



London Borough of Enfield

Report Title	Internal Audit, Counter Fraud, and Insurance Progress Update
Report to	General Purposes Committee
Date of Meeting	27 March 2024
Cabinet Member	Cllr Tim Leaver, Cabinet Member for Finance and Procurement
Directors	Terry Osborne, Director of Law & Governance
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Wards affected:	All
Classification:	Part I Public

Purpose of Report

1. The Internal Audit, Counter Fraud and Insurance Progress Update Report at 31 January 2024 (**Appendix A**) summarises:
 - progress against the 2023-24 Internal Audit Plan
 - 2023-24 audit reports with **Limited** assurance opinions issued since our last report to the committee
 - the continued work of the Head of Internal Audit to target limited audit resources at the highest priority Corporate and Schools' services.

Recommendations

- I. To note the progress made on the 2023-24 Internal Audit Plan.
- II. To note the 2023-24 audit reports with Limited assurance opinions issued since our last report to the Committee

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Appendices

Appendix A: Internal Audit, Counter Fraud, and Insurance Progress Update,
31 January 2024

Background Papers

None



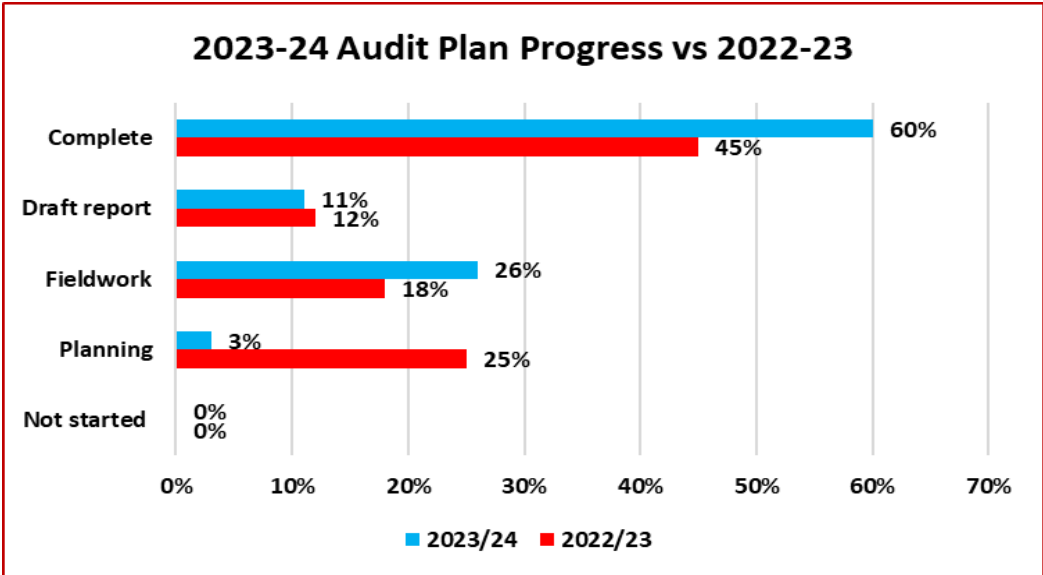
Internal Audit, Counter Fraud, and Insurance Progress Update 31 January 2024

Internal Audit

2023-24 Internal Audit Plan

During the period 1 April 2023 to 31 January 2024, the Internal Audit team started 38 assignments (100% of the plan) of which 22 (58%) have been completed. For the same period in 2023, 64 audits (100%) had been started and 29 (45%) had been completed.

The following chart summarises the 2023-24 progress compared to 2022-23:



Changes to the 2023-24 Internal Audit Plan

Since our last report to this Committee and 31 January 2024, 1 audit has been cancelled and no audits were added to the plan.

The cancelled audit is:

Department	Audit	Reason for Cancellation
People	Forty Hill CE Primary School	Cancelled to align the audit plan to available resources.

The full 2023-24 internal audit plan is attached at **Annex A**.

