

MUNICIPAL YEAR 2017/18 REPORT NO. 84

MEETING TITLE AND DATE:

Audit & Risk Management
Committee
01 November 2017

REPORT OF:

Executive Director of Finance,
Resources and Customer
Services

Agenda – Part:

Item: 6

**Subject: 2017/18 Audit and Risk
Management Service Progress
Report**
Wards: All

Cabinet Member consulted:

Contact officer and telephone number:

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1. EXECUTIVE SUMMARY

- 1.1 This report summarises the work that the Audit and Risk Management Service has undertaken for the period 01 April to 23 October 2017.
- 1.2 Progress has been made with delivering the 2017 internal audit plan, with 83% of reviews having commenced. Of these, 20% have been finalised.
- 1.3 Tracking of recommendation has confirmed that managers have implemented 42% of high priority and 38% of medium priority recommendations, which were targeted for implementation by 1 October 2017.
- 1.4 A summary of proactive, reactive and preventative fraud work that has been undertaken by the Counter Fraud Team is reported.
- 1.5 Details of performance measures for the internal audit service are also presented.

2. RECOMMENDATIONS

- 2.1 To note the progress made in delivering the Audit and Risk Management Service's 2017/18 work plan and the outcomes achieved to date.
- 2.2 To note managers' progress with the implementation of internal audit recommendations.

3. BACKGROUND

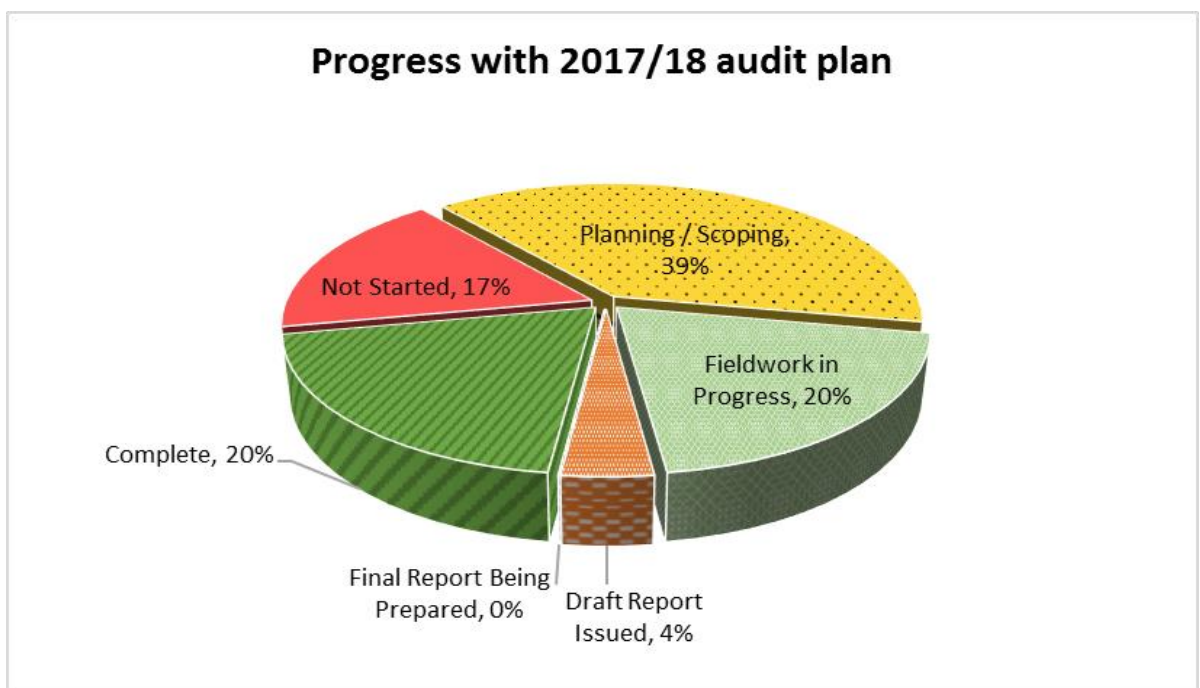
- 3.1 The Audit and Risk Management Service carries out its duties in accordance with appropriate professional standards, including the Public Service Internal Audit Standards (PSIAS). These standards require regular reporting of progress with planned activities to senior managers and the Audit & Risk Management Committee.
- 3.2 The Internal Audit Plan for 2017/18 was submitted to and agreed by the Audit & Risk Management Committee on 7 March 2017.
- 3.3 This report summarises the work completed by the Audit and Risk Management Service (ARMS) between 1 April 2017 and 23 October 2017.

