In giving an overall Audit opinion on the system control environment within the areas reviewed, there are two levels of assurance as follows:

<b>Key to Assurance Levels</b>	
Reasonable Assurance	The control framework is adequate to manage the risks in the areas reviewed. Controls are applied consistently or with minor lapses that do not result in significant risks to the achievement of system objectives.
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.

2.1.3 The tables below details the results of the work undertaken during quarters one and two of 2022/23. Summaries of any limited assurance reports are provided in section 3.

Audit Title – LBH Systems Audits	Assurance	Recommendations			
		H	M	Adv	Total
Full System Reviews:					
SEND Transport	Limited	4	4	2	10
Contract Management - Cash Collection	Limited	3	1	0	4
Direct Payments	Reasonable	0	4	2	6
Housing – Property Buy-Backs	Reasonable	0	1	1	2
Pro-active Data Matching Exercise (Accounts Payable and Payroll)	Reasonable	0	0	2	2
Ongoing Compliance Reviews:					
Supported Families (Q1 Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Q2 Review)	n/a	n/a	n/a	n/a	n/a
Advisory Reviews:					
Governance Arrangements (Highways)	Completed – Advisory review				
DPIA Compliance (CCTV)	Completed – Advisory review				
Totals		7	10	7	24

2.1.3 Internal Audit follows up all high and medium risk audit recommendations with relevant service management. 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.

- 2.1.4 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. Part 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.
- 2.1.5 All high and medium risk recommendations due as at the end of September 2022 have been followed up and confirmed with management as implemented. Any recommendations that remain outstanding and are past agreed implementation dates will be reported to Audit Committee. A full list of all recommendations raised during the year and their status is provided in the Annual Assurance Opinion report.
- 2.1.6 There were nine high risk recommendations raised during the first half of 2022/23. These recommendations are provided with the summary reports to which they relate in section 3.
- 2.1.7 Recommendations are classified into three potential categories according to the significance of the risk arising from the control weakness identified. The three categories comprise:

<b>High</b>	Fundamental control requirement needing implementation as soon as possible.
<b>Medium</b>	Important control that should be implemented.
<b>Advisories</b>	Pertaining to best practice.

### **Section 3. Limited Assurance Report Summaries and Recommendations**

#### **3.1 Special Educational Need and Disabilities (SEND) Transport – Executive Summary**

##### **3.1.1 Scope of Review**

The scope of this audit focused on the effectiveness of the financial and operational controls in the following key areas:

- Compliance with statutory obligations, local policy and procedures; and
- The effectiveness of financial management including that transport choices provide value for money.

##### **3.1.2 Summary of Findings**

SEND Transport is an area of increasing service demand. This is evidenced by consistent overspends and increasing numbers being eligible for the service under Legislation. This review found that controls and checks within both the Children & Adults with Disabilities (CAD) team and the Passenger Transport Service (PTS) were in place and effective for elements of the service provision, with testing undertaken supporting this.

However, there were significant control issues identified with regard to the procurement of the taxi provision and difficulties in establishing the roles and responsibilities of the Council Services involved in this. Since the expiration of the original framework in 2016, no suitable alternative arrangements have been put in place that deliver the required service for the CAD team, in terms of achieving best value for money and providing assurances that services users are adequately safeguarded.

Therefore, the overall audit opinion on the system reviewed provides **Limited Assurance**. This means that 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.

This audit makes **four high, four medium** and **two advisory** recommendations to address the issues identified.

