



AUDIT COMMITTEE 25 JULY 2024

Subject Heading:	Head of Assurance Quarter 1 (01/04/2024 to 30/06/2024) Progress Report 2024/25
SLT Lead:	Kathy Freeman, Strategic Director Resources
Report Author and contact details:	Jeremy Welburn, Head of Assurance Tel: 01708 432610 / 07976539248 Email: jeremy.welburn@onesource.co.uk
Policy context:	To present a summary of the outcomes of Internal Audit and Counter Fraud work completed during Quarter 1 of 2024/25.
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 brings together all aspects of audit, assurance and counter fraud work undertaken in Quarter 1 of the 2024/25 financial year, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority.

Limited assurance reports issued since the last Audit Committee are included in Appendix 1

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

Introduction

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.

Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls, e.g. the policy or system owner/sponsor
- Third line – independent assurance.

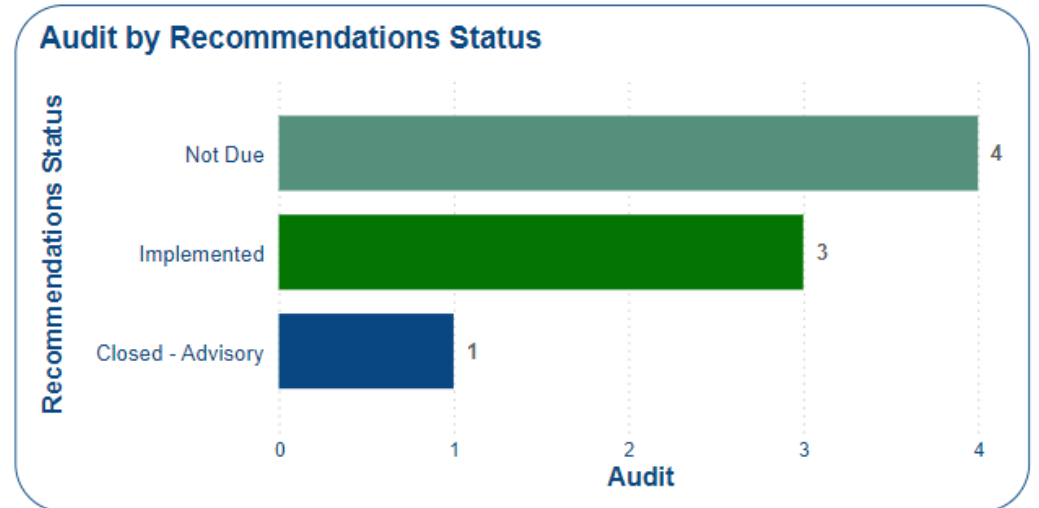
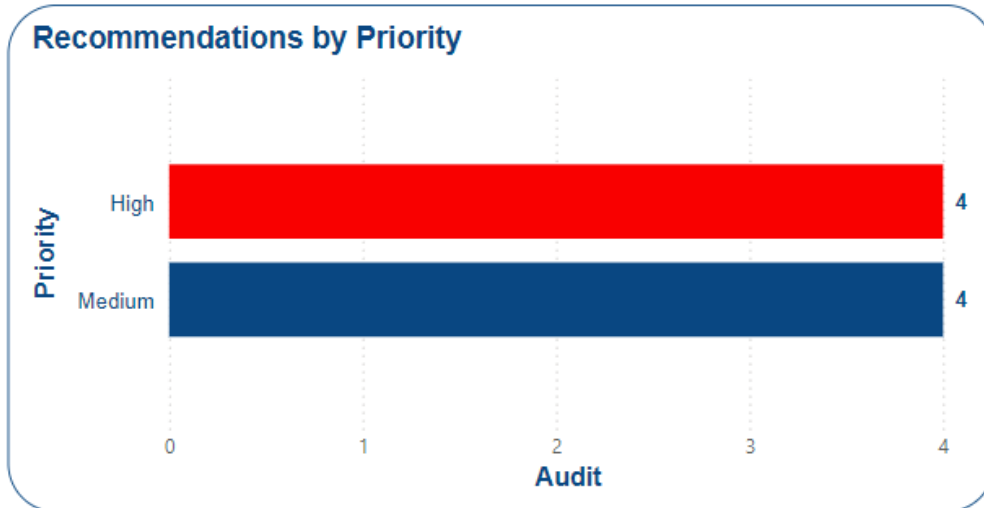
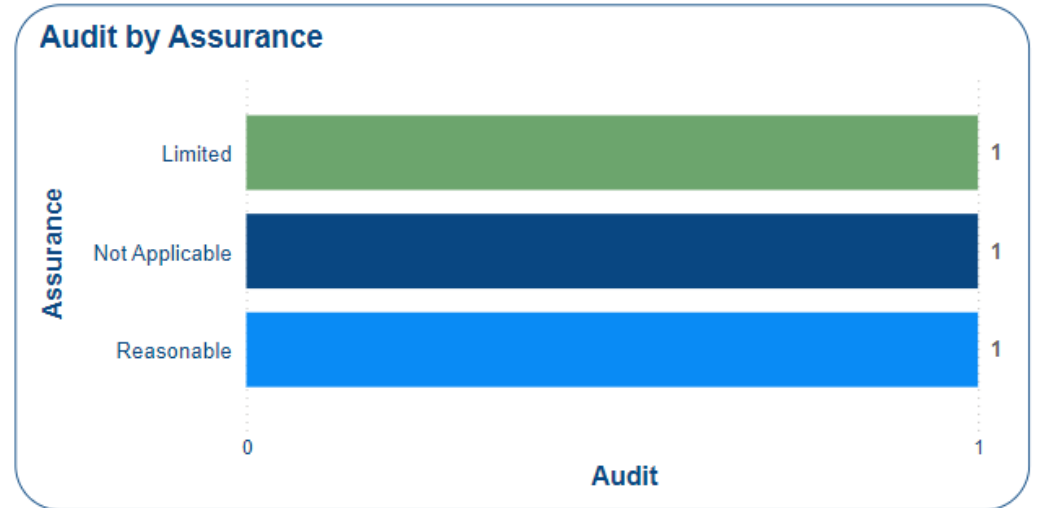
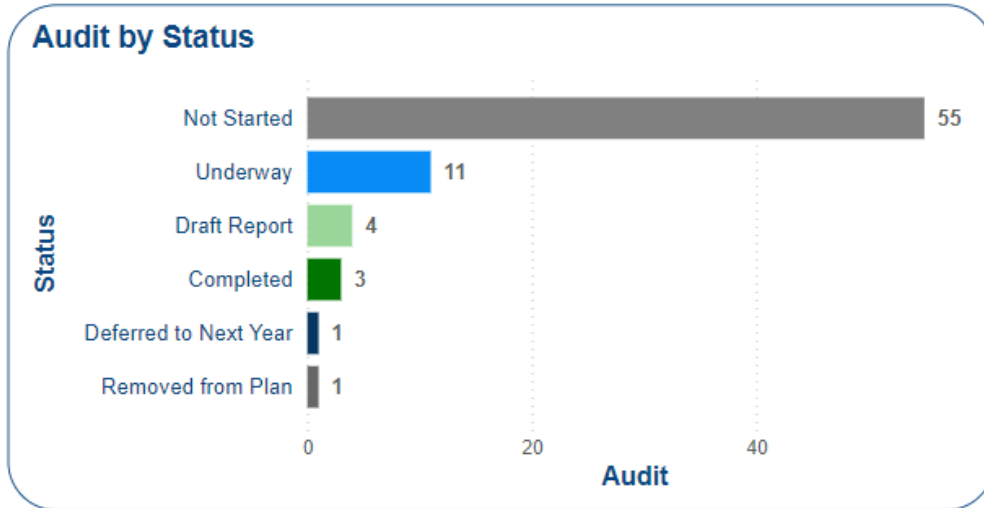
The Council's third line of defence includes internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