2017/18 Audit and Risk Management Service Progress Update

Internal Audit

- 3.4 During the period 1 April 2017 to 23 October 2017, the Internal Audit team has commenced 58 assignments (83% of the current plan) of which 14 (20%) have been completed. The following chart summarises this progress.

Chart 1: 2017/18 Internal Audit Plan Progress

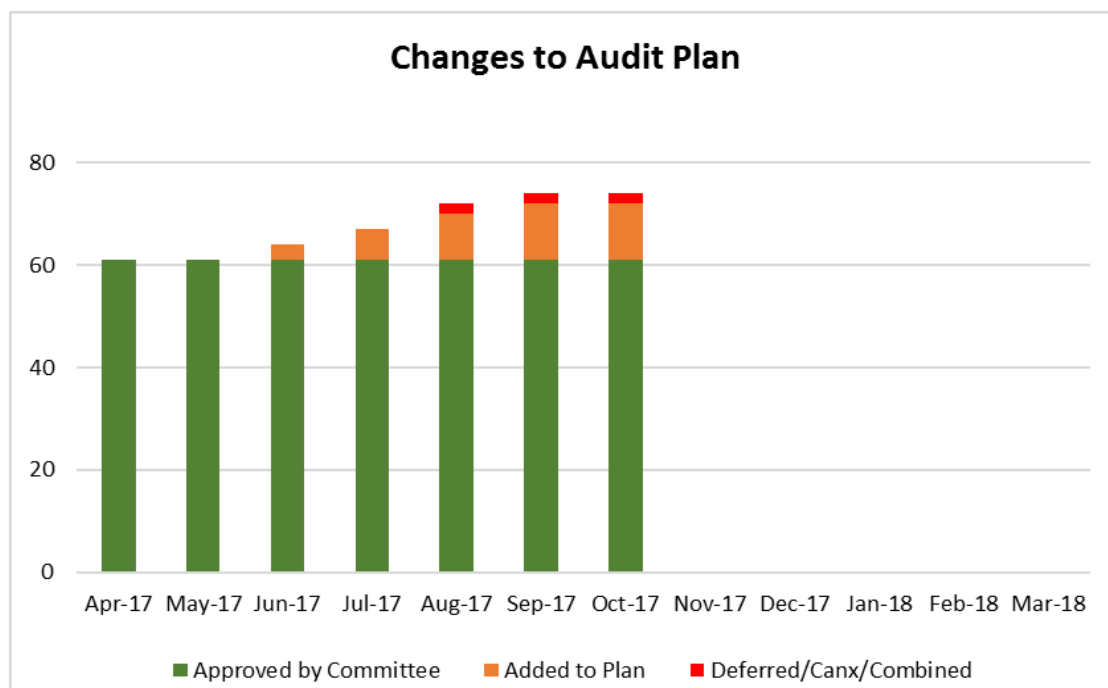


Appendix 1 provides a more detailed summary of the status of each review.

Changes to the 2017/18 Internal Audit Plan

3.5 Since the audit plan was approved by Audit & Risk Management Committee in March 2017, eleven assignments have been added and two have been deferred or cancelled as shown in the chart below. A more detailed analysis is provided in Appendix 2.