**3.1.3 SEND Transport Recommendations and Management Action Plan**

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>A review of the travel assistance policy for Havering confirmed that the transport offer follow the requirements detailed in the Department for Education (DfE) guidance. However, Local Authorities do not have a specific duty to provide free Post-16 transport – further supported by a review of other Local Authority policies where this is not provided.</p>	<p><b>R1 (Medium) – Partially Implemented</b> Management should review the Post-16 provision in the current Transport Policy.</p> <p><b>Agreed Action</b> Liaise with Legal team to identify potential risks to changing of policy. Draft paper for Senior Leadership Team (SLT)/Cabinet to identify the risks and benefits of changing policy. If agreed, initiate a full consultation process and review the Post-16 provision of transport to students on Havering's home to school transport policy as part of the update for 2023/24 policy.</p> <p><u>Update 30<sup>th</sup> September 2022:</u> Legal team have provided advice and will inform policy review for 23/24. Options identified and will inform savings proposals. Consultation proposed for early 2023.</p> <p><b>Timescale:</b> October 2022 (Partially Implemented)</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
Decisions are made at a panel to regarding how the transport needs of the child are to be met. Whilst these panel decisions were evidenced during this review, there is scope for management to consider introducing a secondary approval at a budget holder level on decisions through panel that result in a taxi being provided to a child.	<p><b>R2 (Advisory) - Implemented</b></p> <p>Management should consider the benefits of implementing a temporary secondary approval at an appropriate senior level for the transport provided to the child/ young person; particularly for the provision of a taxi, as this is generally the least cost effective method of travel.</p> <p><b>Agreed Action</b></p> <p>Identify final sign-off (budget holder) for all taxi routes before they are commissioned. After each travel assistance panel meeting, a taxi justification document will be sent detailing why fuel reimbursement, travel training and a seat on the passenger bus is not suitable for the student, and will detail the justification for taxi. Implement a review date to consider if the Taxi remains the most appropriate mode of transport or if other modes of travel assistance need to be considered.</p> <p><u>Update 30<sup>th</sup> September 2022:</u> Process established and Head of Service now has final sign-off for all taxi routes. Review dates identified.</p> <p><b>Timescale:</b> September 2022 (Implemented)</p>