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.

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.

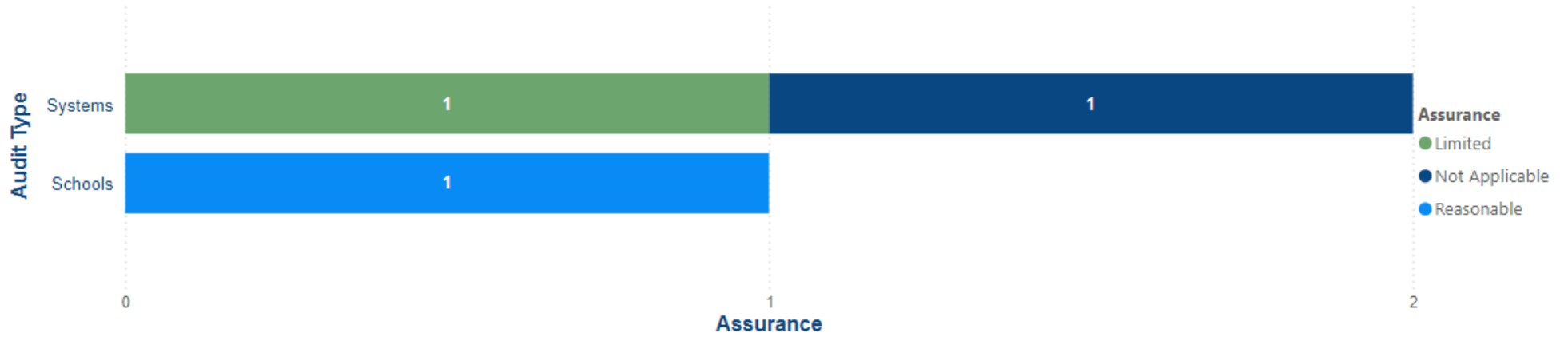
This report summarises the outcomes of audit and counter fraud work undertaken during Quarter 1 (01/04/2024 to 30/06/2024) of 2024/25 in support of the Audit Committee's role.