Chart 2: Changes to number of assignments in the Internal Audit Plan



Completed Audits

3.6 Fourteen assignments have been completed as detailed in the table below.

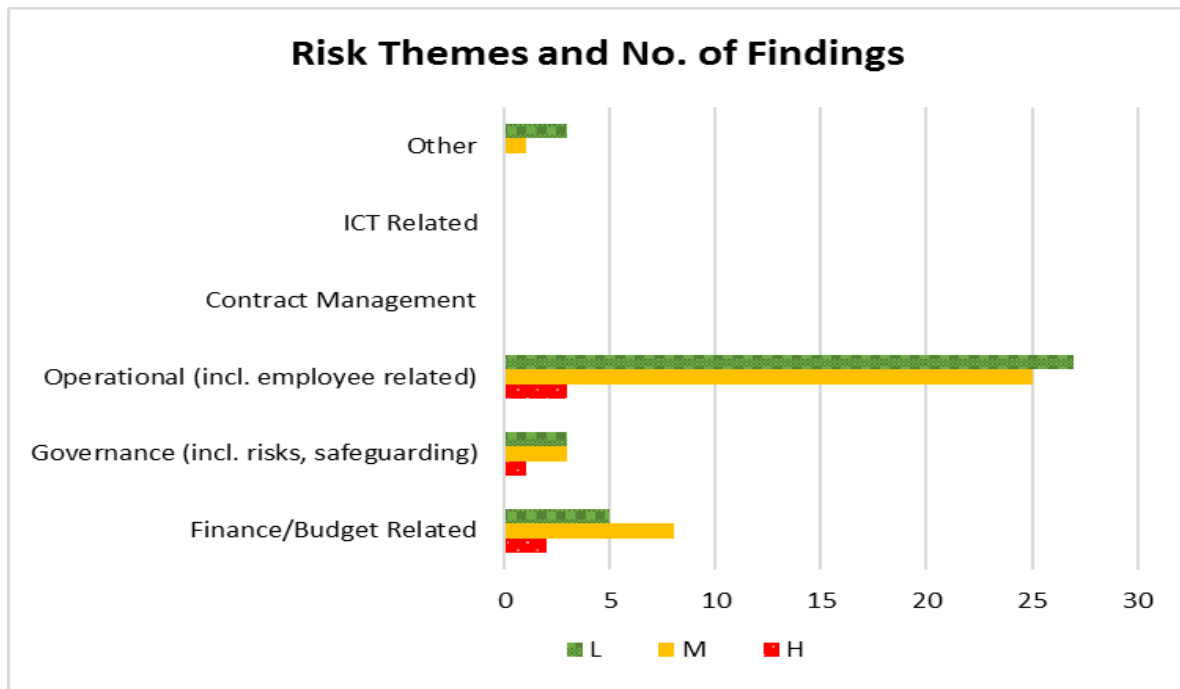
Table 1: Completed Audits

Area	Audit	Assurance Opinion
R&E	Fleet Management & Depot	Reasonable
	Regeneration projects	Limited
FRCS	Deputyship	Reasonable
	Housing Gateway Limited (Audit Plan)	N/A reported to Board
	Housing Innovations (Audit Plan)	N/A reported to Board
	LVHN – Energetik (Audit Plan)	N/A reported to Audit Committee
	Wellbeing Enfield (Audit Plan)	N/A reported to Board
SCHOOLS	Carterhatch Infants	Substantial
	Garfield Primary	Reasonable
	Honilands Primary	Reasonable
	Enfield Secondary Tuition Centre (PRU)	Reasonable
	Our Lady of Lourdes CE Primary	Reasonable
	St Paul's CE Primary	Limited

Area	Audit	Assurance Opinion
	Durants School	Reasonable

The chart below shows the number of findings for different risk themes identified from the completed audits.

Chart 3: Completed Audits - Risk Themes and Number of Findings



Key findings from Limited assurance audits

3.7 Two audits have been completed to date for which we have given a 'Limited' assurance. Details of the key findings are presented in the following paragraphs:

3.8 Regeneration Projects

This review covered the governance structure and financial controls in place for the management of the Meridian Water development programme, including directly contracted land remediation works, and procurement for demolition/renovation of vacant buildings. The review did not consider the capacity or capability of the Council to deliver the programme.

Governance structures were found to be in place to ensure oversight and delegated decision-making throughout the progress of the Meridian Water development. However, there are opportunities to streamline this process and improve the ability of the governance structure to respond to high level issues. Additionally, some reporting templates regarding budget management and project progress were not fully in place; this should be considered in the

context that the master development agreement and supporting master delivery schedules were not yet in place. Both the delivery agreement and schedules should be agreed by January 2018.

The following high risk findings were identified:

- The format and information for budget reporting of the programme was not yet fully clarified and defined.
- The governance structure was cumbersome and may inhibit the ability of the Council to respond to arising issues.

Actions to address the risks identified in the audit have been agreed, with target dates for implementation up to 1 January 2018. In addition a separate review is underway to assess the capacity and capability of the Council to deliver the regeneration programme as a whole.