Completed Audits

Between our last report to the Committee and 31 January 2024, 15 audits were completed:

Corporate Risk Reference	Department	Audit	Assurance Level
CR19	Resources	Purchase to Pay and Goods Receipt/Invoice Receipt Process	Substantial
CR01	Chief Executive's	Insurance	Reasonable
CR10	Environment & Communities	Selective Licensing of Privately Rented Residential Properties	Reasonable
CR12	People	PFI Contract Monitoring - Schools	Reasonable
Other	People	Garfield Primary School	Reasonable
CR03	Cross Cutting	Direct Payments	Limited
CR19	Resources	Education Funding	Limited
CR10	Housing Regeneration & Development	Housing Conditions	Limited
CR02	Resources	Adult Social Care Debt Collection	Limited
CR02	People	Bus Service Operators Grant	N/A - Grant Certification

Corporate Risk Reference	Department	Audit	Assurance Level
CR02	People	Supporting Families Q2	N/A – Grant Certification
CR02	People	Supporting Families Q3	N/A – Grant Certification
CR02	People	Turnaround Programme	N/A – Grant Certification
CR01	Cross Cutting	Dugdale Arts Centre-Capital Spend	N/A- Management Letter
Other	Cross Cutting	Mayor of the London Borough of Enfield Appeal	N/A- Management Letter

Limited Assurance Reports

The following summaries from the audit reports briefly explain the reasoning behind the **Limited** assurance opinions:

Direct Payments

During the audit we identified some areas for improvement classified as **2 high risk**, **6 medium risk** and **1 low risk** findings.

The following **high-risk** findings were identified:

1. The Council uses a third-party provider to manage a portion of its direct payments accounts. However, there is no formal contract in place between the Council and the third-party provider. This means terms and conditions of the arrangement as well as key performance indicators have not been documented.
2. In accordance with the Care and Support (Direct Payments) Regulations 2014 section 7a, “a local authority must conduct a review for the purpose of ascertaining whether the making of direct payments is an appropriate way to meet the adult’s needs at least once within the first 6 months of the direct payment being made and at intervals not exceeding 12 months thereafter.” A review of a random sample of 30 cases found that:
 - while care reviews may have taken place, we noted that 15 (50%) cases were late or outstanding and that the Adult Social Care team need to better ascertain whether a direct payment is and remains an appropriate means to meet an adult’s needs;
 - 6 (20%) cases were new direct payments accounts. Although our in-house procedures recommend an early review of direct payments after

6 weeks, in 4 (67%) cases the review was not undertaken within this timescale. 2 of these 4 cases were completed outside the six week target period and for the remaining 2 cases, the review was not completed at all.

The following **medium risk** findings were identified:

1. The existing Exchequer Service Direct Payments Financial Monitoring procedures were not comprehensive as roles and responsibilities were not clearly defined and the procedures document was not approved, or version controlled and it did not include the next review date. Additionally, the Direct Payment Information Booklet and Factsheet was out of date as it covered the period November 2021 to November 2022.
2. In 5 (17%) of the 30 direct payments accounts sampled, a formal signed contract was not in place at the time of the audit. A formal contract ensures that recipients have been made aware of direct payments terms and conditions.
3. During our review of the sample of 30 cases, we observed that the information recorded on support plans was not consistent and did not capture all the relevant details required to manage and monitor direct payments activities. As best practice, the minimum information to be included would be changes in care needs that may impact on the payment, review of payment activity and findings from financial monitoring carried out by the Direct Payments Finance team.
4. From our review it appears an effective and efficient cross service collaborative approach to direct payments is not in place. In 26 cases (86%), there was no evidence of engagement between the social care teams and the Direct Payments Finance team. The Direct Payments Financial Monitoring procedures state that a scheduled review by the social care team must always include the findings from financial monitoring. Financial monitoring findings should be requested from the Direct Payments Finance team by email at least 10 working days in advance.
5. Effective monitoring of direct payments made through bank accounts cannot take place when service users or their representatives do not provide the required information. From our overall sample of 30 cases, 5 (16%) cases were paid into a bank account. In 3 of these cases (60%), the Direct Payments Finance team were unable to carry out financial monitoring as the representative for the service user had not provided up to date quarterly bank statements and completed monitoring forms. We were advised that numerous requests for the information had been made.
6. Cash withdrawals are monitored by the Direct Payments Finance team via the High Interest report. We were advised that the ability to withdraw cash is not usually allowed and pre-authorisation from the social care team is required before cash withdrawals are allowed. The Direct Payments

