AUDIT COMMITTEE
24 01 2023

Subject Heading:	Assurance Progress Report
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Policy context:	To inform the Committee of progress on assurance work during 2022/23.
Financial summary:	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 1st October to 31st December 2022. This report is presented in three sections:

Section 1: Introduction

Section 2. Executive Summary of work undertaken during quarter three 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

RECOMMENDATIONS
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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 quarter three (the period from 1st October to 31st December 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 December 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.

Audit Plan Status	Number of Audits / Tasks
Final reports issued / Reviews Completed	25
Draft reports issued	5
Underway	9

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:

Key to Assurance Levels	
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 quarter three 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:					
Housing – Service Charges	Limited	4	0	0	4
Projects and Programmes	Limited	1	2	0	3
Payroll – Follow Up	Limited	3*	0	0	3
Voids Follow Up	Limited	2*	0	0	2
Contract Management – Environment (Phase one)	Completed – initial data analytic work				
Ongoing Compliance Reviews:					
Supported Families (Q3)	n/a				
DPIA Compliance - CCTV	n/a				
Advisory Reviews:					
Mayor's Appeal Fund	Completed – Grant Review				
	Totals	7	10	7	24

*These are the remaining outstanding recommendations from the original report and are not new recommendations.

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 December 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 10 high risk recommendations raised during the quarter three of 2022/23 (this includes five recommendations that relate to original audits that were identified as remaining outstanding during the course of the follow up reviews for both Voids and Payroll). 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:

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

Section 3. Limited Assurance Report Summaries and Recommendations

3.1   Housing – Service Charges

3.1.1   Scope of Review

Tenants and leaseholders are billed annually for service charges. Service charges relate to cleaning, maintenance and repairs carried out by the Council, but can include charges for other costs such as CCTV security.
The scope of this audit was to review of the management of the risks, as they relate to the Service Charges and focussed on the effectiveness of the financial and operational controls in place. The following key aspects were examined:

- Compliance against policies, procedures, and legislative requirements;
- Review of how service charges are calculated, how these are applied and how they are collected; and
- Adequate debt recovery in place for non-payment of service charges.

3.1.2   Summary of Findings

- There is no current, agreed and signed Service Level Agreement in place for the Grounds Maintenance provision.
- The Schedule of Rates, that determines the cost of Grounds Maintenance services, was found to have been based on historical rates. There was no evidence of recent review of these rates, posing a risk that full costs of the service provision may not be recovered.
- Current Grounds Maintenance calculations are based on a historical square metre basis. A recent mapping exercise has been undertaken to update this information and provide more accurate costing, but this is reliant on further input from the service to confirm changes in estate boundaries and layouts. Once completed and applied, this will improve the accuracy of the service charges.
- The current CCTV equipment and systems in place are reported to be failing on a regular basis, with some estimated to be approaching 20yrs of use. Whilst action is being taken to repair failing equipment from existing parts this does not match the rate of breakdown and poses a risk that there will be areas of the borough without CCTV. Furthermore, service charges cannot be collected for CCTV that is no longer working.

The overall audit opinion on the system reviewed provides **Limited Assurance**. This means that 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. This audit makes **four high** priority 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.

3.1.3 Housing – Service Charges Recommendations and Management Action Plan

Housing – Service Charges Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
A Service Level Agreement, between Housing and Grounds Maintenance, was written during 2021/ 2022 for the delivery of the Grounds Maintenance service across Havering's housing estates. The SLA details the level of service to be delivered, as well as the agreed annual budget; however the version of the SLA provided appears to be unsigned/ agreed, and related to the period up to 31st March 2022. No further SLA has been provided to audit for the period since 1st April 2022 onwards and so this service provision is currently running without a formally agreed SLA in place. This carries the risk that the amount charged to leaseholders and tenants does not reconcile to actual costs incurred.	**R1 (High)** The Grounds Maintenance Services SLA between Housing and Public Realm should be annually reviewed, updated and formally agreed by both services. **Agreed Action** This is agreed and first formal review will take place in March 2023. **Timescale:** March 2023.
The Grounds Maintenance service determine the cost of providing the service by using a schedule of rates for each of the tasks to be delivered. Internal Audit have been unable to determine when the schedule of rates were last reviewed and discussions with staff determined that they were historical. Without an up to date schedule of rates there is a risk that the service are unable to recover the cost of delivering the service within the current service charges approach.	**R2 (High)** Review of the Schedule of Rates in relation to grounds maintenance services to ensure that the cost of service delivery is an accurate reflection of the costs passed on the tenants/ leaseholders. **Agreed Action** This cost review has taken place and has been reviewed by Finance. **Timescale:** December 2022.

