



AUDIT COMMITTEE

18 04 2023

Subject Heading:	Assurance Progress Report
SLT Lead:	Dave McNamara, Interim Section151 Officer
Report Author and contact details:	Jeremy Welburn, Head of Assurance Tel: 01708 432610 / 07976539248 Email: jeremy.welburn@onesource.co.uk
Policy context:	To inform the Committee of progress on assurance work during 2022/23.
Financial summary:	There are no financial implications or risks arising directly from this report which is for information only.

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 January to 31st March 2023.

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

1. Introduction

- 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.
- 1.2 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.
- 1.3 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.
- 1.4 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.
- 1.5 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. 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 2022/23 Internal Audit Plan is in Section 5 of this report.
- 1.6 This report brings together all aspects of internal audit and counter fraud work undertaken during quarter four (the period from 1st January to 31st March 2023), in support of the Audit Committee's role.
- 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.

2. Executive Summary of work undertaken by Internal Audit during quarter four of 2022/23

2.1 Current, cumulative progress toward delivery of the 2022/23 audit plan, as at the end of March 2023, is summarised in the table below, with further detail provided in Section 2.3 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	12
Draft reports issued	6

2.2 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.

2.3 The tables below details the results of the work undertaken during quarter four of 2022/23. There were 3 high risk recommendations raised during the quarter four of 2022/23 These recommendations are provided with the limited assurance summary reports to which they relate in section 3.

Audit Title – LBH Systems Audits	Assurance	Recommendations			
		H	M	Adv	Total
<u>Full System Reviews:</u>					
Private Sector Leasing (PSL) Follow Up	Reasonable	0	1	2	3
Licensing – Process Review	Reasonable	0	0	1	1
DPIA Compliance - CCTV	Limited	3	0	0	3
Social Care Contract Award Follow Up	Reasonable	0	0	0	0
Supporting Families (Final Review)	Reasonable	0	0	0	0
SEND Transport Follow Up	Reasonable	n/a	n/a	n/a	n/a
Cash Collection (Parking)	Completed	0	0	1	1
<u>Advisory Reviews / Investigation:</u>					
Complaints Process (Phase 1 – to assess current risks)	Completed				
Potential Data Breach	Completed				
System Audits Total		3	1	4	8

Audit Committee, 18 April 2023

Audit Title – LBH Schools Audits	Assurance	Recommendations			
		H	M	Adv	Total
Scotts Primary	Reasonable	0	1	1	2
St Ursulas Primary	Reasonable	0	4	0	4
RJ Mitchell Green	Reasonable	0	5	0	5
School Audits Total		0	10	1	11

- 2.4 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.
- 2.5 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.
- 2.6 All high and medium risk recommendations due as at the end of March 2023 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 complete list of all recommendations raised during 2023/24 and their current status will be reported to Audit Committee alongside the annual report and Head of Assurance opinion in July 2023.
- 2.7 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.

3 Limited Assurance Report Summaries and Recommendations

3.1 DPIA Compliance (CCTV)

3.1.1 Scope of Review

UK General Data Protection Regulation (GDPR) states that a Data Protection Impact Assessment (DPIA) must be completed if you plan to systematically monitor publicly accessible places on a large scale.

Audit assistance was requested to undertake some work on CCTV DPIA Compliance following a requirement to complete a survey from the Office of the Biometrics and Surveillance Camera Commissioner.

The aim of the review was to determine if DPIA's were in place where CCTV (including body cams and other forms of overt surveillance camera systems) was in use across the Council.

3.1.2 Summary of Findings

- There is an overall lack of ownership for managing and coordinating the Council's CCTV operations, including ensuring compliance with local and legislative requirements.
- There is no central list setting out all areas where CCTV / applicable equipment is being used.
- Discussions with senior officers in Council departments contacted during this review highlighted that there is a lack of knowledge across the council in relation to the responsibilities in relation to CCTV.
- The lack of an agreed Council wide approach to cover the Council's CCTV activities, in addition to the absence of any overarching ownership has resulted in non-compliance with the DPIA requirements.