Finance team is responsible for adding and then removing the cash withdrawal functionality for the card. During sample testing we identified one case where the cardholder regularly withdrew cash. It was confirmed by the relevant social care team that pre-authorisation had not been provided prior to the cash withdrawal. Additional testing identified another case where cash was regularly withdrawn. We were advised that the Direct Payments Finance team became aware of the issue in 2020 and raised this concern with the social care team; however, the issue remains unresolved. This has highlighted that the Direct Payments Financial Monitoring procedures need to include the process for allowing cash withdrawals and that communications between the Direct Payments Finance team and social care teams need to be improved.

Education Funding

During the audit we identified some areas for improvement classified as **2 high risk**, and **1 medium risk** findings.

The absence of formally documented working practices, coupled with the high level of staff turnover in the Education Finance Team, have significantly contributed to the findings in this report.

The following **high-risk** findings were identified:

1. Although there are national guidelines, no Council specific written procedures are in place. Consequently, roles and responsibilities are not clearly defined resulting in inconsistent methodologies with respect to High Needs payments. Additionally, it is not clear whether the Education Finance Team or the Education Resources Team is responsible for sending letters to schools in deficit. This has resulted in deficit letters not being issued on a timely basis.
2. There was no effective monitoring to ensure timely submission of financial returns by schools nor evidence that the returns are scrutinised and challenged (where appropriate) by Education Finance.

The following **medium risk** finding was identified:

1. In accordance with the Accounts and Audit (England) Regulations 2015, Note 12 to the Council's Statement of Accounts and the S251 Outturn Statement must agree. Our testing identified a difference of £7038. In addition, the S251 Outturn statement was submitted on 16 September rather than the due date of 25 August. Since 2019-20 none of the S251 Budget and Outturn Statements have been published on the Council's website although this is required by the Education and Skills Funding Agency (ESFA).

Housing Conditions

During this audit we identified some areas for improvement classified as **1 high risk**, **4 medium risk** findings.

The following **high-risk** finding was identified:

1. A review of a random sample of 15 damp and mould cases highlighted that:
 - in 15 (100%) cases independent checks were not carried out to confirm that damp and mould works were completed to the expected standard;
 - in 9 (60%) cases the 8 week follow up check was not carried out on time to confirm that the damp and mould issue was resolved;
 - in 10 (66%) cases damp and mould issues were unresolved following the (sometimes late) 8-week check;
 - in 6 (40%) cases preliminary checks were not completed within 21 days of receiving the initial complaint;
 - in 2 (13%) cases as the complaints had not been resolved satisfactorily, they were escalated to the legal disrepairs process;
 - in 6 (40%) cases several work orders were raised against the same initial complaint made by resident. As the number of work orders is used as the basis for reporting the number of complaints, this resulted in inflated reports.

The following **medium risk** findings were identified:

1. There was insufficient oversight of the Damp and Mould Taskforce's Action Plan. The Action Plan includes 52 actions for implementation. The Action Plan was reviewed, and we identified the following:
 - in all 52 (100%) cases there was no evidence of regular monitoring and updating of the plan;
 - in 48 (92%) cases no target date for implementation was assigned;
 - in 35 (67%) cases the action points were not prioritised;
 - in 12 (23%) cases no action owner was assigned.
2. A Damp and Mould multi-disciplinary taskforce was set up in November 2022. However, we noted that there is no approved Terms of Reference in place to clearly define the objectives, responsibilities, membership, and reporting structure of the taskforce.
3. An Asset Management Strategy which outlines how the Council will maintain, manage, and invest in Council homes is in place. However, there are no written internal working procedures to support the strategy - we would expect to see defined roles and responsibilities, working practices around raising of orders, classification of the different stages of work orders and inspections etc. In addition, target timescales for the completion of work orders following initial complaints are not documented.
4. Although a suite of reports is produced, there is no monitoring against agreed key performance indicators.

Adult Social Care Debt Collection

During this audit we identified some areas for improvement classified as **2 high risk, 6 medium risks** and **2 low risk** findings.