Housing – Service Charges Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
The calculation of the cost of delivering the Grounds Maintenance Service is done so on a square metre basis when passed on to tenants/ leaseholder. The total square metre value that is used to complete the calculation is based on a historic figure that has not been revisited in a number of years. A mapping exercise was undertaken by a member of the Grounds Maintenance team which covered the grass areas for the entire borough. At the time of the audit this information was being input on to Earthlight (Geographical Information System) by ICT staff. In order for this mapping to be useful to calculate accurate costs there is a need for input from housing as to where the estate boundaries are located, and the layout of the grass areas (including information such as whether edges are fenced). The value in relation to Service Charges can only be realised if there is work undertaken to ascertain the level of the grounds maintenance needed, in relation to the Council's Housing Estates. This will improve the level of accuracy in the service charge calculation as they will be made on the most up to date information available.	**R3 (High)** In order to ensure that the charges and calculations in relations to grounds maintenance are correct, work should be undertaken to ensure that the Council has an accurate record of the current grounds maintenance requirements for Housing. **Agreed Action** This cost review has taken place and been reviewed by Finance. **Timescale:** December 2022.

Housing – Service Charges Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
Discussions with staff have indicated that due to the age of the equipment and systems currently in use for CCTV, cameras are failing on a more regular basis. An audit of CCTV for Housing properties, undertaken in April 2022, showed that of the 283 total cameras, 174 were recorded as not working from the Control Room. Staff estimate that some of the camera equipment being used around the borough was approaching 20yrs of use. Action is being taken to repair equipment that is failing, from existing parts; however without investment to replace the equipment as it ages, there is a risk that there will be areas of the borough with no CCTV coverage, where previously there was. If a camera does fail, and remains broken for more than three months, refunds are made to all service charge payers that are affected by that camera no longer working. The service advised that due to the age of the cameras across the borough it is becoming more common for those that fail to be uneconomical to repair. This increase in failing equipment will lead to a further potential loss of cost recovery in relation to service charges for CCTV.	**R4 (High)** Management to consider the risk impacts of this increasingly failing CCTV service. **Agreed Action** The service charges for CCTV will be ended from April 2023/24 and paid from the general rent pool. A report to cabinet is due in Feb 2023. **Timescale:** February 2023.

3.2   Projects and Programmes

3.2.1 Scope of Review

The aim of this review was to determine whether appropriate governance arrangements have been established and are being complied with.

3.2.2 Summary of Findings

The PMO is responsible for developing Council wide project management processes and procedures and as a result, an array of guidance, templates, training and toolkits have been made available to Project Managers, to assist them in their role and help improve compliance.

Each project is nominated a Senior Responsible Officer (SRO), whose role includes ensuring that projects are compliant with both governance and legislative requirements. The project cannot move onto the next gateway without the approval of the SRO.

In order to assist Project Managers in their responsibility for ensuring that projects comply with governance arrangements, the PMO have established a series of controls in the form of embedding various questionnaires at each gateway, which must be answered by the Project Manager. These questions are intended to ensure that all governance arrangements, applicable at that stage, have been complied with. However, this is only a fully effective control if the SRO challenges any non-compliance identified by the PMO.

Despite the controls in place and the placement of the SRO role, this review has identified widespread non-compliance with arrangements, including, but not limited to:
- Lack of project boards and / or project board minutes;
- Absence of key stakeholders on project boards, able to provide suitable levels of scrutiny;
- Incomplete information on both Verto and Fusion; and
- Lack of access to project documentation.

Whilst this review has identified the need for minor amendments to be made to guidance written by the PMO, these amendments alone will not address the wider issue of non-compliance. Given the risks posed by non-compliance (including financial loss, reputational damage and non-delivery of Council priorities), there is a need to ensure that adequate independent oversight and scrutiny of projects and programmes against legislative and local governance arrangements is established.

