



AUDIT COMMITTEE

23 January 2024

Subject Heading:	Assurance Progress Report
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Policy context:	To inform the Committee of progress on assurance work during 2023/24.
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

People making Havering	[X]
Places making Havering	[X]
Resources 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 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, an effective Audit Committee providing support and challenge on the governance arrangements the Council has in place is required.
- 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.
- 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 April 2023. The plan was developed in line with the three themes (People, Place and Resources) outlined in the Havering Vision and Corporate Plan. Members are reminded that the 2023/24 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 2023/24 Internal Audit Plan is reported in Section 4 of this report.
- 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), 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 three of 2023/24.

2.1 Current, cumulative progress toward delivery of the 2023/24 audit plan, as at the end of December 2023, is summarised in the table below, with further detail provided in Section 2.3. 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	14
Draft reports issued	2

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 detail the reports issued during quarter three of 2023/24, with the assurance rating (if finalised).

Audit Title – LBH Systems Audits	Assurance (if report finalised)	Recommendations			
		H	M	Adv	Total
<u>Full System Reviews:</u>					
Schools Catering Allergy Management	Reasonable	0	3	5	8
IT Transition Procurement*	Limited*	3	0	0	3
Consultancy Contracts	Draft Report issued				
Waivers	Draft Report issued				
<u>Advisory/ Grant Reviews:</u>					
Supplier Creation	N/a				
Procurement Thematic Report	N/a				
System Audits Total		3	3	5	11

*The appendix is provided, but is exempt from being available to press and public due to reasons of business confidentiality.

Audit Title – LBH Schools Audits	Assurance	Recommendations			
		H	M	Adv	Total
Langtons Infant School	Reasonable	0	1	1	0
School Audits Total		0	1	1	0

- 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 Any recommendations that remain outstanding and are past agreed implementation dates, or where management have not responded to requests for progress updates, will be reported to Audit Committee.
- 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 Counter Fraud Audit Work

3.1 Housing Cases

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

Description	2022/2023	2023/24 to date
Number of referrals for investigation	123	89
Properties recovered	10	12
Notional Saving *	£180,000	£504,000
RTB referred and reviewed	101	80
RTB stopped	5	3
Notional Saving	£581,000	£383,820
Total Notional Saving	£761,000	£887,820

* Notional saving revised from 2022/23 figures as recommended method uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

The following table illustrates the breakdown of cases:

Description	2023/24 (to date)
Number of referrals brought forward	68
Number of new referrals retained for investigation *	37
Number of referrals currently under investigation	81
<ul style="list-style-type: none"> • Notice To Quit (NTQ) issued • Pending bailiff action • Passed to Legal Services for Criminal / Civil Proceedings • Awaiting Court Hearing • Open Investigations 	3 4 8 2 64
Number of completed investigations	30
<ul style="list-style-type: none"> • Closed Properties Recovered • Closed RTB stopped ** • Closed NFA • Closed - Housing Action 	12 3 13 4

Key: * Total number of referrals received and triaged was 136. 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 80.

Housing Services refer Mutual Exchanges to the Counter Fraud Team to review. A total of 34 Mutual exchanges have been referred and reviewed.

4 Status of Internal Audit Plan 2023/24

Audit Title – LBH Systems Audits	Opinion / Status as at end Q2	Recommendations			
		H	M	Adv	Total
Mayors Appeal Fund	n/a	n/a	n/a	n/a	n/a
Supporting Families (Quarter One)	n/a	n/a	n/a	n/a	n/a
Insurance Process Mapping (Phase One – Third Party Claims)	n/a	n/a	n/a	n/a	n/a
DPIAs - CCTV (Follow Up)	Reasonable	0	0	0	0
Service Charges Follow Up	Limited	2	0	0	2
Responsive Repairs	Limited	1	1	2	4
Duplicate Payments (Faster Payments)	Limited	3	2	2	7
Schools Catering Services – Allergy Management	Reasonable	0	4	4	8
IT Transition Procurement Support	Limited	3	0	0	3
Waivers	Draft Report				
Engagement of Consultants (Governance and Compliance Culture Phase One)	Draft Report				
Supplier Creation (Governance & Compliance Culture – Key Financial)	n/a				
Procurement Thematic Report	n/a				
Total to the end of Quarter 3					
Purchase Order process	Underway				
Reablement Contract	Underway				
Highways Services	Q4				
Voids (Tenant Rechargeable Repairs)	Q4				
Planning	Q4				
Contracts Register	Q4				
Public Realm	TBC				
Projects (risk based deep dive reviews)	TBC				
ICT (General)	TBC				
ICT – Service Desk	Moved to 2024/25				
Empty Properties (Council Tax Charges)	Moved to 2024/25				
Complaints	Moved to 2024/25				
Household Support Fund	Removed following risk assessment				
Continuing Healthcare	Removed following discussions with Director				

Audit Title – LBH Schools Audit Programme					
Langtons Infants	Reasonable	0	1	1	2
Total to the end of Quarter 3		0	11	2	13
Learning Federation	Underway				
Whybridge Infants	Underway				
Suttons Primary	Q4				
Brady Primary	Q4				
St Albans Primary	Q4				
James Oglethorpe Primary	Q4				
Academies					
Emerson Park	Reasonable	0	3	0	3
Shaw	Reasonable	0	1	0	1
Health Checks					
Health Checks (12)	5 Completed	4 underway			

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.