<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
In addition to Recommendation 2, management should consider individual transport reviews as part of the regular Education Health and Care Plan (EHCP) annual review process to determine if there is scope for a child/young person to attempt an alternative mode of transport.	<p><b>R3 (Advisory)</b></p> <p>Management should consider whether to include an annual review of the transport provision for each child/ young person, alongside the Education Health and Care Plan (EHCP) annual review process. This would help to determine:</p> <ul style="list-style-type: none"><li>• Whether the travel provisions in place for each child / young person are the best options to meet their individual needs;</li><li>• Whether the needs of the child / young person have changed; and</li><li>• Any potential benefits to the child / young person progressing to more independent methods of travel is possible.</li></ul> <p><b>Agreed Action</b></p> <p>Travel training to be introduced an outcome on all Education Health and Care Plan reviews at an earlier age, ideally around 11-12 years old.</p> <p>As part of review (see R2) consider transport and its related costs as part of Education Health and Care Plan annual review process.</p> <p>Update planned at October Transport Board.</p> <p><b>Timescale:</b> October 2022</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>Due to the increase in pupil numbers for which transport is being provided, and the budget for SEND Transport remaining largely the same during the years reviewed, it is likely that the cost centre for SEND transport will be overspent for 2022/23, and in future years without any significant change in budgets.</p> <p>Implementation of both advisory recommendations two and three might assist in either reducing the reliance on taxis, or providing continued assurance that we are only providing this method of transport where nothing else will be suitable. This is unlikely to impact significantly on the position the Service finds themselves in with regard to consistent overspends. The findings of this audit would support a review with regard to realigning the budget to reflect service demand increases.</p>	<p><b>R4 (High)</b> The budget should be reviewed and realigned if necessary to reflect the service demands.</p> <p><b>Agreed Action</b> Split budget by departments and mode of travel assistance (i.e. taxi, travel training, etc.) to enable more effective monitoring and reporting. Identify key data sets and Key Performance Indicators' (KPIs) to be monitored at Transport Board. Pressure on budgets to be shared with SLT and/or Members as part of STAR Chamber process.</p> <p><u>Update 30<sup>th</sup> September 2022:</u> Initial discussions with corporate finance to identify required changes, and will be reviewed at P6. KPIs drafted, and will be finalised at October Transport Board. Included in July Member induction and August STAR briefings, and savings proposals being drafted.</p> <p><b>Timescale:</b> October 2022</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>The increased expenditure of the service is attributed to an increase in service demand. Based on some research during this review, this appears to be a situation that many Local Authorities are experiencing. A benchmarking exercise was underway during 2021/22 but had ceased. Discussions with senior management demonstrate awareness of the value of resuming this work and the benefits it will provide in terms of continued assurance on the value for money achieved by using our in-house Passenger Transport Services, as well as comparison data for our position with SEND transport.</p>	<p><b>R5 (Medium) - Implemented</b></p> <p>The benchmarking exercise that was underway in early 2022 should be resumed to ensure that the Council are obtaining comparative data to assess the current position with regard to service demand and costs.</p> <p><b>Agreed Action</b></p> <p>Agree scope of benchmarking review at Transport Board meeting.</p> <p>Liaise with London Councils to ascertain if there is any data held centrally, and if not will contact other councils to obtain comparative data at the sub-regional level in order to assess Havering's position in regards to service demand and costs.</p> <p><u>Update 30<sup>th</sup> September 2022:</u></p> <p>Scope agreed at Transport Board meeting in July.</p> <p>Benchmarking data from London Councils shared at Transport Board meeting in August and will used to inform savings proposals.</p> <p><b>Timescale:</b> September 2022 (Implemented)</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
Discussions with staff during this review indicated that previously, when fuel reimbursements have been actively promoted to parents as an option for travel, that this has increased take up. This is a more cost effective solution to providing taxis to individuals.	<p><b>R6 (Medium) – Partially Implemented</b></p> <p>Implement a programme to actively promote the option of fuel reimbursement to parents as alternative travel provision.</p> <p><b>Agreed Action</b></p> <p>Work with Communications team on material (inc. press release) to promote fuel reimbursement.</p> <p>Pilot the introduction of an additional fuel reimbursement to parents who may be willing to carpool and transport their own children. There is the added environmental benefit in line with the council's commitment to cut carbon emissions.</p> <p>Review payment model to provide an upfront payment of fuel reimbursement for the whole term or the academic year. One of the challenges is that parents complain of being out of pocket before they are reimbursed. Transport officer to ensure that where possible, fuel reimbursement is first offer.</p> <p><u>Update September 2022:</u></p> <p>Promotional material produced and working with Comms team to promote using existing media channels. Policy updated and will be promoted to targeted families.</p> <p><b>Timescale:</b> October 2022 (Partially Implemented)</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>Travel Training is also a cost effective option for provision of transport and also offers the opportunity for children/young people to progress in their independence. Discussions with officers indicate that there are currently 12 children/young people identified as candidates for travel training but the current provider in place for travel training does not have the capacity to take on these additional children/young people.</p>	<p><b>R7 (Medium)</b> Service to seek additional or alternative providers for travel training with a view to expanding the current capacity.</p> <p><b>Agreed Action</b> Contact Transport for London to reintroduce safe bus days on a regular basis (at least every quarter) to transition students from passenger bus and taxis and promote independence.</p> <p>Spot purchase from other travel trainers providers such as Deluxe, Redbridge, etc.</p> <p>Travel Training to be sub-divided into 2 or 3 stages. This will encourage students and their families to view travel training as achievable in bite size, rather than one large activity to undertake.</p> <p><u>Update September 2022:</u> Update planned at October Transport Board.</p> <p><b>Timescale:</b> November 2022</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>All private hire operators / drivers, working within the boundaries of Greater London are required to have a licence with Transport for London (TFL), which requires drivers to evidence that they have a current DVLA or EEA state driving licence, to be medically fit and to undertake an enhanced Disclosure and Barring Service check.</p> <p>In the absence of a clear and complete audit trail within the relevant service areas to verify this is in place, Internal Audit carried out a check on Transport for London Private Hire Operator License Check, to confirm the existence of a license for each of the seven providers. Only three of the providers were found using the search function.</p> <p>At the time of writing this report, attempts are still underway to confirm that all of the remaining providers are adequately licensed. Initial contact was made with Transport for London by Internal Audit, however a formal written request for information is required and so this will need to be followed up as a matter of urgency.</p>	<p><b>R8 (High) – Partially Implemented</b></p> <p>Transport for London are contacted, formally and in writing, to confirm that the taxi companies in use all have current Transport for London Private Hire Operator Licenses.</p> <p><b>Agreed Action</b></p> <p>Procurement and Passenger Transport Services/Transport Commissioning Unit to liaise and ensure all taxi providers are licensed and duly compliant.</p> <p><b>Timescale:</b> July 2022 (Implemented)</p> <p>Agree key data sets and Key Performance Indicators to be reviewed on a quarterly basis as part of Service Level Agreement monitoring process.</p> <p><b>Timescale:</b> October 2022 (Partially Implemented)</p> <p><u>Update September 2022:</u></p> <p>All relevant licenses obtained.</p> <p>SLA drafted, and will be finalised at October Transport Board.</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>This review identified a lack of clarity regarding the roles and responsibilities of the four key departments involved in the procurement of Taxi provision. The expiry of the previous framework agreement and the failure to successfully implement the Dynamic Purchasing System resulted in a decision being made to direct award contracts to successful bidders. Formal contracts for the majority of service providers could not be located. Assurance cannot be provided that all appropriate due diligence has been undertaken on the companies currently transporting service users to ensure that safeguarding responsibilities are met.</p>	<p><b>R9 (High) - Implemented</b> Children's and Adults Disabilities (CAD) Management should seek assurance from all relevant departments involved to ensure that all appropriate due diligence has been undertaken on the companies currently transporting service users, particularly with regard to the requirement for relevant Health and Safety training and Disclosure and Barring Service (DBS) checks. These checks should occur regularly to take into account new drivers.</p> <p><b>Agreed Action</b> Establish quarterly meeting with taxi providers with Passenger Transport Services (PTS) and Joint Commissioning Unit (JCU) for Quality Assurance checks and to enforce due process on health and safety, risk assessment, etc.</p> <p><u>Update September 2022:</u> Meetings established and scheduled, with updates to be provided at following Transport Board meetings.</p> <p><b>Timescale:</b> July 2022 (Implemented)</p> <p>Introduce random spot checks with drivers at school gates (asking for details of license and Disclosure and Barring Service checks) and information obtained to be cross-checked on Passenger Transport Service database.</p> <p><u>Update September 2022:</u> Spot checks established and scheduled, with updates to be provided at following Transport Board meetings.</p> <p><b>Timescale:</b> September 2022 (Implemented)</p>