The findings of this review are not a reflection on the performance of the PMO but instead highlights the need for formal responsibility to be placed on monitoring the non-compliance. It is Internal Audit's opinion that the PMO are ideally situated to provide further effective controls that are independent of the project and service area. As administrators of the Verto system, and with access to project information, the PMO would be able to monitor, identify and report issues of non-compliance.

Overall this review can only provide **limited assurance** that the controls and risks regarding the Council's projects and programmes are being managed appropriately across the entire organisation. 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.

Where more significant issues have been identified in specific projects, these have been raised with the relevant Directors and are being addressed outside of this report. Internal Audit will carry out further work on these areas later in the year.

Whilst the findings from this review are based on work undertaken and information provided towards the end of 2021/2022, Internal Audit are aware that the PMO have been proactive in working to address some of the issues identified during this review and it is expected that management will reflect this in response to the recommendations.

This audit makes one high and two medium priority recommendation to mitigate the risks identified. The findings arising from this review are documented in the Detailed Findings section on pages three to five of this report. 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.

3.2.3 Projects and Programmes – Recommendations and Management Action Plan

Projects and Programmes - Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
The Council's Project Portfolio Management system, Verto, was rolled out to the organisation in May 2021. A Highlight Dashboard from Verto is presented to Theme Boards of all projects / programmes relevant to that particular theme. Theme Board rely on the highlight report to provide a snapshot on project/programme progress and any emerging risks to delivery. A review of the Verto Dashboard noted projects / programmes that appear not to have produced a highlight report within five months (at the time of the review). Discussions with PM's during the review noted that additional information is being provided to Project Boards and Steering Groups in the form of presentations by Project Managers. It is unclear if this is information drawn only from Verto, or if this is information held elsewhere. However, discussions found that other project management systems such as Azure are being used alongside Verto in some areas. If reporting from Verto, testing has demonstrated that some programmes and projects hold very little information here. This would indicate that in some cases reporting is based on information held outside of the expected corporate system (an example being the use of Azure) and increases the risk that there is no central oversight and governance. It has also not been possible to provide assurance on the accuracy of the information presented. As part of the audit a review of Project Board meeting minutes was undertaken. In one case a request for project board minutes identified that meetings under a newly appointed Project Manager had only recently taken place and that it is believed that minutes of meetings were not taken by their predecessor. As such there is no evidence of any decisions arising from these meetings prior to February 2022.	**R1 (High)** SLT took the decision to adopt the use of Verto as its single PMO monitoring and reporting system. In order to address the non-compliance issues arising from this report, SLT should make the following decisions: - To decide at what point the non-compliance culture will have a consequence / the level of non-compliance SLT are willing to tolerate. - To formally delegate responsibility for monitoring and reporting of non-compliance to an independent team (ideally PMO). - To decide on the future scope of the PMO role and ensure it is adequately resourced to deliver on expectations. **Agreed Action:** The Target Operating Model (TOM) work provides an opportune consideration of future requirements. The November 9th Cabinet Report shows a separate programmes and project office. This may or may not include expert project management delivery capacity. The People Strategy work will look at compliance culture. **Timescale:** July 2023

The SRO (Senior Responsible Officer) has numerous responsibilities in regards to projects and programmes such as approving the completion of each gateway, before the project / programme can be moved on to the next gateway and ensuring that any governance arrangements have been complied with. At the end of each gateway the PM (Project Manager) completes a set of questionnaires that the SRO must approve. It would be expected that the SRO is ideally positioned to challenge both progress and compliance. Whilst there are currently no independent checks to assess the effectiveness of the SRO position, some of the findings arising from this review would suggest that monitoring to determine the level of compliance should be undertaken.

Regardless of any action to strengthen the Council's governance arrangements in this area, they must also provide routes for non-compliance to be identified and reported. Whilst the PMO are not in a position to challenge the progress of projects and programmes, they are both the owners of processes and procedures, as well administrators of the Verto system, including responsible for managing the Verto dashboard in order to generate management information. The PMO's access to the system, knowledge and experience make it ideally placed to provide independent assurance over a projects / programmes compliance with governance arrangements and legislative requirements.

Please also see the detailed findings within Recommendation 2 for further evidence to support this recommendation.