3.9 St Pauls CE Primary School.

The audit examined the major governance and financial systems within the School to assess compliance with the Scheme for Financing Schools and the Council's Finance Manual for Schools, including the Contract Procedure Rules. We were advised that there had been several changes of senior staff at the school over the last 18 months, including the appointment of a new Headteacher in January 2017.

Two high risk findings were identified relating to the following:

- **Expenditure:** testing identified some instances of orders having been raised retrospectively, insufficient evidence of goods receipting and invoice certification, failure to comply with the schools scheme of delegation and late payment of invoices.
- **Private Fund Records:** testing identified that a monthly reconciliation between the bank balance and the income/expenditure records was not always evident, expenditure on a commercial card linked to the fund was not pre-authorized and card reconciliations were not overseen by the Headteacher, and the audited accounts for 2015/6 had not been presented to the Governing Body for approval.

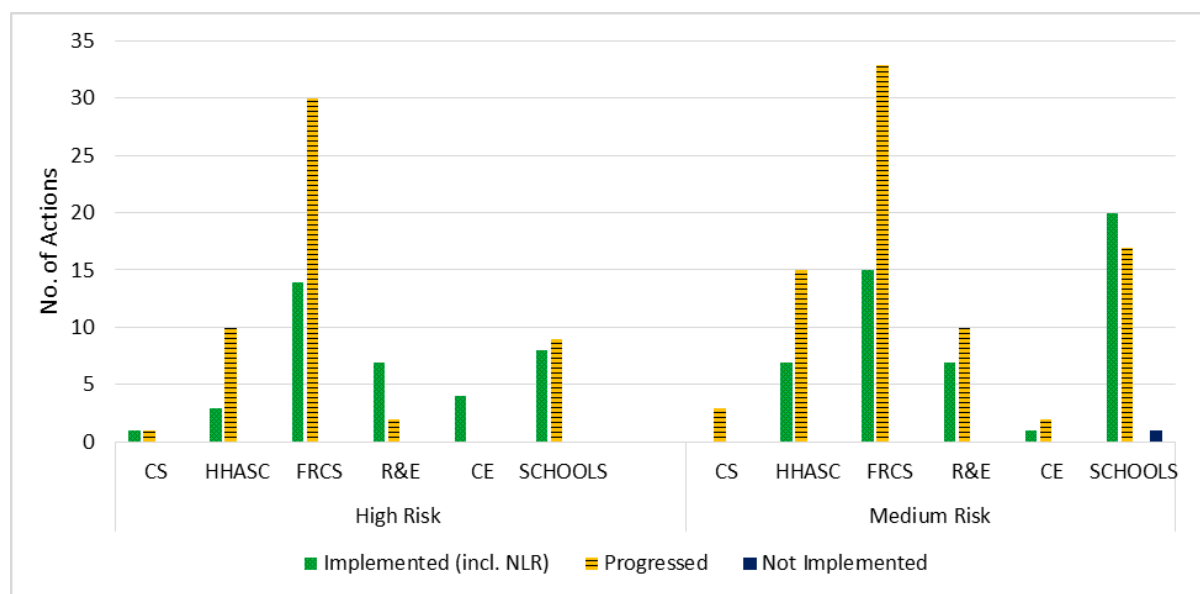
Managers' progress with implementing internal audit recommendations

3.10 The Internal Audit team is responsible for tracking managers' progress with the implementation of internal audit recommendations.

3.11 The results of follow-up work relating to recommendations that were due to be implemented by 1 October 2017 are summarised in the chart below. 220 recommendations, 89 relating to high risk and 131 with medium risk rating, were tracked. Overall, 42% of the high priority recommendations followed up have been fully implemented along with 38% of the medium priority actions.

3.12 This shows an improvement from the last report to Committee members on 28 September 2017 when 34% of high priority and 23% of medium priority actions were implemented.