<b>SEND Transport Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>A draft Service Level Agreement (SLA) dated August 2017 (outlines the SLA between the Passenger Transport Service and the Children and Young Adults with Disability Service (CAD). The content of the document also outlines the relationship between CAD and the Joint Commissioning Unit (JCU). This document was not finalised. As such, there is not a service level agreement between the four services involved in providing transport to SEND children that ensures service levels are agreed, monitored and complied with.</p>	<p><b>R10 (High) – Partially Implemented</b> A Service Level Agreement between Passenger Transport Services and Children's and Adults with Disabilities service is agreed by all parties and finalised. This should include measurable outcomes, which are regularly monitored for compliance, reviewed and updated to ensure it continues to be fit for purpose.</p> <p><b>Agreed Action</b> Draft Service Level Agreement with clear objectives, responsibilities and measurable outcomes clearly identified and consult with Children's and Adults with Disabilities service, Joint Commissioning Unit and Passenger Transport Services/Transport Commissioning Unit.</p> <p>Agree Service Level Agreement at the next Transport Board.</p> <p>Update September 2022: SLA drafted and will be finalised at October Transport Board.</p> <p><b>Timescale:</b> October 2022 (Partially Implemented)</p>



## **3.2 Contract Management – Cash Collection**

### **3.2.1 Scope of Review**

In April 2022, concerns were raised with Internal Audit raising concerns regarding issues with a cash collection service being provided to a community centre. It was reported that the provider had suspended the cash in transit service in December 2021 due to alleged non-payment of invoices. Internal Audit understood that the Council had a corporate contract with the provider and so a decision was made to review the arrangements in place as part of the Contract Management audit.