Projects and Programmes - Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
This review has found projects / programmes within Verto with significant differences in the level of project information being recorded ranging from comprehensive information recorded in all available sections, to the absence of any detailed information. This review also found that no financial / cost information had been included in majority of projects / programmes reviewed. In the absence of any cost information being available within Verto, a review of meeting minutes was undertaken to assess the level of financial oversight. Project board meeting minutes reviewed during this work found projects where there is no financial representative on the board. Further discussions established that Finance have not been invited to attend any of the project boards. The review also look at minutes of a Steering Group which found finance is a separate item on the agenda, at the end of the meeting and is not discussed for each project on the agenda. No evidence was found to confirm that the financial position of each project (spend vs budget) is reviewed during these meetings. There is a high risk that in the event of the meeting overrunning, this item is not covered or that key officers leave the meeting due to other commitments. At the time of testing, significant capital funds had been allocated by the Council to develop areas within the sample, but have not been spent. Discussions established that work was already underway by officers within Finance to address issues with the financial reporting element of the projects. Spend is being recorded within Fusion, however it is largely being coded to revenue cost centres, without further action to capitalise where applicable. For example; in January 2022 only £1k in capital spend had been recorded for an £8m project. Attempts had been made by Finance to manage these risks, however there had been a noted lack of engagement by Project / Programme Managers. This issue is compounded by an extremely high and fast paced level of interim staff turnover within these areas, across all levels of	**R2 (Medium)** Existing guidance, including the Project Board Terms of Reference template should be amended to reflect that Finance should be part of the project board attendees to ensure that the project costs / budget are being regularly reported and finance are there to provide scrutiny and highlight any potential financial risks to the project budget arising from new emerging risks / slippages in project completion etc. Guidance should also clearly set out expectations regarding the alternative arrangements for storing documentation outside of Verto (based on the outcome of Recommendation 1). **Agreed Action** **Timescale:** September 2022

officers and management. There is a risk that the loss of staff also results in a loss of knowledge.

Relevant officers involved in the projects have been unable to confirm an accurate, complete and up to date position on financial spend of projects within the sample. Whilst we have been made aware that project staff may have documents and methods of compiling the financial position of projects, these appear to be outside of the corporate systems (Verto and Fusion) and have not been made available to finance staff. Better, more consistent engagement from projects with finance is needed.

Given the lack of visible financial information both within the system and presented at the various meetings, there appears to be no opportunity for the financial management of the project to be challenged. There is a risk that in the event of financial mismanagement, given the high turnover of staff, the Council may be unable to hold those responsible to account and manage emerging financial risks.

Verto allows documentation to be stored within the system. Depending on the project / circumstances, there are suitable alternative arrangements for storing documentation, such as use of Teams, where key stakeholders may need access to documents such as project board agendas and minutes but do not have a Verto license. There is a question in the each stage of gateway that asks whether specific documentation has been stored on Verto.

This review has established that there is no guidance relating to the retention of project documents outside of Verto and has resulted in a reliance on individual project managers to determine their own arrangements. Consequently there is a risk to the completeness, accuracy and accessibility of the Councils project information / documentation and that critical project documents are lost. These issues are further impacted with the high turnover of staff in these areas and lack of controls to assess whether projects and programmes are compliant with governance arrangements and procedures.

Projects and Programmes - Recommendations & Management Action Plan	
Summary of Findings	**Recommendations, Management Response inc. Planned Actions**
Guidance is available via the PMO intranet pages for Project and Programmes Templates and Toolkit, which include a link to the PMO SharePoint containing a Project Management Life Cycle and includes within the Project Initiation stage, the need to establish a Project Board and approval for the project to go ahead. A Project Board Terms of Reference has also been made available. It is worth noting that the initiation stage also sets out the need for the Project Budget to be agreed with the Finance Business Partner. Whilst the PMO have produced procedures, guidance and templates, there are currently no mechanisms in place to ensure that all new Project Managers joining the organisation are signposted to the PMO or the PMOs online guidance. As not all Project Managers are recognised as managers in respect of LBH establishment hierarchy, new PMs cannot be identified via the Manager Induction process. The quality of the updates for projects and programmes completed is variable and take up of training on offer from the PMO is consistently low. E.g. weekly drop in sessions have been found to have low attendance.	**R3 (Medium)** A skills audit of those designated to manage projects should be undertaken to assess training needs and identify skills gaps. **Agreed Action:** This will be undertaken as part of the Target Operating Model and People Strategy work. **Timescale:** September 2023

3.3 Voids Follow Up

3.3.1 Scope of Review

An audit of Voids was undertaken as part of the 2020/2021 Internal Audit Plan and resulted in a **Limited Assurance** on the system of internal control being given. The audit made three high and four medium priority recommendations that aimed to mitigate the risks identified. All recommendations were accepted by management and were due to be implemented by the end of 2021.