2024/25 Audit Plan Quarter 1 Outturn Report - Systems and Schools

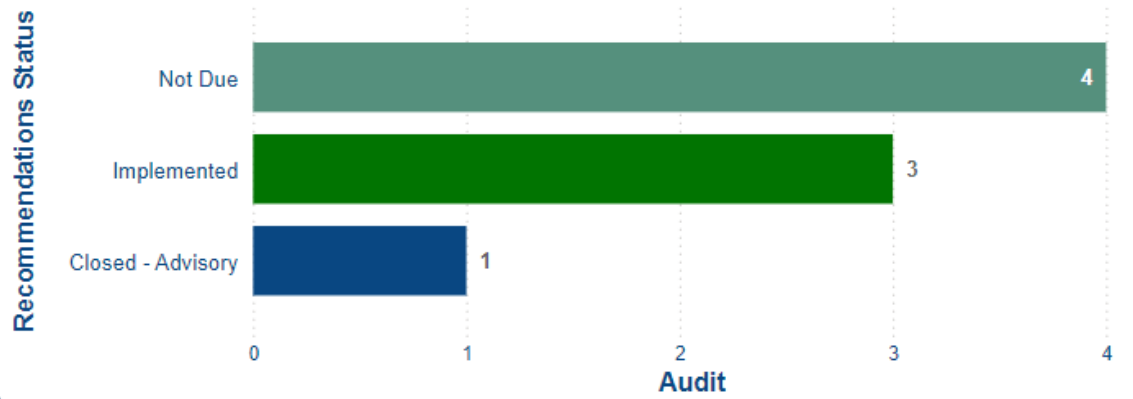


2024/25 Audit Plan Quarter 1 Outturn Report - Systems and Schools

Assurance by Audit Type



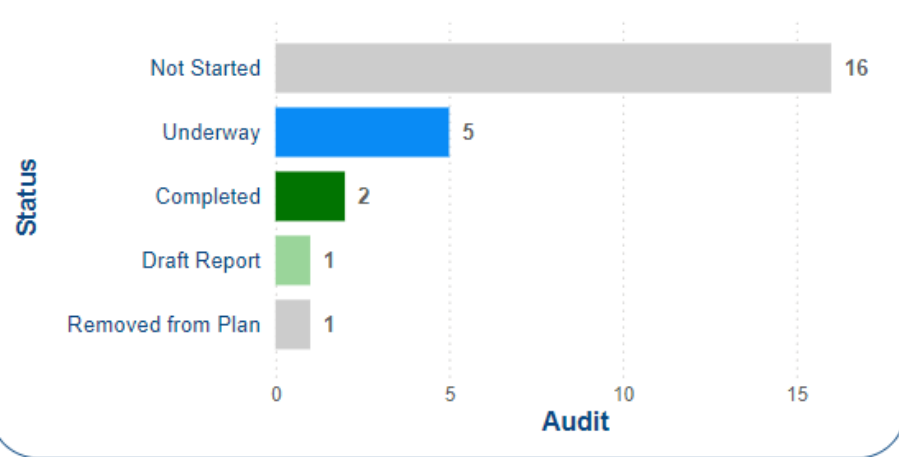
Audit by Recommendations Status



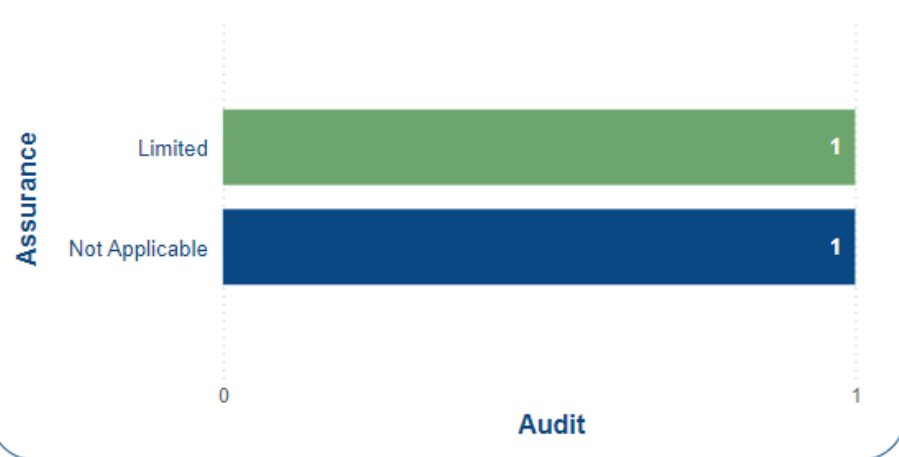
Type	Closed - Advisory	Implemented	Not Due	Total
Schools	1	3	0	4
Systems	0	0	4	4
Total	1	3	4	8