### **3.2.2 Summary of Findings**

This review has found a number of different issues that, collectively, have resulted in the problems experienced with the Council's cash collection service and the subsequent allegations of non-payment of invoices by Council departments.

If not for this review, these matters would not have been addressed and it is likely, given the lack of payments to the provider since August 2021, that the remaining department's services would possibly have been suspended.

Whilst it is acknowledged that Procurement engaged with the provider as soon as Internal Audit notified them of the findings, and were working towards rectifying the issues highlighted by this review, as at 26th June 2022, the suspended collections have not been reinstated. Therefore **Limited Assurance** on the area reviewed has been provided on the basis that 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.

This audit makes **three high** and **one medium** recommendations to mitigate the risks identified. A system of exception reporting is operated whereby only risks that are not being adequately managed or controls that are not being performed effectively are reported on.

<b>Contract Management – Cash Collection Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
The Council's corporate contract with the existing provider expired in 2015. A number of services continue to use the provider under the impression that this is still a Corporate Contract.	<p><b>R1 (High)</b> Action should be taken to address the expired corporate contract with the provider.</p> <p><b>Agreed Action</b> Action is in hand with the requirement being defined</p> <p><b>Timescale:</b> Given the requirement to tender it will take a minimum of 6 months (Dec 22) to let a fully compliant contract.</p>
Disputes with the provider over non-payment of invoices have been occurring since August 2021. Whilst it is acknowledged that Procurement engaged with the provider as soon as Internal Audit notified them of the findings, and were working towards rectifying the issues highlighted by this review, as at 26th June 2022, the suspended collections have not been reinstated.	<p><b>R2 (High)</b> The Strategic Procurement Unit should lead on the Council's engagement with the provider to resolve the issues regarding the perceived non-payment of invoices and the suspension of services. This should include ensuring that all parties within the Council and the provider are aware of the correct process to follow, including any applicable exemptions.</p> <p><b>Agreed Action</b> Agreed. Actions to be determined.</p> <p><b>Timescale: See below</b></p> <ul style="list-style-type: none"><li>• Engagement with the provider within 3 months (Sep 22)</li><li>• Process development and notification by (Oct 22)</li><li>• New contract as R1 above (Dec 22)</li></ul>

<b>Contract Management – Cash Collection Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>At the time of the review none of the email communications sent by Council officers to the provider received responses and so officers have been under the impression that invoices were subsequently paid once the provider had taken the appropriate action.</p> <p>This review found a general lack of ownership of these problems alongside the failure of the provider to engage effectively with Council officers.</p>	<p><b>R3 (High)</b></p> <p>The Strategic Procurement Unit should ensure that adequate contact details are held for the provider and that all officers within the Council, using the provider have up to date / accurate contact information available. Including the Strategic Procurement Unit to report any contract / service related issues.</p> <p><b>Agreed Action</b></p> <p>Contact details will be gathered from the provider by Aug 22. Contract and service related issues are the responsibility of the Service using the contract.</p> <p><b>Timescale:</b> September 2022</p>