A Follow Up of the recommendations raised within the original report was undertaken in April 2022, where testing undertaken demonstrated that recommendations remained outstanding, and therefore the Limited Assurance would also remain from the original report.

From April 2022 a new provider was in place to take over the void properties; as part of the tender, a new set of agreed procedures were developed.

This review aimed to assess the implementation of the recommendations raised in the original report.

3.3.2 Summary of Findings

Whilst five of the recommendations raised have now been implemented, two high risk recommendations remain outstanding or have only been partially implemented. Although significant progress has been made to address the weaknesses identified during the initial audit, there are still some outstanding, high risk issues. Therefore the audit assurance remains as **Limited Assurance**.

Section 3.3.3 below details only the recommendations that remain outstanding.

3.3.3 Voids Follow Up – Recommendations and Progress on Implementation

Recommendation 2	High
A date should be agreed to fully adopt the Repairs Policy for Council general needs stock, and processes put in place to be able to accurately monitor the level of tenant recharges.	

Original Implementation Date	September 2021

Original Management Response
The policy is live, but we have not currently implemented the recharge approach. We will ensure a robust process is in place of identifying, recording and managing recharges, and ensuring there is a clear auditable information trail to justify and evidence recharges. We will use Open housing functionality for recording and managing recharges. A monetary credit to the service need to be provided in the accounts, irrespective of whether the monies are recovered or appropriate budget allowances made.

April 2022 Follow Up Response
The repairs policy has now been fully adopted. Action is being taken to record the recharge costs for repairs work, with examples of property PI documents provided during the follow up to evidence that this is now being completed. It is expected this process will be in place for all properties in time for the new repairs contract which goes live in April 2022. The repairs contract has been tendered with a new provider being in place from April 2022. As part of the tender process an end to end process has been produced. In order to allow time for the new processes to be embedded the delivery date for this recommendation has been extended to July 2022.

December 2022 Follow Up Testing	The recording of recharges is now in place as per the Repairs Policy that has been adopted. The policy does state that where chargeable repairs work is identified that LBH will charge tenants accordingly for works that do not meet that acceptable standard. This part of the policy has not fully been adopted at the time of this review. There is an intention to begin collecting recharges for all voids and repairs, discussions are currently ongoing to determine who would have responsibility as the voids process is implemented across multiple teams.
Status of Recommendation	**Partially Implemented: Revised Implementation Date – April 2023**

Recommendation 3	Medium
A standard approach should be put in place for the recording of which costs can be recharged for each void.	

Original Implementation Date:	September 2021

Original Management Response
The policy is live, but we have not currently implemented the recharge approach. We will ensure a robust process is in place of identifying, recording and managing recharges, and ensuring there is a clear auditable information trail to justify and evidence recharges. We will use Open housing functionality for recording and managing recharges. A monetary credit to the service need to be provided in the accounts, irrespective of whether the monies are recovered or appropriate budget allowances made.

April 2022 Follow Up Response
Potential recharges are recorded as part of the handover pack and stored in Swordfish along with relevant photos. A sample of completed void properties were reviewed to ensure that the PI document was being adequately completed and that recharged costs are now being separated.

| December 2022 Follow Up Testing | The recording of recharges is now undertaken as part of the voids process, this is recorded on the VIAS documents used by the contractor (MEARS). When undertaking the inspections for the Void properties the cost of repairs is recorded, along with whether any of these should be recharged to the tenant.

Testing could not be undertaken on the documents to ensure that this information is being recorded due to a delay in the auditor gaining access to the system. Therefore this review was unable to evidence that this recommendation is fully implemented. |
|---|---|
| Status of Recommendation | Partially Implemented: Revised Implementation Date – April 2023 |

Recommendation 7	High
A recovery plan, including target dates, should be set for performance to improve to the expected levels following the easing of Covid restrictions.	