The following **high-risk** finding was identified:

1. From our review it appears an effective and efficient cross service collaborative approach to Adult Social Care (ASC) debt collection is not in place. It is important that all services understand the importance of their role in this process, especially in the current financially challenging times, and that they have appropriate professional training in debt management.
2. The Council uses the ASH debtors system to facilitate and record credit control procedures in relation to the Council's debtors. The ASC Debt team do not have appropriate access to ASH reporting making the process ineffective and inefficient.

The following **medium risk** findings were identified:

1. At £1.656m, provision in the corporate accounts for ASC debts may not be sufficient.
2. In 60% of the sample tested, we found exceptions to the agreed debt monitoring process.
3. Insufficient management information and reporting was prepared. A review of the manually prepared scorecard included inaccurate percentages.
4. The charging policy/procedures do not provide options for collateral security arrangements to be put in place where there are rises in individual debts.
5. 60% of the waivers we tested recorded the reason for the waiver as either:
 - non/late supply of charging policy to the client; or
 - no charging information provided to the client.

We regard these as wholly avoidable.

There was also insufficient communication where changes are made to packages on CareFirst, resulting in incorrect charges being made and requiring retrospective waivers. We also identified that waivers were actioned despite appropriate approvals not being in place.

6. We were advised that although any suspicious financial activity is highlighted to social workers, this is not referred to the Counter Fraud team.

2023-24 Internal Audit Quality Assessment

Performance of the Internal Audit service against agreed key performance indicator (KPI)/quality metrics between 1 April 2023 and 31 January 2024 is:

KPI / Quality Metric	Target	Actual
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KPI / Quality Metric	Target	Actual
Days from end of fieldwork to issue of draft report	15	25
Days from receipt of management comments to issue of final report	10	16
Level of satisfaction score with audit work	80%	90%*
% of the audit plan delivered to draft report stage (by 31 March)	95%	71%

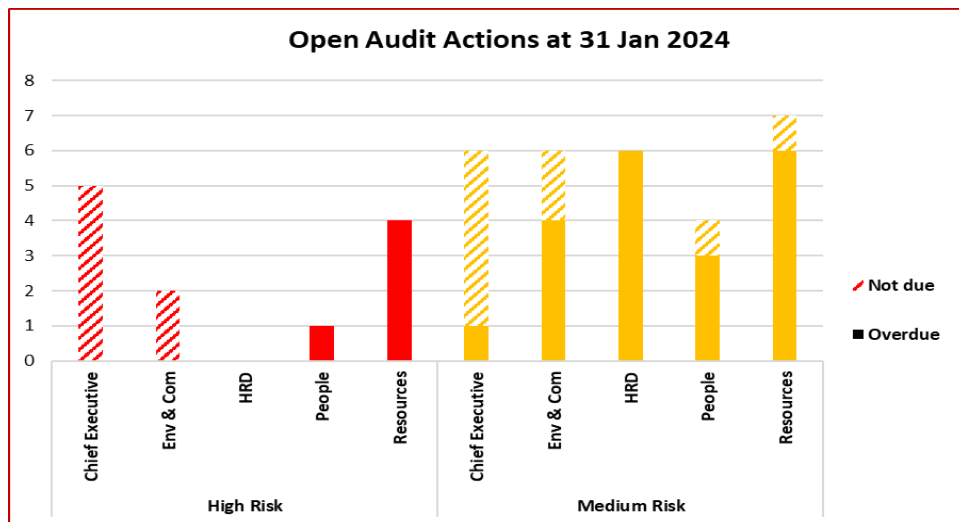
* The level of satisfaction with audit work is determined by way of client satisfaction surveys issued after finalising every audit. 10 survey responses have been received so far for 2023-24 audits.

Corporate Audit Actions Implementation

The Internal Audit team is responsible for tracking managers' progress with implementing internal audit actions.