<b>Contract Management – Cash Collection Recommendations &amp; Management Action Plan</b>	
<b>Summary of Findings</b>	<b>Recommendations, Management Response inc. Planned Actions</b>
<p>Services were notified in late 2020, via the use of generic automated emails from Accounts Payable that manual invoices would no longer be processed by the Accounts Payable Team and that services should use Fusion to raise POs and pay invoices. However, this communication did not consider any exempt suppliers such as those providing the cash collection service. As a result, services began following a new process; whilst the service provider continued raising manual invoices outside of the system as they had been for years. This resulted in the provider not processing purchase orders in the system to allow invoices to be generated and paid.</p>	<p><b>R4 (Medium)</b> The Accounts Payable Team should work, in liaison with the Strategic Procurement Unit to agree how services using the provider raise purchase orders in advance of service and without an invoice. All respective services / officers should be provided with appropriate guidance and training in this matter.</p> <p><b>Agreed Action</b> The Procurement &amp; P2P guides are all available on the intranet for officers to refer too. The guides set out the requirement for Purchase Orders to be raised in advance of the services / goods being procured. FUSION operates on a self-service basis, and therefore one 2 one training is not provided to users. The AP team can be contacted if there are any specific issues relating to payments. Where there are specific AP related issues, the AP team would be happy to liaise with the service to address these.</p> <p><b>Internal Audit Response to Management Comments:</b> Internal Audit do not consider that this goes far enough to mitigate the risk that services are aware of the issues raised in this report and the process changes arising in response. To avoid any unnecessary delays / issues with the cash collection service, Internal Audit are therefore taking the unusual action of notifying relevant departments that use the provider's services.</p> <p><b>Timescale:</b> Recommendation Closed</p>

**Section 4. Status of Internal Audit Plan 2022/23**

Audit Title – LBH Systems Audits	Opinion / Status as at end Q2	Recommendations			
		H	M	Adv	Total
Governance Arrangements (Highways)	Completed – Advisory review				
DPIA Compliance (CCTV)	Completed – Advisory Review				
Pro-active Data Matching Exercise (Accounts Payable and Payroll)	Reasonable	0	0	2	2
SEND Transport	Limited	4	4	2	10
Contract Management - Cash Collection	Limited	3	1	0	4
Direct Payments	Reasonable	0	4	2	6
Housing – Property Buy-Backs	Reasonable	0	1	1	2
Supported Families (Quarter One Review)	n/a	n/a	n/a	n/a	n/a
Supported Families (Quarter Two Review)	n/a	n/a	n/a	n/a	n/a
Projects and Programmes	Draft Report				
Private Sector Leasing (PSL) Follow Up	Draft Report				
Housing – Service Charges	Draft Report				
Contract Management - Environment	Draft Report				
<b>Total to the end of Quarter 2</b>		<b>7</b>	<b>10</b>	<b>7</b>	<b>24</b>
Procurement inc Contract Management	Underway				
Housing - Compliance	Underway				
Payroll (review to incorporate follow up)	Underway				
ICT	Ongoing throughout 2022/23				
Compliance – Key Financials	Ongoing throughout 2022/23				
Grant Reviews	Ongoing as demand arises				
Joint Counter-Fraud work	Ongoing as demand arises				
Voids – Follow Up	Q3				
Housing – Responsive Repairs	Q3				
Joint Ventures – Governance & Compliance	Q3				
Waivers	Scope TBC				
Planning	Scope TBC				
Safeguarding Adults	Scope TBC				
Continuing HealthCare	Scope TBC				
Contract Management - Highways Services	Scope TBC				
Social Care Contract Award Follow Up	Q3				
<b>Audit Title – LBH Schools Audits</b>					
Scotts Primary	Underway				
St Ursula's Catholic Primary	Underway				
The RJ Mitchell Primary	Underway				
Parklands Primary	Underway				
<b>Academies</b>					
Emerson Park Academy	Draft Report				
<b>Health Checks</b>					
Health Checks (21)	2 Completed	4 Underway			

## **Section 5. Counter Fraud Audit Work**

### **5.1 Proactive Counter Fraud Investigations**

5.1.1 The counter fraud service are continuing to follow up, fraud referrals, desk based intelligence checks and investigations with door step visits and Interviews under Caution where necessary.

5.1.2 Proactive work undertaken during 01/04/2022 to 30/09/2022 is outlined below:

<b>Description</b>	<b>No. Received</b>
<b>Advice to Directorates:</b> General advice and support to Directors, Heads of Service etc. including short ad-hoc investigations, audits and compliance.	10
<b>Advice to Other Local Authorities:</b> All Data Protection Act requests via Local Authorities, Police etc.	1
<b>Fraud Hotline:</b> To take all telephone calls and emails relating to the 'Fraud Hotline' and action / refer appropriately.	3
<b>FOI Requests:</b> To undertake all Freedom of Information (FOI) Requests.	2
<b>National Fraud Initiative:</b> 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. To co-ordinate the 2020/21 NFI and issue reports to relevant services for review.	Notification of NFI 2022/23 requirements have been received. Services have been contacted to inform of dates and specification.