Original Implementation Date	September 2021

Original Management Response	
A voids action plan has been produced where weekly updates are now provided in relation to voids data and performance monitoring.	

April 2022 Follow Up Response	
A copy of the action plan was provided when the Voids audit report was issued in July 2021. As the new voids contract is due to begin in April 2022, a review of key performance indicators will be completed once the new provider has had time to implement the agreed processes Update 20/4/22 – the new voids contract is live and a new end to end process embedded which will ensure compliance to the contract KPIs We will monitor the KPIs over the next months to ensure the processes are working.	

December 2022 Follow Up Testing	Performance against void targets is now monitored through the Void Tracker 2022/23. Performance data provided shows that the target for delivery is dependent on the type of the void (V1, V2, V3). The type of void is determined by the value of the void. Formulas within the tracker automatically complete the target dates. Of the 459 voids recorded on the 2022/23 void tracker, 390 did not meet the target date. This means that voids are currently only completed by the target in 15%.

Status of Recommendation	**Outstanding: Revised Implentation Data – April 2023**

3.4   Payroll Follow Up

3.4.1 Scope of Review

An audit of the Payroll System was undertaken as part of the 2021/22 Internal Audit Plan and provided a **Limited Assurance** opinion on the system of internal control. The audit made six high and three medium priority recommendations that aimed to mitigate the risks identified. All recommendations were accepted by management and were due to be implemented by April 2022. The aim of this review was to follow up on progress to implement the recommendations raised in the 2021/22 report.

3.4.2 Summary of Findings

This review has found that work is still underway to implement three of the high priority recommendations raised in the original report. Given the importance of the three outstanding recommendations, the assurance level remains **Limited**.

Whilst this report has identified a slower than anticipated progress against the original action plan, it is recognised that the Payroll Team within Transactional Services lacks sufficient capacity to fully address the actions agreed by management in the original report. This determination is further evidenced by a recent decision to recruit a Payroll Manager and a Payroll Functional Subject Matter Expert (SME). It is expected that these additional posts will enable the existing Payroll staff to deliver business as usual activities, allowing management and the Payroll Functional SME to work collaboratively on identifying and rectifying issues across the service; including those associated with the audit recommendations. It is anticipated that the role of the SME, whilst located within Payroll, will bridge the knowledge gap between the Team and the payroll system, working closely with the Systems Team as part of a new target operating model.

This review also acknowledges that there are wider issues across the Council regarding compliance with policies and procedures which are outside of the control of the Payroll Team, and the scope of this review, that have contributed to the overall findings in this area that included:
- Information not being added to Fusion in a timely manner by managers or employees, resulting in errors that require manual amendments (e.g. Leavers, Return to Work and other changes not being actioned within required timescales/at all);
- Lack of knowledge and skills to address functionality issues in Fusion;
- Lack of training for new staff.

These issues will be reviewed by Internal Audit for inclusion in the 2023/24 audit plan.

The section below details only the recommendations that remain outstanding.

3.4.3 Payroll Follow-Up – Recommendations and Progress on Implementation

Recommendation 1	High
In order to reduce the number of exceptions being reported and strengthen the exception report process, a review should be undertaken of the current report parameters in order to remove exceptions not related to changes in pay and allow variations to be categorised by type, enabling high volume / low risk exceptions to be identified and officers to carry out a more targeted approach to checks.	
Original Management Response	Recommendation Agreed. CBST will provide the report parameters. Parameters will be reviewed with Payroll and amended accordingly. Review of the report will be added to weekly payroll / CSBT call. SR will be raised.
Original Implementation Date	April 22
Progress Update Management Response	CBST and Payroll collaborated on increasing the fields that were being report to split between Regular earnings i.e. Salary against Non Regular earnings i.e. overtime. This will help payroll prioritise the checking. Work is still underway to test the new report.
Audit Conclusion	A review of exception reports from June and July 2022 found that the planned changes to these reports had not been introduced at the time of the review. In addition the review of the exception reports from June and July 2022 found that explanations for the exception had not been recorded in the majority of cases. Whilst work has been undertaken to address the issues identified in the original audit, as yet there have been no improvements in this area and in fact there is an increased risk that exceptions are not being fully investigated and without adequate information recorded the team are unable to determine the cause of the exception and where necessary take remedial action. The CBST team confirmed in January 2023 that the changes to the report have now been made. It is anticipated that the changes to the exception report will be fully introduced and tested against a live environment by March 2023.
Recommendation Status	**Outstanding – Underway** **Revised Implementation Date: March 2023**