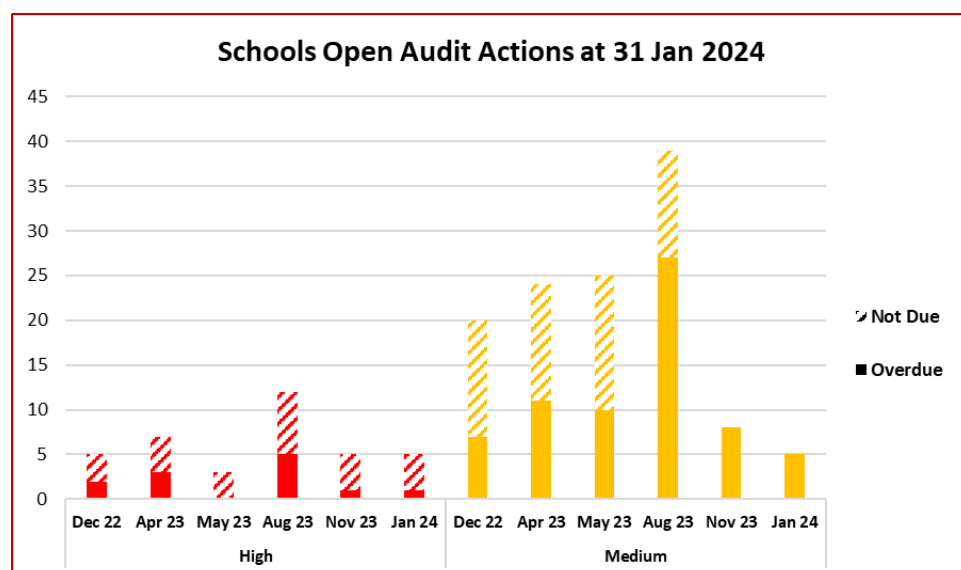
As at 31 January 2024, the implementation rate (12-month rolling basis) for actions from high-risk findings is 87% (2023: 84%) and for medium risk findings is 76% (2023: 80%).

41 actions from high and medium risk findings identified from corporate audits remained open. Of these, 25 actions (5 high risk and 20 medium risk) were not fully implemented by their original due date and are, therefore, classed as overdue. Overdue actions are shown by the solid coloured bars in the graph below:



Details of the overdue corporate actions from high risk findings are provided in **Annex B**.

Schools' Actions Implementation



In line with our escalation policy, overdue schools' actions are regularly notified to the Director of Education.

Counter Fraud

Counter Fraud Savings

The work routinely undertaken by the Counter Fraud Team (CFT) generates savings directly for the Council (for example, where a Right to Buy application is stopped) as well as for Central Government where we administer schemes on their behalf, such as those covering business grants and housing benefit payments.

These savings are classified as either:

- **Detected:** where fraud has taken place and an overpayment has been identified.
- **Prevented:** where fraud would have occurred had the CFT not intervened.
- **Notional:** estimated savings generated by housing recoveries.

As at 31 January 2024, the CFT identified detected and prevented savings of **£2.8m** as outlined in the table below. This includes notional housing savings of **£546k** through the recovery of properties used improperly as Council accommodation.

Detected and Prevented Fraud Savings to 31 January 2024 *

Fraud Type	Detected (£)	Prevented (£)
Bank mandate fraud (attempt)		1,772,834
Council properties recovered (13 properties)**		546,000
Housing – Buy Back scheme		212,950
Right to Buy (1 case @ £127,900)		127,900
Purchase Cards (estimate)	90,500	
Housing Benefit	41,326	
AP1 Process (estimate)	3,500	
Council Tax Reduction Scheme & Discounts	2,098	
Insurance	261	
Removal from Housing Register (4)***		12,960
	£137,685	£2,672,644
Total	£137,685	£2,810,329

* Includes overpayments identified or recovered, as well as potential future income and the estimated value of losses prevented by the detection and interception of fraud and improvement of controls.

** The Notional Value attributed to recovery of a Council property is the amount of £42k per property as per the calculation published by the Tenancy Fraud Forum in April 2022; the figure takes into account the average annual cost of providing temporary accommodation for a family who could otherwise have occupied the recovered property, plus average investigation and legal costs. The Notional Value of a Temporary Accommodation recovery is based on the net annual cost to the Council of acquiring a property for use as temporary accommodation.