2024/2025 Audit Plan Monitoring - Systems

Audit by Status



Audit by Assurance

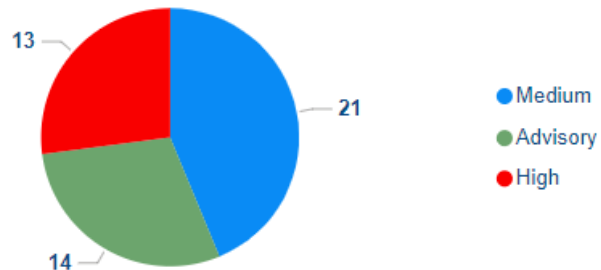


Title	Status	Reason
Engagement of Consultants via Matrix - Governance & Compliance Culture (Phase 1)	Completed	
Supported Families (Q1)	Completed	
Procurement Processes	Draft Report	
Children's: School and Early Years audit programme	Not Started	
Complaints	Not Started	
Contract Management - Waste	Not Started	
Contracts	Not Started	
Governance and Compliance Culture	Not Started	
High Income Areas	Not Started	
Highways	Not Started	
Joint Counter-Fraud Work	Not Started	
Risk and Assurance Mapping	Not Started	
Starting Well	Not Started	
Starting Well/ Aging Well	Not Started	
Supported Families	Not Started	
Supported Families (Q2)	Not Started	
Supported Families (Q3)	Not Started	
Supported Families (Q4)	Not Started	
Whistleblowing	Not Started	
Data Protection - legacy contracts	Removed from Plan	Consultant engaged in Children's to establish a control framework for this specific issue.
Council Tax (Empty Property Charges)	Underway	
Court of Protection: Deputyship and Appointeeships	Underway	
Financial Assessment and Benefits	Underway	
Tenant Management Organisations	Underway	
Voids (Tenant Rechargeable Repairs)	Underway	

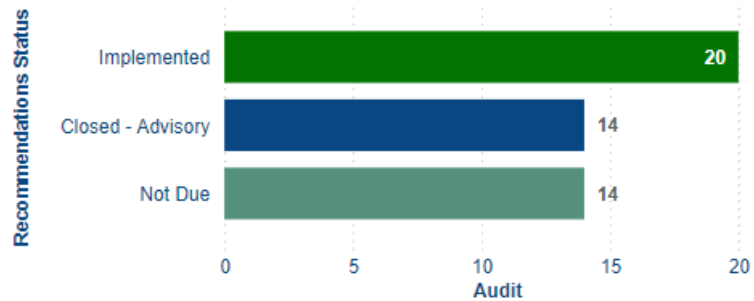
2023/2024 Audit Recommendations Update - Systems

Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a reasonable timescale, with particular focus applied to any high risk recommendations.

Recommendations by Priority



Audit by Recommendations Status



Plan Year	Audit Title	Recommendation Priority	Recommendation Status
2023/24	Catering in Schools - Allergy Management	Advisory	Closed - Advisory
2023/24	Faster/ Duplicate Payments (22/23)	Advisory	Closed - Advisory
2023/24	Parking Income	Advisory	Closed - Advisory
2023/24	PSL Follow Up	Advisory	Closed - Advisory
2023/24	Responsive Repairs	Advisory	Closed - Advisory
2023/24	Waivers	Advisory	Closed - Advisory
2023/24	DPIA Compliance - CCTV (22/23)	High	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	High	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	High	Not Due
2023/24	IT Transition Procurement Support	High	Implemented
2023/24	IT Transition Procurement Support	High	Not Due
2023/24	Responsive Repairs	High	Implemented
2023/24	Waivers	High	Not Due
2023/24	Catering in Schools - Allergy Management	Medium	Implemented
2023/24	Faster/ Duplicate Payments (22/23)	Medium	Implemented
2023/24	Housing Compliance Follow Up (22/23)	Medium	Implemented
2023/24	Housing Compliance Follow Up (22/23)	Medium	Not Due
2023/24	PSL Follow Up	Medium	Implemented
2023/24	Purchase Orders and Accruals	Medium	Not Due
2023/24	Responsive Repairs	Medium	Implemented
2023/24	Waivers	Medium	Not Due