Chart 4: Progress with implementing management actions



Counter Fraud

3.13 The Counter Fraud team continues to deliver good outcomes. By 30 September 2017, the following had been achieved:

Table 2: Counter Fraud achievements

Investigation type		Annual target	Achieved as at 30 September 2017
Council housing recoveries		75	19 (£342k)
Temporary accommodation recoveries		25	19 (£95k)
Savings*			
Investigation	Council Tax Support		£42,687
	Housing Benefit		£149,265
	Other Fraud		<u>£15,271</u>
	Sub total	£500,000	£207,223
Prevention	Theft		£9,000
	NRPF		£32,800

Investigation type		Annual target	Achieved as at 30 September 2017
	RTB	£450,000	<u>£582,090</u>
	Sub total		£623,890
	Total	£950,000	£831,113

*Savings include 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

Table 3: Counter Fraud savings analysis

	Investigations		Prevention
	Saved for LBE (£)	Saved for DWP (£)	Saved for LBE (£)
Housing Benefit (DWP)		149,265	
Council Tax Support	42,687		
Council Tax Single Person's Discount	2,061		
Benefit Penalties	4,910		
Housing- Unlawful Profits, Decant payments	8,300		
NRPF (£16.4k per case refused)			32,800
RTB (Value of discounts refused)			582,090
Theft			9,000
TOTAL	57,958	149,265	623,890

3.14 Appendix 3 provides a more detailed summary of the Counter Fraud team's activities, including a summary of housing investigation work.

Insurance and Risk Management Service

3.15 The Insurance and Risk Management Team has continued to actively engage with directors and assistant directors across the Council, to promote and facilitate implementation of the Risk Management Strategy.

3.16 As part of the regular review of risk registers, the Service Enabling risk register is presented as a separate report to the October Committee.

Quality Assurance

3.17 The Internal Audit Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to the stakeholders of the Council that Internal Audit:

- Performs its work in accordance with the Internal Audit Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS).
- Operates in an efficient and effective manner.
- Is adding value and continually improving Internal Audit operations.

Internal Quality Assessment

3.18 The performance of the Internal Audit service for 2017/18 to 23 October 2017 is shown in the following table:

Table 4: Internal Audit Quality Assurance Measures

KPI / Quality Metric	Target	Actual (Average)
Days from end of fieldwork to issue of draft report	15	11
Days from issue of draft report to receipt of management comments	15	31*
Days from receipt of management comments to issue of final report	10	8
Level of satisfaction score with audit work	80%	81%
% of the audit plan delivered to draft report stage	95% (by 31 March)	24%

* skewed by reports issued just before the start of school summer holidays

4. ALTERNATIVE OPTIONS CONSIDERED

There are no other options which can be considered as these matters need to be reported to the Audit and Risk Management Committee.

5. REASONS FOR RECOMMENDATIONS

These items are being brought to the attention of the Audit and Risk Management Committee in line with the requirements of the Accounts and Audit Regulations 2011.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

There are no specific financial implications relating to this report. Any financial implications that may arise from the audit reports are such that they will be dealt with as part of the action plans of those reports.

6.2 Legal Implications

The Accounts and Audit (England) Regulations 2011 (“the Regulations”) have established requirements related to systems of internal control and the review and reporting of those systems. The main purpose of the Regulations is to provide for greater accountability, transparency and openness in the provision of information and providing for improved access to accounts by electors, and to encourage consistent standards by requiring proper accounting practices to be followed, and by encouraging authorities to take corporate responsibility for their decisions. This report has been completed as part of the reporting process and in accordance with the above Act and Regulations.

6.3 Property Implications

There are no additional specific property implications that have not already been highlighted within the internal audit reports referred to in this report.

7 KEY RISKS

Any large, complex organisation needs to have a well-established and systematic risk management framework in place to identify and mitigate the many risks it may face. Enfield Council has such a system, and as part of that, individual internal audit reports document the specific risks that arise from the findings of the review. These are addressed by mitigating actions agreed by appropriate managers which are then monitored in accordance with target implementation dates. This report forms a part of that risk management and governance process.

8 IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

An effective Internal Audit and Risk Management service helps to provide assurance over any risks to services and other Council activities that might adversely affect the delivery of high quality, affordable, accessible services to all residents.

8.2 Growth and Sustainability

An effective Internal Audit and Risk Management service will help the Council achieve its objectives in the area of growth and sustainability.

8.3 Strong Communities

An effective Internal Audit and Risk Management service will help the Council achieve its objectives in the area of strong communities.