*** Based on Cabinet Office estimate of £3,240 per applicant removed (NFI Report 2022).

Insurance

Significant Claims

Current open high value claims (£250k and over) and high-risk claims are summarised below:

Policy type	Description	Number of claims	Total Reserve (£'000s)
Property	Escape of water	1	1,199*
Public Liability	Abuse	8	725
Public Liability	Failure to remove	5	220
TOTAL			2,144

*This claim has a £250 policy excess; the balance of the claim will be paid by our insurers

ANNEX A: 2023-24 Audit Plan Status

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks
Insurance	PwC	Complete	Reasonable	-	-	3	5
Dugdale Arts Centre - Capital Spend	In House	Complete	N/A – Management Letter	-	-	-	-
Non-residential Licensing	In House	Cancelled	-	-	-	-	-
Planning Enforcement	PwC	Cancelled	-	-	-	-	-
Bus Service Operator's Grant	In House	Complete	N/A – Grant Certification	-	-	-	-
Supporting Families - Q1	In House	Cancelled	-	-	-	-	-
Supporting Families - Q2	In House	Complete	N/A – Grant Certification	-	-	-	-
Supporting Families - Q3	In House	Complete	N/A – Grant Certification	-	-	-	-
Supporting Families - Q4	In House	Fieldwork in Progress	-	-	-	-	-
Orchardside School Grant Certification - Alternative Provision Specialist Taskforces Programme	In House	Complete	N/A – Grant Certification	-	-	-	-
Highlands School - Schools Direct Grant certification	In House	Complete	N/A – Grant Certification	-	-	-	-
Family Hubs and Start for Life programme - Grant Certification	In House	Complete	N/A – Grant Certification	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks
Turnaround Programme 2022-2025	In House	Complete	N/A – Grant Certification	-	-	-	-
Treasury Management	PwC	Fieldwork in Progress	-	-	-	-	-
Education Funding	In House	Complete	Limited	-	2	1	-
Adult Social Care Debt Collection	In House	Complete	Limited	-	2	6	2
Direct Payments	In House	Complete	Limited	-	2	6	1
Data Protection	PwC	Cancelled	-	-	-	-	-
Freedom of Information Requests (Fol) and Subject Access Requests (SAR)	PwC	Cancelled	-	-	-	-	-
Unregulated Services for Adult Assisted Living	In House	Cancelled	-	-	-	-	-
Post 16 Education	In House	Cancelled	-	-	-	-	-
Home Care Support	In House	Fieldwork in progress	-	-	-	-	-
Cyber Security Strategy	PwC	Draft report issued	-	-	-	-	-
Digital Maturity Assessment	PwC	Draft report issued	-	-	-	-	-
Housing Repairs & Maintenance - Disrepairs	In House	Fieldwork in progress	-	-	-	-	-
Facilities Management and Compliance	In House	Fieldwork in progress	-	-	-	-	-
Property Services and Commercial Leases	PwC	Draft report issued	-	-	-	-	-
Selective Licensing of Privately Rented Residential Properties	In House	Complete	Reasonable	-	1	3	2
Housing Conditions	In House	Complete	Limited	-	1	4	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks
Council Housing Fire Safety	PwC	Deferred	-	-	-	-	-
Housing Allocations	In House	Fieldwork in progress	-	-	-	-	-
Supply Chain Risks	PwC	Complete	Reasonable	-	-	2	1
PFI Streetlighting Contract	PwC	Draft report issued	-	-	-	-	-
Highways Inspections	In House	Complete	Reasonable	-	-	1	5
PFI Contract Monitoring - Schools	PwC	Complete	Reasonable	-	-	2	1
Procurement Bill Readiness	In House	Cancelled	-	-	-	-	-
Energetik - Billing Reconciliation Process	PwC	Cancelled	-	-	-	-	-
HGL - Temporary Accommodation Stock Transfer	PwC	Deferred	-	-	-	-	-
Additional Payments	In House	Fieldwork in progress	-	-	-	-	-
Application of the Smart Working Policy, PDRs and Internal Communications	In House	Draft report issued	-	-	-	-	-
Youth Participation Policy	In House	Cancelled	-	-	-	-	-
Climate Change	In House	Cancelled	-	-	-	-	-
Gender and Ethnicity Pay Gap Reporting	PwC	Cancelled	-	-	-	-	-
Adult Social Care Budget Monitoring	In House	Fieldwork in progress	-	-	-	-	-
Goods Receipt/Invoice Receipt (GRIR) Process	PwC	Complete	Substantial	-	-	-	1
Mayor of the London Borough of Enfield Appeal Fund Accounts 2022-23	In House	Complete	N/A – <Management Letter	-	-	-	-