2023/2024 Recommendation Detail - Systems



Audit Title	Recommendation	Rec Priority	Rec Status	Due Date
Faster/ Duplicate Payments (22/23)	In addition to the faster payment form, guidance should be produced and made available to all staff, outlining when it is acceptable to request a Faster Payment. Guidance should also set out the standard / expected level of detail to be provided within the request form.	High	Not Due	01 September 2024
Housing Compliance Follow Up (22/23)	LBH should document key operational procedures for gas and electrical safety. These procedures should outline key processes, such as when letters should be sent to tenants for gas servicing, and how new build properties should be added to the gas register	Medium	Not Due	01 September 2024
IT Transition Procurement Support	The governance arrangements for awarding high value contracts through Matrix Managed Marketplace should be reviewed to ensure that all decisions made are in accordance with Council processes and financial regulations. Decisions should be appropriately evidenced and recorded.	High	Not Due	01 September 2024
Purchase Orders and Accruals	A data cleansing exercise should be undertaken to close down all historical purchase orders, where appropriate. As part of this exercise the council should consider seeking to understand the reasons behind the long standing orders and whether in any of these cases, officers have bypassed procedures and paid invoices by other methods. In the event that implementation of this recommendation is expected to be delivered via a self-service approach, additional support and guidance must be made available to officers in the event that there are difficulties in accessing purchase orders / or questions as to the most appropriate action to take.	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Action should be taken to determine whether the PO Listing Report is being utilised by any services in the performance of their duties to ensure that the issues highlighted in this report are not having implications elsewhere. Dependent on the outcome of this, a review of the PO Listing Report should be undertaken to ensure that officers have access to a report that is correctly configured and reporting accurate purchase order information.	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Central ownership of PO data should be determined to establish responsibility for monitoring, reporting and prompting services to take appropriate / necessary action. This can only be effectively actioned with accurate purchase order management information (See recommendation 1).	Medium	Not Due	01 September 2024
Purchase Orders and Accruals	Responsibility for periodically reviewing the accruals account should be determined, along with clear criteria as to what action will be taken and when. Officers should be suitably informed of the outcome of this decision, when action will be taken and any potential financial implications.	Medium	Not Due	01 September 2024

2023/2024 Recommendation Detail - Systems



Audit Title	Recommendation	Rec Priority	Rec Status	Due Date
Purchase Orders and Accruals	<p>The end to end process of the purchase order life cycle should be mapped, to ensure all controls are working as expected and to ensure that there are no gaps in the control environment.</p> <p>The outcome of the mapping exercise should also be used to identify points of failure in the process and therefore determine where responsibility for taking remedial action sits.</p>	Medium	Not Due	01 September 2024
Waivers	<p>Guidance to officers should clearly outline that waiving the cost / quality weighting set out in the Constitution should be documented and approved via an Executive Decision, unlike all other waivers which should be completed on the waivers template available on the intranet. Additionally, the waiver form should clearly outline the above requirements and ask officers to confirm what supporting documentation is being submitted alongside the waiver, such as an Executive Decision.</p>	Medium	Not Due	01 September 2024
Waivers	<p>In the absence of up to date Contract Procedure Rules the current waivers process should be reviewed to ensure that it aligns with core governance requirements set out in both the CPRs and the Council's Constitution and that the process includes robust controls to ensure compliance. Once reviewed the process should be made readily available to officers across the Council.</p>	High	Not Due	01 September 2024
Waivers	<p>The current Contract Procedure Rules (CPR) should be reviewed and updated to reflect both local & legislative changes and to assimilate the current operational processes with the governance arrangements set out in the rules.</p>	High	Not Due	01 September 2024
Waivers	<p>The Executive Leadership Team should be clearly notified of the responsibility being assigned to them when approving waivers, including whether this includes responsibility for ensuring that the waiver is justified and compliant with the CPRs.</p>	Medium	Not Due	01 September 2024
Waivers	<p>The service should make changes to the Procurement Projects Register (PPR) to ensure that it provides a robust record of all waivers received, including consideration as to the value that populating the PPR with incomplete historical data will give. Additionally the service should consider whether the current method of labelling waivers to competition, differently to those related to cost / quality weighting provides a comprehensive record of waivers submitted.</p>	Medium	Not Due	01 September 2024
Waivers	<p>To ensure standards are being consistently applied it is advised that the Procurement Team are provided with training to ensure that all officers are aware of the process and understand, and can apply the controls. This should include clear communication of the teams role and responsibilities within the waivers process, such as responsibility for checking waivers are approved in line with the scheme of delegation and that any applicable supporting documents (such as EDs if applicable) have been submitted.</p>	High	Not Due	01 September 2024