9 EQUALITIES IMPACT IMPLICATIONS

Corporate advice has been sought in regard to equalities and an agreement has been reached that it is not relevant or proportionate to carry out an equalities impact assessment/analysis for this report.

10 PERFORMANCE MANAGEMENT IMPLICATIONS

An effective internal audit and risk management service is an essential part of the performance management of the Council's services and activities.

11. HEALTH AND SAFETY IMPLICATIONS

There are no direct health and safety implications arising directly from the internal audit and risk management reports.

12. HR IMPLICATIONS

There are no direct HR implications arising from this report.

13. PUBLIC HEALTH IMPLICATIONS

Items summarised in this report do not have a direct impact on the health and well-being of the public in Enfield.

Background Papers

None.

Appendix 1 – 2017/18 Audit Plan Status

Area	Review Title	Current Status	Status compared to target progress @ 23.10.17 (RAG)
CEX	Performance Management	Not yet started	N/A
CEX	Communications and campaigns- Social Media Governance	Fieldwork in progress	Green
CROSS CUTTING	Line management- Staff appraisal process	Fieldwork in progress	Green
CS	Unaccompanied Asylum Seeking Children (Liquid Logic)	Planning	Amber
CS	Schools admissions	Fieldwork in progress	Green
CS	SEN (Special Educational Needs)	Fieldwork in progress	Green
CS	Homeless Families (assessment and placement)	Planning	Green
CS	Troubled Fam. Grant Claim Review Phase 1	Planning	Green
CS	Troubled Fam. Grant Claim Review Phase 2	Planning	Green
CS	Troubled Fam. Grant Claim Review Phase 3	Planning	Green
CS	Safeguarding and Quality Assurance Service	Planning	Green
FRCS	Procurement	Not yet started	N/A
FRCS	LVHN –Energetik (Audit Plan)	Complete	Green
FRCS	Accounts Payable- Neptune system	Planning	Green
FRCS	Mayor's Charity Fund Accounts	Draft report issued	Green
FRCS	Deputyship	Complete	Green
FRCS	Housing Gateway Limited (Audit Plan)	Complete	Green
FRCS	Housing Innovations (Audit Plan)	Complete	Green
FRCS	Independence Wellbeing Enfield (Audit Plan)	Complete	Green
FRCS	General Data Protection Regulations (GDPR) readiness	Fieldwork in progress	Green
FRCS	Corporate Estate	Not yet started	N/A
FRCS	Budgetary control	Planning	Green
FRCS	Continuous Audit Monitoring (CAM) phase 1	Planning	Amber
FRCS	CAM phase 2	Planning	Green
FRCS	IT	Planning	Amber
FRCS	Pensions	Planning	Green
FRCS	Homelessness	Planning	Green
FRCS - NEW	Pensions (Fund/Payroll contrib.)	Cancelled	N/A
HHASC	Safeguarding	Fieldwork in progress	Green
HHASC	Care homes	Not yet started	N/A
HHASC	Assessment and placements	Fieldwork in progress	Green
HHASC	Better Care Fund	Planning	N/A
HHASC	Fees and charges income	Planning	Green
HHASC	Public Health Commissioning	Planning	Green
HHASC - New	Direct Payments	Fieldwork in progress	Green
LATC - New	Financial Management (Trading companies)	Fieldwork in progress	Green
LATC - New	Contract Management (Energetik)	Planning	Green
LATC - New	Income Management (Energetik)	Planning	N/A
LATC - New	Performance Management (HGL)	Not yet started	N/A
R&E	Highway Services	Planning	Green
R&E	Trade Waste	Fieldwork in progress	Green
R&E	Transport services	Not yet started	N/A
R&E	Regeneration projects	Complete	Green