Title	Audit Team	Audit Status	Assurance Level	Critical Risks	High Risks	Medium Risks	Low Risks
Freezywater St Georges CE Primary School	In House	Complete	Limited	-	1	6	8
Forty Hill CE Primary School	In House	Cancelled	-	-	-	-	-
Garfield Primary School	In House	Complete	Reasonable	-	-	6	10
Our Lady of Lourdes Catholic Primary School	In House	Fieldwork in progress	-	-	-	-	-
St John's CE Primary School	In House	Planning	-	-	-	-	-
Orchardside School	In House	Complete	Reasonable	-	1	3	9
Durants School	In House	Draft report issued	-	-	-	-	-

ANNEX B: Overdue High Risk Actions

Audit Name	Finding Title	Agreed Action	Original Due Date	Update	Revised Target Date
Financial Management of Bridgewood House	Reconciliation Processes	We will seek support from our Finance Business Partner to ensure that appropriate financial controls are in place. This will include, but is not limited to: a) Monthly reconciliations undertaken between the bank statement and the resident's income and expenditure records. b) A summary of the individual resident account balances that make up the bank balance total. c) Monthly reconciliations of individual income and expenditure records for each resident against the supporting documentation held. d) All reconciliations independently reviewed and approved by a second member of staff to confirm their accuracy.	30-Jun-2022	<p>January 2024, Internal Audit Residents' bank account reconciliations have been received and an initial review has been carried out by Internal Audit.</p> <p>We are unable to validate this action as completed and will discuss with the Service.</p> <p>November 2023, Internal Audit Discussed at GPC in October. We will meet with the Head of Service in December in order to confirm whether the action is implemented.</p>	30 April 2024
Oversight of Energetik Loan Repayments and Connection Timelines	Governance and Reporting	We will share the latest Operational Plan with the Cabinet.	30-Apr-2023	<p>February 2024, Internal Audit Update requested</p> <p>November 2023, Fay Hammond Quarterly performance monitoring reports are now provided at Cabinet meetings.</p> <p>June 2023, Assurance Board Revised target date of 31 December 2023 agreed.</p>	30 June 2024

Audit Name	Finding Title	Agreed Action	Original Due Date	Update	Revised Target Date
				<p>We have been advised that the papers prepared for the April Cabinet meeting were withdrawn at the request of the Portfolio Holder and with the agreement of the Leader. Our understanding is that was to allow further strategic work on the 40 year business plan to take place. The business plan update is not due to be sent to Cabinet until the end of the year.</p>	
DWP Memorandum of Understanding	Governance Process	The governance procedures will be reviewed annually in line with the MoU to ensure they remain relevant and up to date.	31-Mar-2022	<p>September 2023, Internal Audit To be reviewed in April 2024.</p> <p>This action is on hold, due to external factors with DWP. We will need to tolerate this risk until these issues are resolved with the DWP.</p>	30 April 2024
Financial External Audit Process	Resource Continuity	When the External Auditors share their audit plan, we will review and circulate the internal Resource Plan in conjunction with the External Auditor's timetable to ensure full coverage.	30-Sep-2023	<p>October 2023, Internal Audit Revised target date 30 June 2024 agreed.</p> <p>Meeting held with Annette Trigg on 31 October 2023. Due to the uncertain audit timetable, the target date was extended to 30 June 2024.</p>	30 June 2024
Financial External Audit Process	Resource Continuity	We will perform a regular review of the resource map to ensure that gaps are identified in a timely manner. Additionally, we will ensure that resource gaps, slippage and delays are escalated and explained to management on a regular basis.	30-Sep-2023	<p>October 2023, Internal Audit Revised target date 30 June 2024 agreed.</p> <p>Meeting held with Annette Trigg on 31 October 2023. Due to the uncertain</p>	30 June 2024

Audit Name	Finding Title	Agreed Action	Original Due Date	Update	Revised Target Date
				audit timetable, the target date was extended to 30 June 2024.	