The overall audit opinion provides **Limited Assurance** that the Councils CCTV complies with DPIA. This means there are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

3.1.3 DPIA Compliance Recommendations and Management Action Plan

Recommendations & Management Action Plan	
Summary of Findings	Recommendations, Management Response inc. Planned Actions
<p>Under the General Data Protection Regulation (GDPR), a Data Protection Impact Assessment (DPIA) is mandatory where data processing “is likely to result in a high risk to the rights and freedoms of natural persons”. Non-compliance with this may result in the Information Commissioning Office (ICO) imposing significant fines to the council.</p> <p>Initial enquiries as part of this review identified that there is no central ownership / responsibility for managing Council wide CCTV activities. There are also no central records in place to determine how many cameras are in operation across the Council.</p> <p>As part of the review Internal Audit were able to identify eight services where CCTV is in place and managed by the Council. Service managers contacted were asked if a DPIA had been completed for any CCTV in place. Of these eight services three confirmed verbally that a DPIA was in place. The remaining five services were either unaware of the need for a DPIA, or confirmed that the process had not been completed.</p>	<p>R1 (High) SLT should be suitably informed of the risks arising from this report and the Council’s exposure in this area.</p> <p>A decision should then be made by SLT to agree where overarching responsibility for Council wide use of CCTV should sit, to provide services with CCTV with a Single Point of Contact (SPOC).</p> <p>Agreed Action: TBC</p> <p>Timescale: TBC</p> <p>R2 (High) Collate and maintain a central record of CCTV currently in place across the organisation.</p> <p>This should include establishing a network of key contacts across all relevant areas in order to work collaboratively and provide clear lines of communication.</p> <p>Where this process identifies CCTV not supported by a DPIA action should be taken to address this immediately.</p> <p>Agreed Action: TBC</p> <p>Timescale: TBC</p>

Internal Audit have been unable to determine where overall responsibility for the Council's CCTV operations sits. The lack of ownership has resulted in there being no standard approach to the use of CCTV. Internal Audit were unable to locate any guidance to staff which outlines requirements in relation to the use of CCTV, including the need for a DPIA to be completed.

A Monitoring & Surveillance Policy was located on the intranet however this appears to have been produced in 2017 and makes no reference to DPIAs. Whilst it is acknowledged that there may be references to the need for DPIAs in other policies and procedures, there is a reliance on officers to seek these out without clear signposting. It is clear based on the findings of this review that there is a lack of understanding within the departments covered by this review, as to their responsibilities. In the absence of any oversight, non-compliance with this requirement has gone undetected.

R3 (High)

Produce and publish guidance to make Council staff aware of their responsibility in terms of complying relevant legislative requirements (GDPR).

This should include clear signposting on the intranet to ensure that officers procuring new CCTV / applicable equipment not only have access of guidance, but are aware of the need to engage with the SPOC in order to update the central records.

Agreed Action: TBC

Timescale: TBC

4 Counter Fraud Audit Work

4.1 Proactive Counter Fraud Investigations

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. Proactive work undertaken during 01/04/2022 to 31/03/2023 is shown below:

Description	Risks	Number Received
Advice to Directorates	General advice and support to Directors and Heads of Service including short ad-hoc investigations, audits and compliance.	6
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc	2
Fraud Hotline	To take all telephone calls and emails relating to the 'Fraud Hotline' and refer appropriately.	0
FOI Requests	To undertake all Freedom of Information (FOI) Requests.	0
National Fraud Initiative Data Upload	<p>To co-ordinate the data upload for the 2022/23 NFI. All data has been uploaded in accordance with the NFI Specification.</p> <p>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.</p>	Matching has now been completed and the results are now under review.

4.2 Reactive Investigation Cases

Seven referrals were brought forward from the previous period:

- Two case has been investigated and concluded; and
- The remaining five cases are still under investigation.