Area	Review Title	Current Status	Status compared to target progress @ 23.10.17 (RAG)
R&E	Fleet Management & Depot	Complete	Green
R&E	Estate Maintenance	Planning	Green
R&E	Business Continuity Management	Fieldwork in progress	Green
R&E	Gangs	Not yet started	N/A
R&E - NEW	Cycle Enfield	Draft report issued	Green
R&E-C. Hsn	Preparedness for changes in government legislation	Planning	N/A
R&E-C. Hsn	Capital Projects - major works	Planning	N/A
R&E-C. Hsn	Leaseholder service charges	Fieldwork in progress	Green
SCHOOLS	Worcesters Primary	Planning	N/A
SCHOOLS	St Johns Primary	Draft report issued	Green
SCHOOLS	Garfield Primary	Complete	Green
SCHOOLS	Alma Primary	Deferred	N/A
SCHOOLS	Honilands Primary	Complete	Green
SCHOOLS	Enfield Secondary Tuition Centre (PRU)	Complete	Green
SCHOOLS	Forty Hill Primary	Planning	Green
SCHOOLS	St Paul's Primary	Complete	Green
SCHOOLS	Carterhatch Infants	Complete	Green
SCHOOLS	Durants Special	Complete	Green
SCHOOLS	Our Lady of Lourdes Primary	Complete	Green
SCHOOLS	St James' Primary	Not yet started	N/A
SCHOOLS	St Mary's Primary	Fieldwork in progress	Green
SCHOOLS	Latymer All Saints Primary	Fieldwork in progress	Green
SCHOOLS	Highfield Primary	Planning	Green
SCHOOLS	Capel Manor Primary	Planning	N/A
SCHOOLS	St Andrew's Enfield Primary	Not yet started	N/A
SCHOOLS - NEW	Houndsfield School - Onsite Follow Up	Planning	N/A
SCHOOLS - NEW	St Matthew's School	Not yet started	N/A
SCHOOLS - NEW	Enfield County Sch - Grant Certification	Not yet started	N/A
SCHOOLS - NEW	Durants Sch - Grant Certification	Not yet started	N/A

Appendix 2 – Changes to the 2017/18 approved internal audit plan

Area	Audit	Change	Explanation
Trading Companies	Financial Management	+1	Identified as high risk from assurance mapping for Energetik and Housing Gateway Ltd
	Contract Management (Energetik)	+1	Identified as high risk from assurance mapping for Energetik
	Income Management (Energetik)	+1	Identified as high risk from assurance mapping for Energetik
	Performance Management (HGL)	+1	Identified as high risk from assurance mapping for Housing Gateway Ltd
HHASC	Direct Payments	+1	Requested by management
R&E	Cycle Enfield	+1	Brought forward from 2016/17 audit plan
SCHOOLS	Houndsfield School - Onsite Follow Up	+1	Requested by management
	St Matthew's School	+1	Requested by management
	Alma Primary	(1)	Requested by management
	Grant Certification – Enfield County School	+1	Requested by school
	Grant Certification – Durants School	+1	Requested by school
FRCS	Pensions (Admitted body contributions)	+1	Management concerns over the accuracy and completeness of contributions from admitted bodies
	Pensions (Admitted body contributions)	(1)	Concerns can be addressed by increasing scope of the audit of pensions already planned.

Appendix 3: Counter Fraud Team – Summary of Outcomes (1 April 2017 – 30 September 2017)

Fraud Type	Current caseload	Outcomes on completed cases 01/04/2017 – 30/09/2017						
		Resignation	Dismissal	Disciplinary	Other *	Prosecution (pending)	No Further Action	Reports issued
Employee fraud	4	1						1
Members								
Misappropriation of client funds	1						1	1
Direct Payments	2				1			
Breach of financial regulations (Schools)	1							1
Schools Admissions								
Confiscation/financial investigation								
Theft	1							1
Procurement	1							1
Fraud	8				1		1	
Local Taxation Fraud	15				20	1		
Proactive exercises	3							
No Recourse to Public Funds	40				3			27
Right to Buy	9				6			57
Totals	85	1	0	0	31	1	2	89

*Other outcomes include:

Category	No. of cases	Outcomes
Local Taxation Fraud	20	16 Council Tax overpayment invoices raised; 3 Council Tax Support Scheme Penalties levied; 1 Single Person Discount removed.
No Recourse to Public Funds	3	2 cases where support not paid/approved; 1 where payments reduced.
Right to Buy	6	6 applications halted.
Direct Payments	1	Direct payments stopped.
Fraud	1	Prevented payment of decant grant (Council Housing)

Housing Investigations summary outcomes (1 April 2017 – 30 September 2017)

Fraud Area	Current Cases	Properties recovered	Recovery Value	Prosecution	Prosecution Value	POCA/Unlawful profit orders
Housing	66	48 28 Council Housing; 20 Temporary Accommodation	£604k	0	N/A	0