Recommendation 3	High
Management should review the current process of logging errors identified through the exception report process. As part of this review, Management should look to standardise the comments being recorded by Payroll Officers, to provide a clear and concise explanation of the exception, allowing exception reasons to be monitored. Consideration should be given to secondary checks by Payroll Team Leads and how to ensure any follow up action is undertaken, such as the raising of sundry debtor accounts. Once reviewed, staff should be reminded of the importance of this process.	

Original Management Response	Recommendation Agreed. Work to be undertaken with Team Leads to ensure any errors/exceptions are explained clearly and concisely including training with the template being updated. This will be reviewed to ensure relevant follow up action is appropriate and successful. Ongoing monitoring will ensure a consistent approach in the payroll team. The payroll team received a debrief of the Audit, specifically this recommendation and reminded of their responsibilities.
Responsible Officer	James Cocks
Implementation Date	April 2022 - Completed
Progress Update	Employees are recording errors on existing template with narrative of cause. Leads are regular reviewing the error logs. The team were briefed of the audit and the implications and recommendations and how their actions can impact the audit. Further revisions to the layout of the error log will be made i.e. adding fields where errors are formally raise with system team, oracle etc. In addition regular reviews of the error log will be taking place from February 23, with the Head of Service and Payroll Leads to ensure any relevant action is taken on errors, i.e. agree staff training, system issues formally raised. In addition the meeting will ensure that the teams are up to date with updating the log.
Audit Conclusion	There is a reliance on staff to populate the error log to ensure there is complete and accurate information to enable the team to understand what errors are occurring, how these errors are impacting on the workload of the team and to take action to address the cause of the errors. This information is also used as part of the monitoring of key performance indicators. Discussions with Management has raised concerns that not all errors are being recorded. There is an expectation that every issue, regardless of the reason, should be recorded if it creates work for the Payroll Team. Management are aware that there are more errors occurring than those reflected on the logs. This information coupled with the conclusion of recommendation 1 above indicates that the process of recording errors is not sufficiently robust. Given the issues outlined above this recommendation remains outstanding. It is anticipated that the changes to the exception report will be finalised and tested against a live environment by March 2023.
Status	**Outstanding – Underway** **Revised Implementation Date: March 2023**

Recommendation 5	High
A post implementation review of the Fusion Payroll system should be undertaken. The aim of this review should be to: • Understand the internal Fusion Payroll system processes; • Determine the impact of making manual adjustments to the system; • Identify where system functionality has required manual workarounds to be put in place; • Ensure manual processes work cohesively alongside the system; and • Build resilience within the team.	

Original Management Response	Recommendation Agreed. This has been discussed at one source OMT and initial meeting has taken place with Oracle who will be carrying out an initial review of the Payroll reviewing processes and areas of improvement.
Responsible Officer	Dave McNamara / CBST
Implementation Date	February 22
Progress Update	Two meetings have been held, with another planned with Oracle to undertake a review of payroll processes and how we use the system. The work is ongoing and will hopefully result in recommendations to improve processes and the use of the system. It has been identified that there is not a clear understanding of when to use the 'update' or 'correction' process when amending payroll records. Knowledge sharing sessions with payroll staff are being planned and will be run by the payroll and the systems team. Meetings have been held with Oracle and a review undertaken of payroll run books. Output has been received with a number of recommendations that are being followed up. A Payroll SME has been appointed and due to start Jan/Feb 23.
Audit Conclusion	Whilst work has begun in this area, a review of the Oracle report suggests that the initial meeting did not cover the issues raised in the original audit report that led to this recommendation. However, work is underway to recruit a Payroll Manager and a Payroll Functional Subject Matter Expert (SME) that will enable the existing Payroll staff to deliver business as usual activities, allowing management and the Payroll Functional SME to work collaboratively on identifying and rectifying issues across the service, including those associated with the audit recommendations. It is anticipated that the role of the SME, whilst located within Payroll, will bridge the knowledge gap between Payroll and the system, working closely with the Systems Team as part of a new target operating model. Given the issues outlined above this recommendation remains outstanding.
Status	**Outstanding – Underway** **Revised Implementation Date: April 2023**