### **5.2 Reactive Investigation Cases**

5.2.1 Nine referrals were brought forward from the previous period.

- Six cases have been investigated and concluded; and
- The remaining three cases are still under investigation.

5.2.2 During 01/04/2022 to 30/09/2022 four referrals were received; two of which, information was provided by Whistle-blowers:

- One case has been investigated and concluded; and
- Three referrals are currently being investigated.

### **5.3 Housing Cases**

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

<b>Description</b>	<b>2021/22</b>	<b>2022/23 (to date)</b>
Number of referrals investigated	91	97
Properties recovered	6	4
Notional Saving	£108,000	£72,000
RTB referred and reviewed	146	71
RTB stopped	2	4
Notional Saving	£225,600	£464,800
<b>Total Notional Saving</b>	<b>£333,600</b>	<b>£536,800</b>

5.3.2 The following table illustrates the breakdown of cases:

<b>Description</b>	<b>2022/23 (to date)</b>
Number of referrals brought forward	60
Number of new referrals retained for investigation *	37
Number of referrals currently under investigation	<b>73</b>
• Notice To Quit (NTQ) issued	5
• Pending bailiff action	2
• Passed to Legal Services for Criminal / Civil Proceedings	11
• Awaiting Court Hearing	4
• Open Investigations	51
Number of completed investigations	<b>24</b>
• Closed Properties Recovered	4
• Closed RTB stopped **	4
• Closed NFA	14
• Closed No Offence	2

Key: \* Total number of referrals received and triaged was 72. However, only 37 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

\*\* Total number of RTB's referred and reviewed was 71

NB: Housing Services now refer Mutual Exchanges to the Counter Fraud Team to review. A total of 15 Mutual exchanges have been referred and reviewed. One has been retained for further investigation.

### **Section 3: Corporate Risk Register Update**

- 3.1 The Corporate Risk Register is subject to regular review (at least quarterly) and risks are discussed at monthly Governance and Assurance Board meetings, chaired by the Section 151 officer. Audit Committee receive an updated Corporate Risk Register every six months. As part of this ongoing review, new risks may be added and existing risks amended or removed.
- 3.2 A summary version of the current Corporate Risk Register is provided in Appendix A. This includes current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit).
- 3.3 The Risk Management Strategy and Toolkit provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully.
- 3.4 Havering uses a 5 x 5 scoring matrix to assess the Likelihood of a risk event occurring and the potential impact on the Council if it were to happen (below). The green shaded area on the matrix shows the risks where there is good control and the Council is comfortable with the level of risk. Risks in the amber and red zones are those over which closer control and further management action may be required.

Impact	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Moderate (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		Likelihood				

- 3.5 Work continues by the Internal Audit & Risk Team to further embed the risk management strategy at a Directorate level, including risk workshops and further training where required. This phase of work will ensure Directorate level risks are aligned to the strategic risks to ensure mitigating actions are managed consistently.



- 3.6 The next stage of our risk management work is the wider implementation of JCAD, a bespoke Risk Management system to make the process more efficient and effective; providing links to strategic objectives; easier monitoring and reporting, and demonstration of compliance with good risk management practices. This is expected to be in place by December 2022.

**Appendices: Provide supporting detail for Member's information**

Appendix A: Corporate Risk Register 2022/23 Q2

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

By maintaining an adequate internal audit service, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

**Climate Change implications and risks:**

None arising directly from this report. Risks around this are reflected in the Corporate Risk Register and incorporated into the scope of audits where relevant.

**Legal implications and risks:**

None arising directly from this report.

**Human Resources implications and risks:**

None arising directly from this report.

**Equalities implications and risks:**

None arising directly from this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.