During 01/01/23 to 31/03/23 one referral was received; this has been investigated and concluded.

4.3 Housing Cases

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

Description	2021/2022	2022/2023
Number of referrals investigated	91	123
Properties recovered	6	10
Notional Saving	£108,000	£180,000
RTB checked	146	101
RTB stopped	2	5
Notional Saving	£225,600	£581,000
Total Notional Saving	£333,600	£761,000

4.4 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 *	63
Number of referrals currently under investigation	68
• Notice To Quit (NTQ) / Surrender of Tenancy (SOT) issued	7
• Pending bailiff action / Awaiting Eviction	2
• Passed to Legal Services for Criminal / Civil Proceedings	10
• Awaiting Court Hearing	2
• Open Investigations	47
Number of completed (Closed) investigations	55
• Properties Recovered	10
• RTB stopped **	5
• Criminal Prosecution	1
• Homeless Duty Discharged / Stopped Change of Tenancy	2
• NFA	28
• No Offence	9

Key: * Total number of referrals received and triaged is 152. However, only 63 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 is 101

NB: Housing Services refer Mutual Exchanges to the Counter Fraud Team to review. A total of 58 Mutual exchanges have been referred and reviewed. One had been retained for further investigation but has since been closed.

5 Status of Internal Audit Plan 2022/23

Audit Title – LBH Systems Audits	Opinion / Status as at end Q4	Recommendations			
		H	M	Adv	Total
Governance Arrangements (Highways)	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
DPIA Compliance - CCTV (ICT Governance) Phase 1	Completed	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
Licensing – Process Review	Reasonable	0	0	1	1
DPIA Compliance - CCTV (ICT Governance) Phase 2	Limited	3	0	0	3
Potential Data Breach – Investigation	Completed	n/a	n/a	n/a	n/a
Cash Collection (Parking)	Completed	0	0	1	1
Contract Management – Environment (Phase 1)	Completed	n/a	n/a	n/a	n/a
Mayors Appeal Fund	Completed	n/a	n/a	n/a	n/a
Complaints Process (Phase 1 – to assess current risks)	Completed	n/a	n/a	n/a	n/a
Supporting Families – Year End Assurance (Inc. Q4 review)	Reasonable	0	0	0	0
Social Care Contract Award Follow Up	Reasonable	n/a	n/a	n/a	n/a
SEND Transport Follow Up	Reasonable	n/a	n/a	n/a	n/a
Private Sector Leasing (PSL) Follow Up	Reasonable	0	1	2	3
Total to the end of Quarter 4		20	13	11	44

Audit Committee, 18 April 2023

Procurement – Traded Services	Draft Report				
Contract Management – Environment (Phase 2)	Draft Report				
Housing - Compliance	Draft Report				
Supplier Creation (Compliance – Key Financial)	Draft Report				
Faster Payments (duplicate payments)	Draft Report				
Waivers	Draft Report				
Housing – Responsive Repairs	Underway	Moved to 2023/24 Plan			
Planning	Added to 2023/24 Audit Plan				
Public Realm – Risk Mapping Phase 2	Added to 2023/24 Audit Plan				
Continuing HealthCare	Added to 2023/24 Audit Plan				
Highways Services (including Contract Management)	Added to 2023/24 Audit Plan				
Joint Ventures – Governance & Compliance	For consideration in 2023/24 Audit Plan				
Safeguarding Adults	Removed following risk assessment with Director				
Audit Title – LBH Schools Audits					
Scotts Primary	Reasonable	0	1	1	2
St Ursula’s Catholic Primary	Reasonable	0	4	0	4
The RJ Mitchell Primary	Reasonable	5	5	0	5
Parklands Primary	Moved to 2023/24				
Academies					
Emerson Park Academy	Reasonable	0	1	3	4
Shaw Primary Academy	Reasonable	0	2	0	2
Health Checks					
Health Checks (15)	8 Completed	7 moved to 2023/24			

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.

Audit Committee, 18 April 2023

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.