Section 4. Status of Internal Audit Plan 2022/23

Audit Title – LBH Systems Audits	Opinion / Status as at end Q3	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
Supported Families (Quarter Three Review)	n/a	n/a	n/a	n/a	n/a
Projects and Programmes	Limited	1	2	0	3
Housing – Service Charges	Limited	4	0	0	4
Voids – Follow Up	Limited	2	0	0	2
Payroll Follow Up (Compliance - Key Financial)	Limited	3	0	0	3
Contract Management – Environment (Phase 1)	n/a	n/a	n/a	n/a	n/a
DPIA Compliance - CCTV (ICT Governance)	n/a	n/a	n/a	n/a	n/a
Mayors Appeal Fund	n/a	n/a	n/a	n/a	n/a
Total to the end of Quarter 3		**17**	**12**	**7**	**36**
Private Sector Leasing (PSL) Follow Up	Draft Report				
Contract Management – Environment (Phase 2)	Draft Report				
Procurement inc Contract Management	Underway				
Housing - Compliance	Underway				
Supplier Creation (Compliance – Key Financial)	Underway				
Complaints Process	Underway				
Housing – Responsive Repairs	Q4				
Joint Ventures – Governance & Compliance	Q4				
Waivers	Scope TBC				
Planning	For consideration in 2023/24 Audit Plan				
Safeguarding Adults	Scope TBC				
Continuing HealthCare	Scope TBC				
Contract Management - Highways Services	Scope TBC				

Social Care Contract Award Follow Up	Scope TBC				
Audit Title – LBH Schools Audits					
Scotts Primary	Draft Report				
St Ursula's Catholic Primary	Draft Report				
The RJ Mitchell Primary	Draft Report				
Parklands Primary	Underway				
Academies					
Emerson Park Academy	Reasonable	0	1	3	4
Shaw Primary Academy	Reasonable	0	2	0	2
Health Checks					
Health Checks (14)	6 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 01/10/2022 to 31/12/2022 is outlined below:

Description	No. Received
Advice to Directorates: General advice and support to Directors, Heads of Service etc. including short ad-hoc investigations, audits and compliance.	5
Advice to Other Local Authorities: All Data Protection Act requests via Local Authorities, Police etc.	5
Fraud Hotline: To take all telephone calls and emails relating to the 'Fraud Hotline' and action / refer appropriately.	3
FOI Requests: To undertake all Freedom of Information (FOI) Requests.	1
National Fraud Initiative: 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.	All data submitted as in accordance within the prescribed times

5.2   Reactive Investigation Cases

5.2.1 Five referrals were brought forward from the previous period.
- One case has been investigated and concluded; and
- The remaining four cases are still under investigation.

5.2.2 During 01/10/22 to 31/12/22 six referrals were received; four of which, information was provided by Whistle-blowers:
- Two cases have been investigated and concluded; and
- Four 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:

Description	2021/22	2022/23 (to date)
Number of referrals investigated	91	106
Properties recovered	6	6
Notional Saving	£108,000	£108,000
RTB referred and reviewed	146	90
RTB stopped	2	5
Notional Saving	£225,600	£581,000
Total Notional Saving	**£333,600**	**£689,000**

5.3.2   The following table illustrates the breakdown of cases:

Description	2022/23 (to date)
Number of referrals brought forward	60
Number of new referrals retained for investigation *	46
Number of referrals currently under investigation	**69**
• Notice To Quit (NTQ) / Surrender of Tenancy (SOT) issued	6
• Pending bailiff action / Awaiting Eviction	3
• Passed to Legal Services for Criminal / Civil Proceedings	12
• Awaiting Court Hearing	2
• Open Investigations	46
Number of completed investigations	**37**
• Closed Properties Recovered	6
• Closed RTB stopped **	5
• Closed Criminal Prosecution	1
• Closed NFA	19
• Closed No Offence	6

Key: * Total number of referrals received and triaged was 104. However, only 46 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 90

NB: Housing Services now refer Mutual Exchanges to the Counter Fraud Team to review. A total of 30 Mutual exchanges have been referred and reviewed. One has been retained for further investigation.

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IMPLICATIONS AND RISKS

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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.