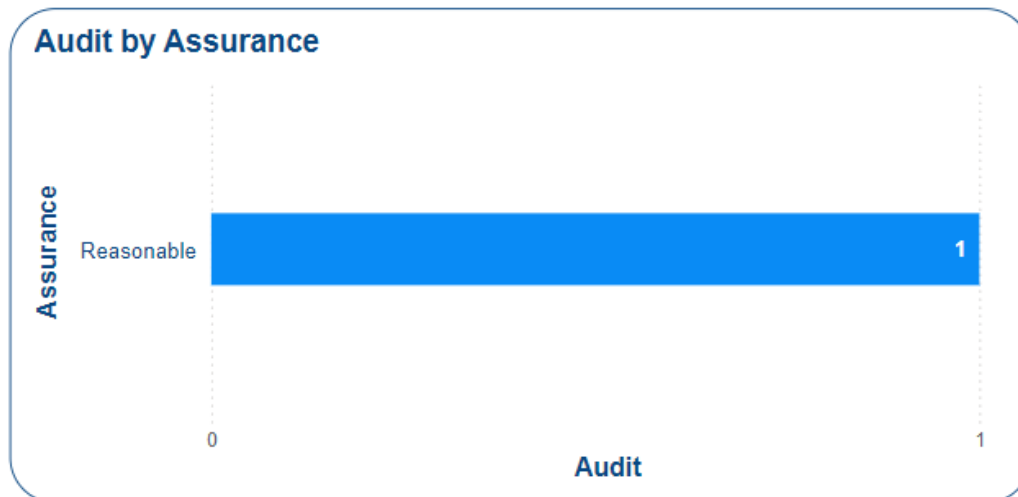
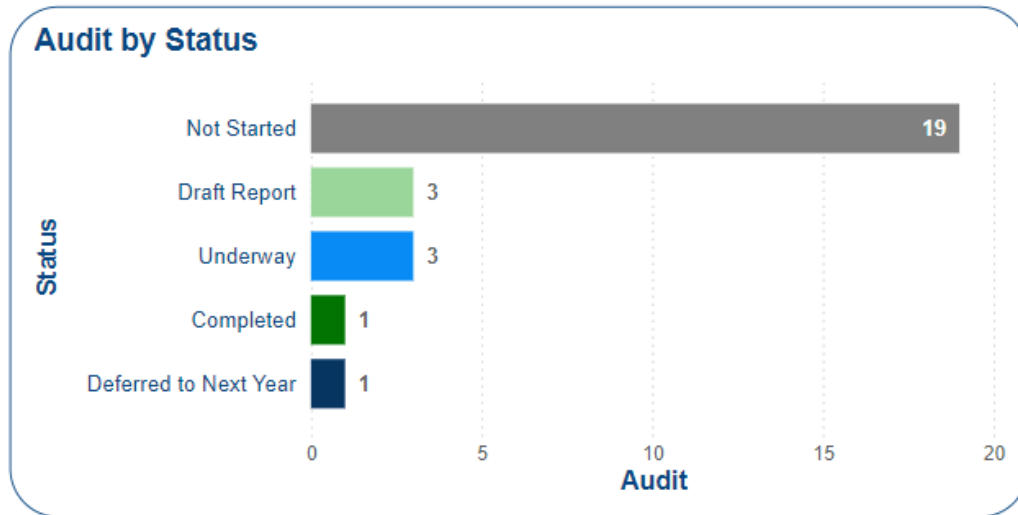
Introduction - Schools Programme

There are currently 40 borough maintained schools within Havering. Of these, 24 schools will have received a triennial audit between the financial years 2021/22 – 2023/24. The remaining 16 maintained schools were assessed on the assurance given at their last triennial audit and considered to be low risk; therefore, a triennial audit was not delivered as part of the three year rolling programme. Ten of these schools have received at least one health check since their last triennial visit, the remaining six schools are amongst the thirteen schools scheduled to be reviewed as part of the 2024/25 audit plan.

In addition to assessing the implementation of recommendations raised following the previous audit, the Health Check also reviews the perceived high risk areas, including those common themes outlined below.

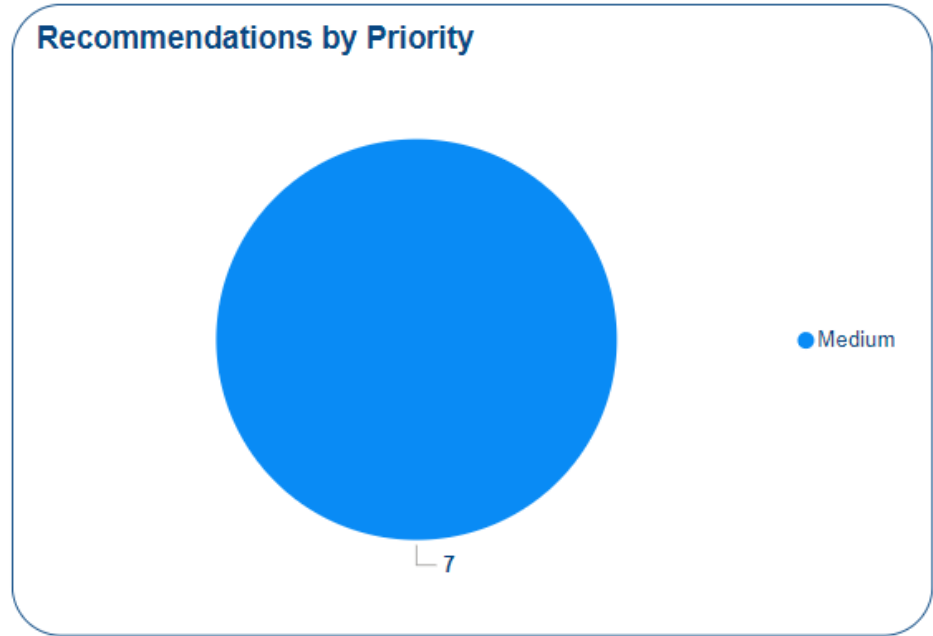
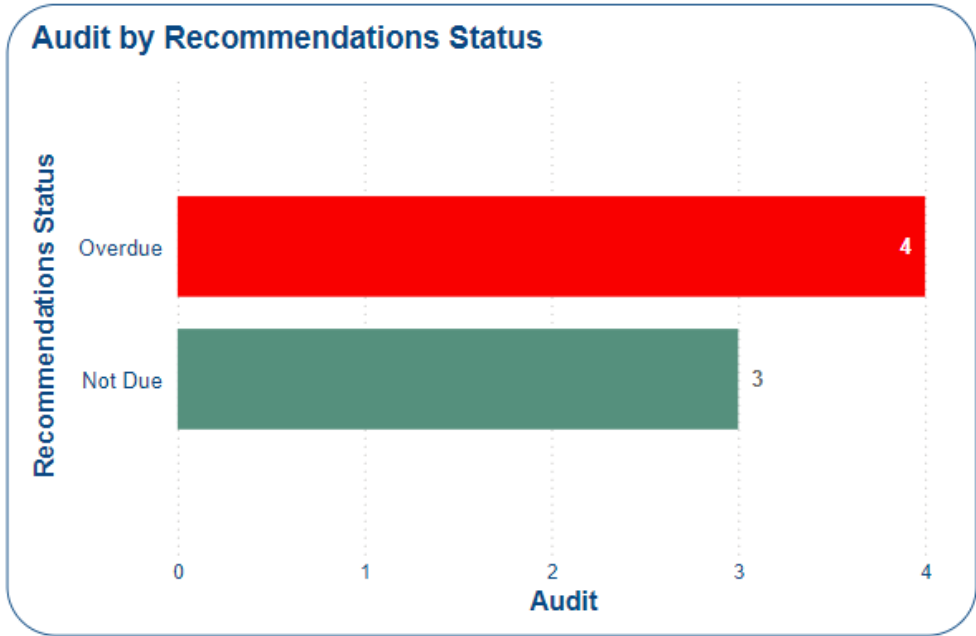
Assurance opinions are given for each school report. Currently, the schools that were due to be audited in 2023/24 have received a Triennial audit, all of which were given Reasonable Assurance.

2024/2025 Audit Plan Monitoring - Schools



Title	Status
La Salette RC Primary - HC	Completed
The Towers Federation - HC	Deferred to Next Year
Crownfield Infants	Draft Report
Suttons - T3 (23/24)	Draft Report
The Towers Federation	Draft Report
Clockhouse Primary	Not Started
Corbets Tey Primary	Not Started
Emerson Park Academy	Not Started
Engayne Primary	Not Started
Harold Court Primary	Not Started
Harold Wood Primary	Not Started
Hilldene Primary	Not Started
La Salette Catholic Primary	Not Started
Langtons Infants	Not Started
Rainham Village Primary	Not Started
Squirrels Heath Infants	Not Started
St Albans Catholic Primary	Not Started
St Edwards Church of England Primary	Not Started
St Josephs Catholic Primary	Not Started
St Patricks Roman Catholic Primary	Not Started
St Peters Catholic Primary	Not Started
The Growing Together Federation	Not Started
The Learning and Achievement Federation	Not Started
Brady - T3	Underway
St Josephs - HC (22/23)	Underway
The Aspire Learning Federation	Underway

Outstanding Audit Recommendations - Schools



Plan Year	Audit Title	Recommendation Priority	Recommendation Status
2023/24	Clockhouse Primary	Medium	Not Due
2023/24	RJ Mitchell - T3 (22/23)	Medium	Overdue
2023/24	St Albans Catholic Primary	Medium	Not Due
2023/24	St Patricks - T3	Medium	Overdue

Introduction - Counter Fraud

The counter fraud service is continuing to follow up, fraud referrals, desk based intelligence checks and investigations with door step visits and Interviews under Caution where necessary The Council take a zero tolerance approach to tenancy fraud and currently have 79 open investigations.

During the period 01/04/2024 to 30/06/2024, seven non-housing referrals were also received; two of which were Whistleblowing referrals. Two cases have been investigated and concluded and five referrals are currently being investigated.

Proactive Counter Fraud Investigations Work undertaken between 01/04/2024 and 30/06/2024

Area	Description	Number Recieved
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	13
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.	Results are currently under review.

Counter Fraud

Three referrals were brought forward from the previous period.

- Two cases have been concluded; and
- One remaining case is still under investigation.

Between 01/04/2024 and 30/06/2024 seven referrals were received; two of which, information was provided by Whistle-blowers:

- Two cases have been investigated and concluded; and
- Five referrals are currently being investigated.

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

Description	2023/2024	2024/25 to Date
Notional Saving	383820	0
RTB stopped	3	0
Properties recovered	14	1
RTB referred and reviewed	94	35
Number of referrals for investigation	127	93
Notional Saving *	588000	42000
Total Notional Saving	971820	42000

* Notional savings uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

Housing Cases

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

Description	2024/25 (to date)
Awaiting Court Hearing	1
Closed - Fraud Detected	2
NFA / No Offence	11
Notice To Quit (NTQ) issued	1
Number of completed / closed investigations	14
Number of new referrals retained for investigation *	9
Number of referrals brought forward	84
Number of referrals currently under investigation	79
Open Investigations	64
Passed to Legal Services for Criminal / Civil Proceedings	9
Pending bailiff action / Eviction	4
Properties Recovered	1
RTB stopped **	0

Key: * Total number of referrals received and triaged was 34. However, only 9 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 35.

Housing Services refer Mutual Exchanges and Succession to the Counter Fraud Team to review. A total of 3 Mutual Exchanges and 8 Successions have been referred and reviewed.

Appendix 1 : Limited Assurance Reports – Engagement of Consultants via Matrix Managed Marketplace (Governance & Compliance Culture)

Background

The Matrix contract comprises of two components. Matrix SCM for the supply of temporary agency workers and Matrix Managed Marketplace (MMM) which relates to the engagement of consultants. This audit reviewed the process of engaging consultants / consultancy teams via Matrix Managed Marketplace, not the engagement of agency workers.

At the time of this review, there were a total of 46 live projects utilising consultancy services with a total budget of £3.4m engaged via MMM. Of these, 67% were awarded directly to the provider without competition which equates to 31 projects totalling £2.5m.

Assurance Opinion - Limited

The overall audit opinion can only provide limited assurance that the control framework is adequate to manage the risks in the recruitment of consultancy services.

Summary Key Findings	Recommendations
The Contract management arrangements between the Council and Matrix Managed Marketplace are unclear.	High - Clarification should be sought should be sought that any content / process within the contract that currently only refers to agencies or candidates (SCM) will also be applied to consultants / providers (MMM), going forward, and where necessary, any distinctions between these two areas are clearly established. This should include appropriate contract management arrangements and the establishment of Key Performance Indicators.
There is a lack of clarity regarding whether the use of the Matrix Managed Marketplace contract negates or supersedes the existing contract procedure rules.	High - It should be established whether the Council's internal procurement rules, set out in the Councils Constitution and associated documents, should be applied, such as the requirement for a competitive process above a specified value.
The engagement of contractors through the Matrix Managed Marketplace contract does not provide sufficient assurance that contractors are appropriately vetted	High - Clarification should be sought as to when vetting checks are applied, how checks are measured and how the outcome of these checks will be reported / notified to Council Officers. Guidance should be updated to ensure officers are aware of the outcome of these discussions and where necessary training should be provided.

There is a risk that consultants may be engaged outside of the contracted arrangements.

High - In order to ensure that MMM is being used in a compliant manner, the current Contract Procedures Rules' reference to consultancy and professional services should be expanded to clearly define these terms.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report which is for information only.

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.

Legal implications and risks:

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to conduct a review of the effectiveness of the system of internal control which must be considered by the relevant committee or by full Council. This report seeks to comply with that statutory obligation and there are no apparent risks in considering the end of year report.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Climate Change implications and risks:

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

Equalities implications and risks:

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, 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.